**IMMOBILIARE GRANDE DISTRIBUZIONE SOCIETA' DI INVESTIMENTO IMMOBILIARE QUOTATA S.P.A.**

*Registered office in Ravenna (RA), Via Agro Pontino n. 13,*

*Headquarters in Bologna, Via Trattati Comunitari Europei1957-2007 n.13,*

*Tax ID, VAT no. 00397420399 and Ravenna Company Register no. 88573*

*Share capital subscribed and paid-in: EUR 599,760,278.16*

# Half-Year Financial Report

**at 30/06/2016**

# Corporate officers

| Board of Directors | Office | Executive | Non executive | Independent | Chairman Committee | Control and Risk Committee | Compensation and Nominations Committee | Related party Transactions Committee |
|---|---|---|---|---|---|---|---|---|
| Gilberto Coffari | Chairman | x | | | x | | | |
| Fernando Pellegrini | Vice Chairman | | x | | x | | | |
| Claudio Albertini | Chief Executive Officer | x | | | x | | | |
| Aristide Canosani | Director | | x | | | | | |
| Luca Dondi Dall'Orologio | Director | | | x | | | | |
| Elio Gasperoni | Director | | x | | x | | | |
| Leonardo Caporioni | Director | | x | | | | | |
| Lentz Matthew David | Director | | | x | | | | x |
| Elisabetta Gualandri | Director | | | x | | x | x | |
| Milva Carletti | Director | | | x | | | x | |
| Rossella Saoncella | Director | | | x | | x | | x |
| Andrea Parenti | Director | | | x | | | x | x |
| Livia Salvini | Director | | | x | | x | | |

| Board of Statutory Auditors | Office | Standing | Alternate |
|---|---|---|---|
| Anna Maria Allievi | Chairman | X | |
| Roberto Chiusoli | Auditor | X | |
| Pasquina Corsi | Auditor | X | |
| Pierluigi Brandolini | Auditor | | X |
| Isabella Landi | Auditor | | X |
| Andrea Bonechi | Auditor | | X |

## Supervisory board

Fabio Carpanelli (Chairman), Alessandra De Martino, Riccardo Sabadini.

## External auditors

PricewaterhouseCoopers S.p.A.

## Financial reporting officer

Grazia Margherita Piolanti

# 1. THE IGD GROUP'S INTERIM MANAGEMENT STATEMENT

## 1.1. Financial and Economic Highlights at 30 June 2016

### REVENUES

| | |
|---|---|
| •Core business revenues | €67.5 mn (+8.1% vs 30/06/2015) |

### EBITDA

| | |
|---|---|
| •EBITDA (core business) | €46.7 mn (+12.4% vs 30/06/2015) |
| •EBITDA margin (core business) | 69.2% ( +2.6 pts vs 30/06/2015) |
| •EBITDA margin from Freehold | 78.6% |

| | |
|---|---|
| •Group Net Profit | €26.5 mn ( € 20.4 mn at 30/06/2015) |

| | |
|---|---|
| Core business Funds From Operations (FFO) | €27.1 mn (+26.6% vs 30/06/2015) |
| Core business FFO per share | €0.033 |

| | 31/12/2015 | 30/06/2016 |
|---|---|---|
| Net Debt | 984.8 € mn | €1,009.5mn |
| AVERAGE COST OF DEBT* <br> *Net of charges on loan (both recurrent and not) | 3.67% | 3.23% |
| INTEREST COVER RATIO | 2.15X | 2.37X |
| HEDGING ON LONG TERM DEBT+BOND | 91.6% | 95.3% |

EPRA FINANCIAL OCCUPANCY AT 30/06/2016

| | |
|---|---|
| •ITALY | 97.3% (96.8% at 31/12/2015) |
| •ROMANIA | 95.1% (93.9% at 31/12/2015) |

| | |
|---|---|
| •Total portfolio market value | €2,093.6 mn |
| •Loan to Value | 48.2% (vs 47.3% at 31/12/2015) |
| •Gearing (D/E) | 0.96 (vs 0.93 at 31/12/2015) |

| | |
|---|---|
| EPRA NNNAV | 1.22 € (vs €1.25 at 31/12/2015) |

## 1.2. Introduction

The Immobiliare Grande Distribuzione Group's Consolidated Half-Year Financial Report at 30 June 2016 was prepared pursuant to Art. 154-ter of Legislative Decree 58/1998 and in accordance with the valuation criteria and measurements established by the IFRS (International Financial Reporting Standards) adopted by the European Commission as per the procedure established in Art. 6 of EC Regulation n°1606/2002 issued by the European Parliament and the Council on 19 July 2002, and in particular with IAS 34 – Interim Financial Reporting. The Half-Year Financial Report, along with the notes to the accounts, consolidates the income statements and statements of financial position at 30 June 2016 of IGD Siiq S.p.A., IGD Property SIINQ S.p.A., Punta di Ferro SIINQ S.p.A., IGD Management S.r.l., Millennium Gallery S.r.l., Porta Medicea S.r.l., as well as the companies WinMagazin SA and Winmarkt Management S.r.l..

### Alternative performance indicators

This report contains alternative performance indicators with respect to the conventional indicators required of audited financial statements which comply with IAS/IFRS. The alternative performance indicators do stem from financial statements prepared on an IAS/IFRS-compliant basis, but have also been calculated using other sources or alternative methods, where so indicated, which may not comply with the acounting standards used in financial statements subject to financial audit and may not reflect the requirements for reporting, recognition and presentation associated with these standards. The indicators viewed as important to the understanding of the Group's financial statements include like-for-like revenue, core business Ebitda, core business Ebitda margin, FFO, net financial position, interest cover ratio, average cost of debt (net of recurring and non-recurring transaction costs), gearing ratio, Loan to value, net asset value (NAV) and triple net asset value (NNNAV). The methods used to calculate these indicators are described in the Glossary.

## 1.3. The IGD Group

IGD was the first company in Italy to obtain SIIQ (Società di Investimento Immobiliare Quotata or real estate investment trust) status in 2008. As of 1 January 2016 there are now three SIIQ's in Italy, but IGD is the only one focused on the retail segment.

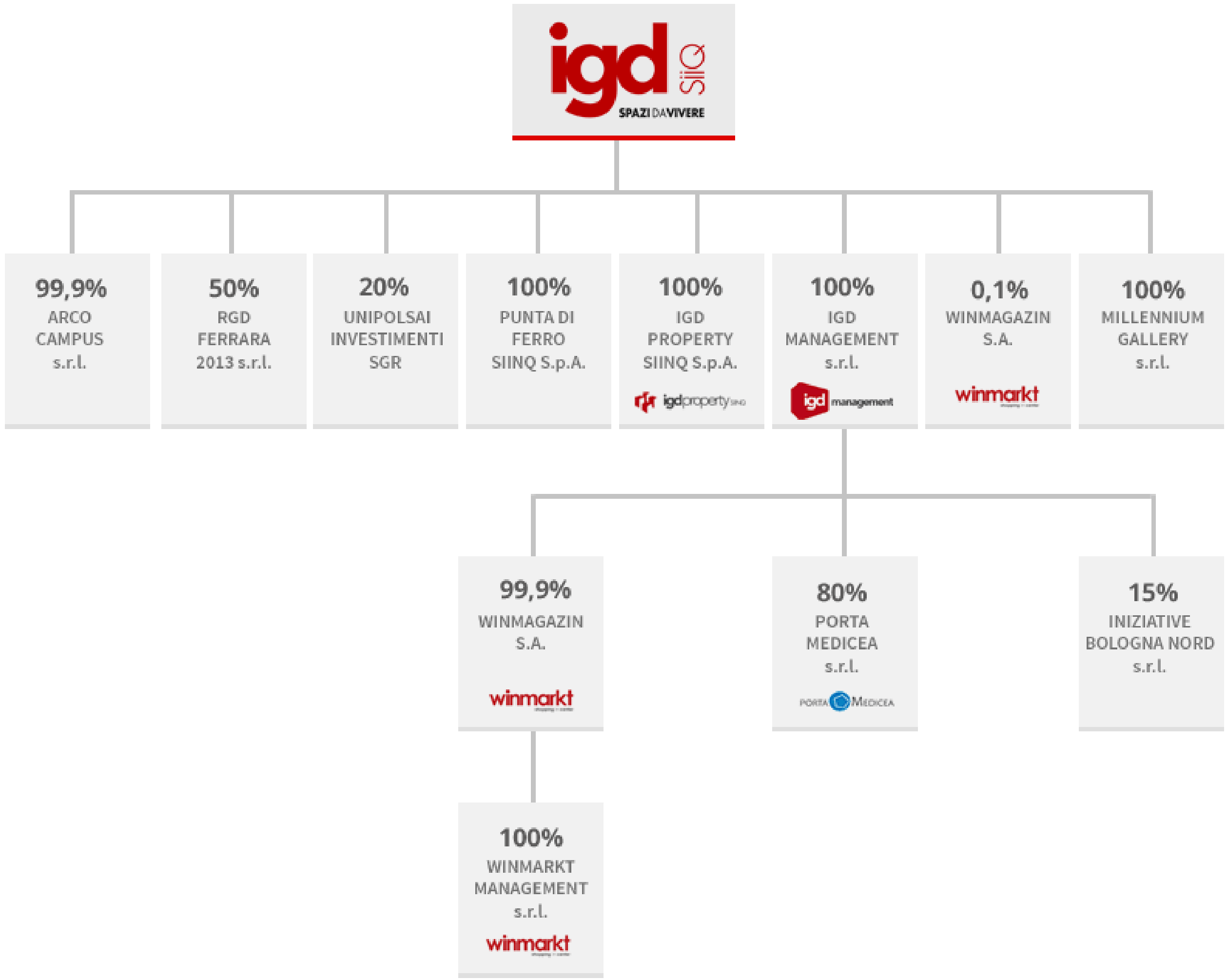
The Group operates primarily in Italy, but is also present in Romania where it owns the Winmarkt chain of department stores through the subsidiary WinMagazin SA.

IGD SIIQ's perimeter of exempt operations includes the freehold assets found in Italy.

As shown below at 30 June 2016, the Parent Company IGD SIIQ SpA also controls:

- 100% of **IGD Management srl** which, in addition to owning the CentroSarca shopping mall in Milan, also holds the majority of the operations which are not included in the SIIQ's scope of consolidation:
    - 99.9% of **WinMagazine SA**, the Romanian subsidiary, through which it controls 100% of **WinMarktManagement srl**, the company responsible for the team of Romanian managers;
    - 80% of **Porta Medicea srl**, responsible for the requalification and real estate development project of Livorno's waterfront;
    - 15% of **Iniziative Bologna Nord** srl, a real estate development company (being liquidated);
    - management of the leasehold properties (Centro Nova and Centro Piave);
    - service activities which include mandates for the management of freehold and leasehold properties.
- 100% of **IGD Property SIINQ SpA**, a real estate company formed on 13 December 2012;
- 100% of **Punta di Ferro SIINQ SpA**, a real estate investment company responsible for the "puntadiferro" mall in Forlì, acquired on 16 December 2015;

- 100% of **Millennium Gallery**, responsible for the Rovereto shopping mall and a business division in the shopping center in Crema;
- 99.9% di **Arco Campus srl,** company dedicated to the construction, leasing and management of properties used for sports, in addition to the development and dissemination of sports;
- 50% of **RGD Ferrara 2013 srl**, dedicated to the management of a business unit in the Darsena City Shopping Center in Ferrara ;
- 20% of **UnipolSai Investimenti SGR S.p.A**., which manages closed-end real estate investment funds reserved for qualified investors.



## 1.4. Income statement review

Uncertainty about the global market conditions increased in the first half of 2016: the weakness of the emerging markets slowed world trade, while the outcome of the Brexit referendum fueled volatility in the international financial markets and concerns about growth prospects worldwide, even though it still hard to assess to what extent Brexit will impact the real economy.[1]

As for the Italian economy, the gradual recovery begun in 2015 continued; **the GDP rose +0.3% in the first quarter of 2016** and indicators show that the **growth should continue in the second half**, albeit at a more contained pace.[2]

The main research institutes agree that the **Italian economy's gradual growth trend should continue** going forward, though at a slower pace than before.

This trend is supported mainly by internal demand and, more specifically, greater **household spending** as a result of increased disposable income (thanks also to the decrease in the price of oil and other energy costs) and higher employment.[3] Exports, which fell due to the slowdown in world trade, however, hindered more robust growth.[4]

The positive signals relative to consumption translated into very satisfying operating results for IGD: **sales of retailers in** Italian malls rose 4.6% in the half (this indicator has now been positive for 2.5 years), and footfalls at 30 June 2016 were also up by **1.3%.**

These solid operating results are also starting to have a positive effect on **renewals**: the average upside reached 2.1% in the first half. The combined effect of these variables also partially impacted **rental income** causing the revenue generated by the Italian portfolio to rise by 8.5% at 30 June 2016 (Like-for-like +2.2%).

Growth is expected to continue at a more robust pace in **Romania,** where the GDP rose 1.5% in the first quarter of 2016[5] and is forecast to grow 4.0% by year-end. The main driver here is also consumer spending which is expected to increase markedly.

From a financial standpoint, this was a very intense half for the Group: a **rating** from Moody's was, in fact, obtained for the first time; also in May, taking advantage of a positive market window and before the volatility expected to be caused by the Brexit referendum, IGD issued a €300 million 5-year bond at 2.5%, continuing along the path to further reduce the cost of debt. The issue had a positive impact on the Group's financial position, extending the maturity of the debt falling due in the next few years and decreasing the exposure to the banking sector, as per the business plan.

As described in greater detail below, all of the above resulted in a **net profit for the Group** of €26.5 million, an increase of 29.9% against 30 June 2015 with **FFO** also rising considerably to €27.1 million (+26.6%).

[1] Source: Centro Studi Confindustria – Economic forecasts n.26, June 2016
[2] Source: Bank of Italy – Economic bulletin n.3, July 2016
[3] Source: Centro Studi Confindustria – Economic forecasts n.26, Giugno 2016
[4] Source: European Commission – European Economic Forecast, May 2016
[5] Source: Raiffeisen Research – Economic overview Romania, July 2016

| €/000 | CONSOLIDATED 30/06/2015 | CONSOLIDATED 30/06/2016 | CONSOLIDATED Δ% | CORE BUSINESS 30/06/2015 | CORE BUSINESS 30/06/2016 | CORE BUSINESS Δ% | PORTA A MARE PROJECT 30/06/2015 | PORTA A MARE PROJECT 30/06/2016 | PORTA A MARE PROJECT Δ% |
|---|---|---|---|---|---|---|---|---|---|
| Revenues from freehold real estate and rental activities | 53,829 | 58,838 | 9.3% | 53,829 | 58,838 | 9.3% | 0 | 0 | n.a. |
| Revenues from leasehold real estate rental activities | 6,078 | 6,146 | 1.1% | 6,078 | 6,146 | 1.1% | 0 | 0 | n.a. |
| **Total revenues from real estate and rental activities** | **59,908** | **64,985** | **8.5%** | **59,908** | **64,985** | **8.5%** | **0** | **0** | **n.a.** |
| Revenues from services | 2,551 | 2,558 | 0.3% | 2,551 | 2,558 | 0.3% | 0 | 0 | n.a. |
| Revenues from trading | 886 | 590 | (33.4)% | 0 | 0 | n.a. | 886 | 590 | (33.4)% |
| OPERATING REVENUES | 63,345 | 68,133 | 7.6% | 62,459 | 67,542 | 8.1% | 886 | 590 | (33.4)% |
| | | | | | | | | | |
| COST OF SALES AND OTHER COSTS | (804) | (577) | (28.3)% | 0 | 0 | n.a. | (804) | (577) | (28.3)% |
| Rents and payable leases | (5,034) | (5,060) | 0.5% | (5,034) | (5,060) | 0.5% | 0 | 0 | n.a. |
| Personnel expenses | (1,922) | (1,940) | 1.0% | (1,922) | (1,940) | 1.0% | 0 | 0 | n.a. |
| Direct costs | (8,783) | (8,568) | (2.5)% | (8,605) | (8,454) | (1.8)% | (178) | (113) | (36.1)% |
| DIRECT COSTS | (15,739) | (15,568) | (1.1)% | (15,561) | (15,455) | (0.7)% | (178) | (113) | (36.1)% |
| GROSS MARGIN | 46,802 | 51,987 | 11.1% | 46,897 | 52,087 | 11.1% | (95) | (100) | 5.2% |
| Headquarters personnel | (3,141) | (3,297) | 5.0% | (3,103) | (3,261) | 5.1% | (39) | (37) | (5.5)% |
| G&A expenses | (2,407) | (2,261) | (6.0)% | (2,214) | (2,085) | (5.8)% | (193) | (176) | (8.6)% |
| G&A EXPENSES | (5,548) | (5,559) | 0.2% | (5,317) | (5,346) | 0.6% | (231) | (213) | (8.1)% |
| EBITDA | 41,254 | 46,429 | 12.5% | 41,581 | 46,742 | 12.4% | (327) | (313) | (4.2)% |
| *Ebitda Margin* | *65.1%* | *68.1%* | | *66.6%* | *69.2%* | | | | |
| Other provisions | (82) | (97) | 19.2% | | | | | | |
| Impairment and FV adjustments | (403) | 358 | n.a. | | | | | | |
| Depreciations | (621) | (558) | (10.2)% | | | | | | |
| DEPRECIATIONS AND IMPAIRMENTS | (1,105) | (297) | (73.2)% | | | | | | |
| EBIT | 40,149 | 46,132 | 14.9% | | | | | | |
| | | | | | | | | | |
| FINANCIAL MANAGEMENT | (20,299) | (19,645) | (3.2)% | | | | | | |
| | | | | | | | | | |
| EXTRAORDINARY MANAGEMENT | (231) | (179) | (22.7)% | | | | | | |
| PRE-TAX PROFIT | 19,619 | 26,308 | 34.1% | | | | | | |
| Taxes | 606 | (139) | n.a. | | | | | | |
| NET PROFIT FOR THE PERIOD | 20,224 | 26,170 | 29.4% | | | | | | |
| (Profit)/Loss for the period related to Third Parties | 186 | 338 | 82.1% | | | | | | |
| GROUP NET PROFIT | 20,410 | 26,508 | 29.9% | | | | | | |

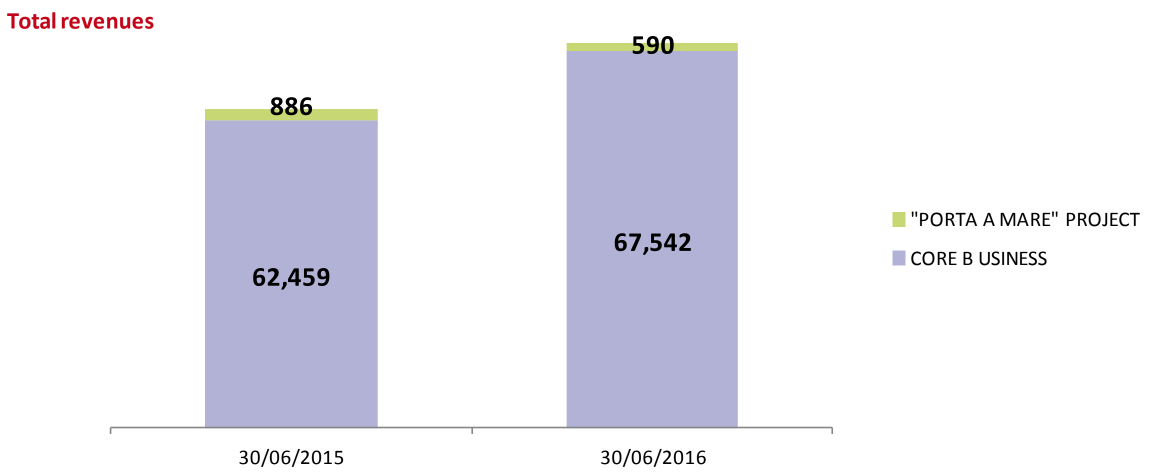
Certain cost and revenue items have been reclassified or offset which explains the difference with respect to the financial statements (please refer to operating segment information). Payroll costs include ancillary expenses.

As of this quarter costs and revenue relative to Palazzo Orlando, part of the Mazzini area of the Porta a Mare project in Livorno, have been reclassified under core business costs and revenue; consequently the figures at 30 June 2015 were also reclassified.

## Revenue

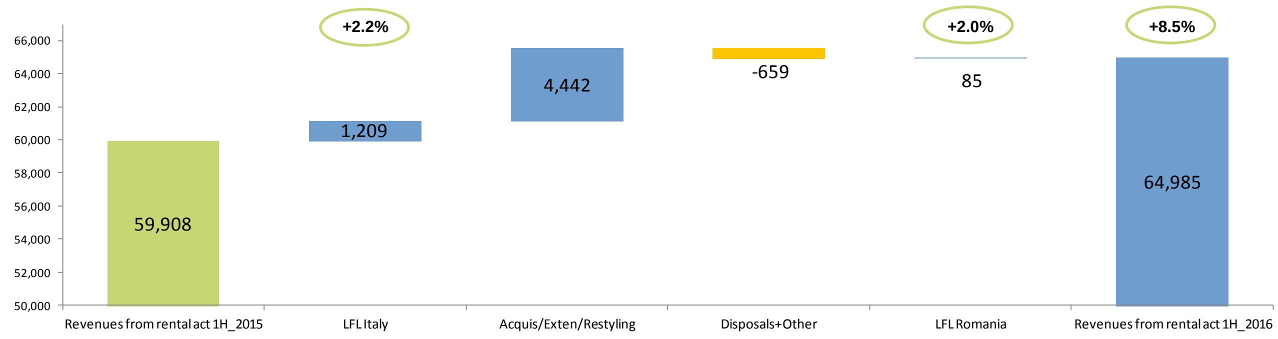
Consolidated operating revenue amounted to €68,133 thousand, an increase of 7.6% against the same period of the prior year.

The core business revenue reached €67,542 thousand, an increase of 8.1%; as for the Porta a Mare project, trading revenue came to €590 thousand.




The breakdown of revenue is described below:

- ✓ The revenue from the rental business rose 8.5% to €64,985 thousand.




The increase of €5,077 thousand is explained:

- for €1,209 thousand (+2.2%), by like-for-like revenue in Italy. Malls were up (+3.4%, above all the recently restyled assets and extensions) and hypermarkets were in line with the prior year. 134 new contracts were signed (95 renewals and 39 turnover) in the period with an **average upside** of **+2.1%**;
- for around €4,442 thousand, by the expanded perimeter which comprises the Clodì Retail Park, opened in May 2015, and the Punta di Ferro mall, acquired in December 2015;
- for around €85 thousand, by higher revenue like-for-like in Romania (+2%), linked to pre-letting and leases renegotiated in the period (125 renewals in the period with an average upside of **1.7%**);
- by a decrease in revenue (-€659 thousand) linked to the sale of the City Center property on via Rizzoli at the end of May 2015 and other minor minori changes.

✓ **Revenue from services** was basically stable (+0.3%): the drop in pilotage revenue (of approximately €60,000), linked primarily to the presence in 2015 of the activities related to the opening of Clodì in Chioggia, was offset by the increase in revenue for Facility Management (which came to €2,422 thousand, an increase of +2.5% due also to a new mandate).

✓ The Porta a Mare project generated **revenue from trading** of €590 thousand as a result of the sale of 2 residential units and 2 parking places.

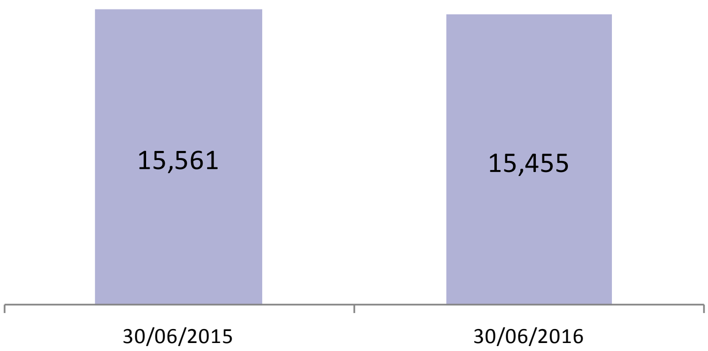
## Cost of goods sold and other expenses

**"Cost of goods sold and other expenses"**, which amounted to €577 thousand, refers to the cost of the units sold of €553 thousand and ancillary sales costs of €24 thousand.

## Direct costs

**Direct costs**, pertaining to the core business and including personnel expenses, amounted to €15,455 thousand, a decrease of 0.7% with respect to the same period of the prior year. Rents payable (€5,060 thousand, +0.5%), direct personnel expenses (€1,940 thousand, +1%) were largely unchanged, as was IMU (despite the expanded perimeter of assets), while condominium fees linked to caps rose slightly and fell for vacancies. Costs were contained for services, namely relative to pilotage, maintenance (including due to insurance refunds received for repairs done) and advertising (explained by the costs linked to the opening of Clodì Retail Park in 2015). The costs pertaining to the core business represent 22.9% of revenue versus 24.9% in the prior year.

## Core business direct costs




**The direct costs for the Porta a Mare project,** which amounted to €113 thousand, consist primarily in the IMU property tax (€73 thousand) and condominium fees.

## Review of margins by business unit

The divisional gross margin rose by 11.1% from the €46,802 thousand posted at 30 June 2015 to €51,987 thousand at 30 June 2016. The table below shows the trend in divisional gross margins by business unit:

| | CONSOLIDATED | | | CORE BUSINESS | | | PORTA A MARE PROJECT | | |
|---|---|---|---|---|---|---|---|---|---|
| €/000 | 30/06/2015 | 30/06/2016 | % | 30/06/2015 | 30/06/2016 | % | 30/06/2015 | 30/06/2016 | % |
| Margin from freehold properties | 45,874 | 50,905 | 11.0% | 45,874 | 50,905 | 11.0% | 0 | 0 | n.a. |
| Margin from leasehold properties | 959 | 1,030 | 7.4% | 959 | 1,030 | 7.4% | 0 | 0 | n.a. |
| Margin from services | 64 | 152 | n.a. | 64 | 152 | n.a. | 0 | (0) | n.a. |
| Margin from trading | (95) | (100) | 4.8% | 0 | 0 | n.a. | (95) | (100) | 4.8% |
| **Gross Margin** | **46,802** | **51,987** | **11.1%** | **46,897** | **52,087** | **11.1%** | **(95)** | **(100)** | **5.2%** |

**SBU 1 - Property leasing - margin from freehold properties:** this margin amounted to €50,905 thousand, versus €45,874 thousand in the same period of the prior year (+11%). In percentage terms, this activity continues to feature a significant margin of 86.5% which is also higher than the prior period (increase in revenue and largely stable costs).

**SBU 1 - Property leasing – margin on leasehold properties:** this margin reached €1,030 thousand. As a percentage of revenue the margin rose significantly from the 15.88% posted in 2015 to 16.8%. This increase is linked primarily to higher revenue and largely stable costs.

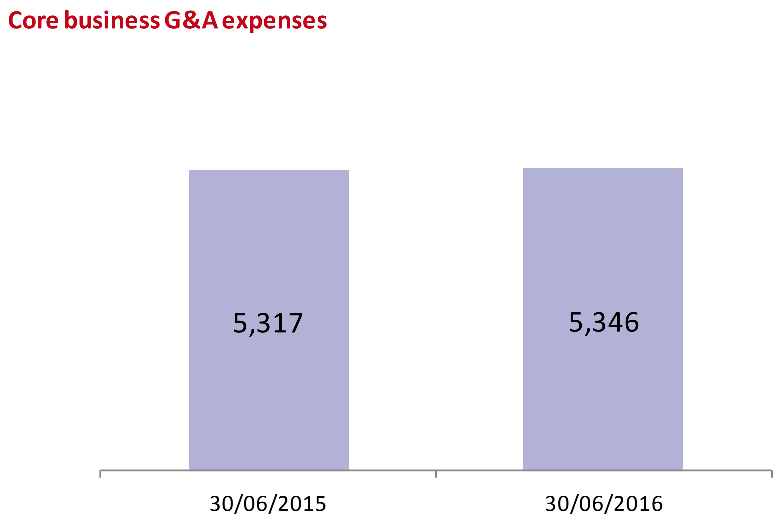
**SBU 2 - Services - margin from service businesses:** the margin from services amounted to €152 thousand and represents 5.9% of service revenue, an increase of 2.5% against the prior year. The increase in this margin is explained by the decrease in pilotage costs.

**SBU 3 – Development and trading – margin from trading:** the margin from the "Porta a Mare" project in Livorno reached €13 thousand, while direct costs (mainly IMU on the portions yet to be developed) resulted in a net negative result of €100 thousand.

## General expenses

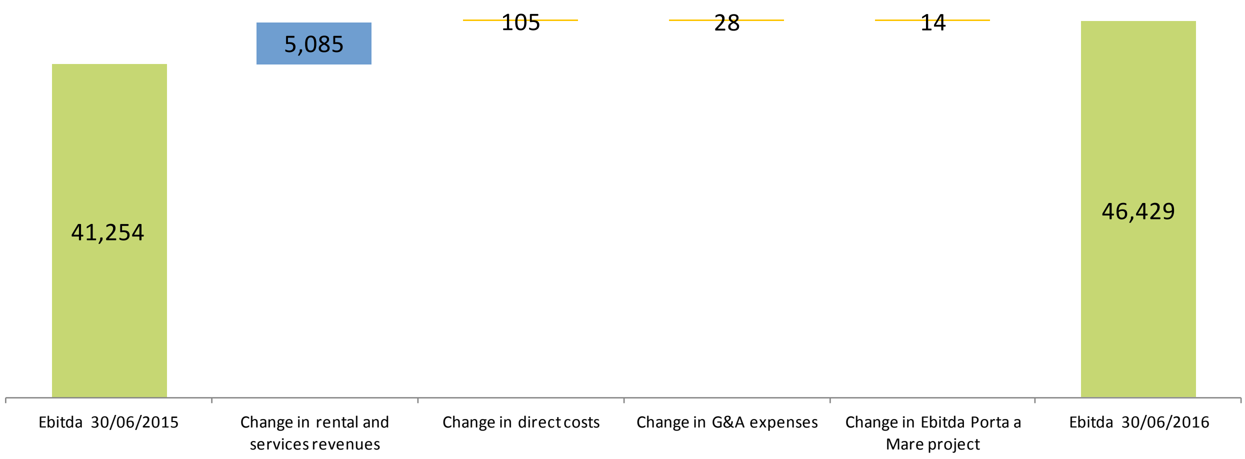
**General expenses for the core business**, including payroll costs at headquarters came to €5,346 thousand, largely unchanged (+0.6%, €29 thousand) against the €5,317 thousand posted in the prior year. Higher payroll costs (one-off costs linked to the renewal of labor contracts and the contractual adjustments that took effect in the period), were offset by the drop of other operating costs. These costs represent 7.9% of core business revenue, down against the 8.5% recorded in the prior year.

**General expenses for the Porta a Mare project** amounted to €213 thousand (including payroll costs), a decrease of 8.1% with respect to the prior year.



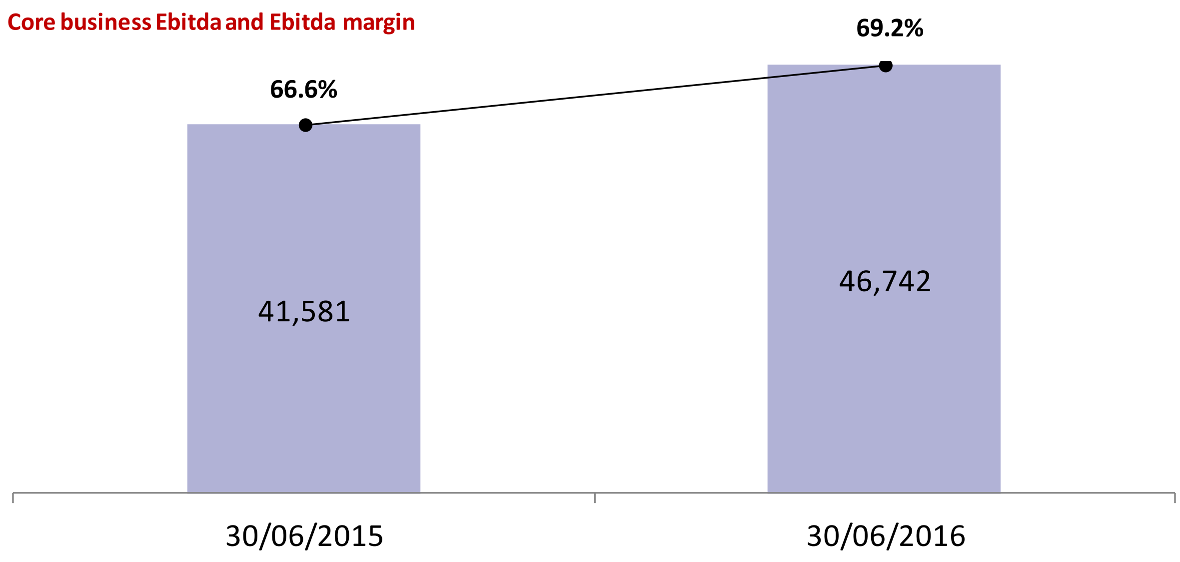

## EBITDA

Core business **EBITDA** amounted to €46,742 thousand in first half 2016, an increase of 12.4% with respect to the same period of the prior year, while total EBITDA rose by 12.5% to €46,429 thousand**.** The changes in the components of total EBITDA during the first six months of 2016 are shown below.



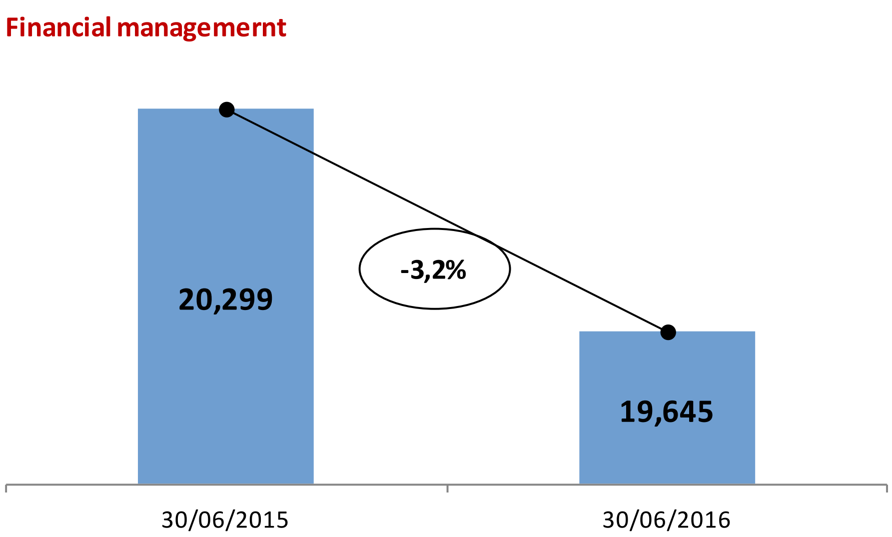

As mentioned above, the EBITDA margin was impacted substantially by the increase in core business revenue (including as a result of the larger perimeter of assets) while the increase in general expenses more than offset the decrease in direct costs.

The core business **EBITDA MARGIN** came in at 69.2%, an increase of 2.6 p.p. with respect to the same period of the prior year due.




## EBIT

**EBIT** amounted to €46,132 thousand, an increase of 14.9% against the same period 2015. In addition to the above mentioned rise in EBITDA, the result reflects the favorable change in amortization, depreciation and write-downs (+€809 thousand), thanks also to write-downs and positive fair value adjustments of €358 thousand versus -€403 thousand in first half 2015.




Financial management fell from the €20,299 thousand posted at 30 June 2015 to €19,645 thousand at 30 June 2016. The decrease, of approximately €654 thousand, is explained primarily by the drop in non-current financial liabilities as a result of early repayment of a few mortgage loans (partial repayment of a mortgage granted by BNP of €29.6 million, Centrobanca - Coné iper, Centrobanca and Banco Popolare di Verona - relating to the subsidiary Porta Medicea) offset by increased drawdowns of short-term credit lines at interest rates that were lower than the rates on the extinguished mortgage loans. The decrease in financial charges is also linked to the lower interest payable on IRS and a drop in financial expenses following completion of the bond swap in April 2015. This decrease was partially offset by the financial costs linked to the €300 million bond issued on 31 May 2016. Following extinction of the above mentioned loans, unamortized transaction costs of around €598 thousand were recognized in the income statement. Financial income at

30 June 2016 shows an increase linked primarily to time deposits of €9 million pertaining to Punta di Ferro which matured on 31 May 2016 and were settled at a rate of 0.60%.

At 30 June 2016, the average cost of debt (without considering recurring and non-recurring transaction costs) was 3.23%, down from the 3.88% recorded in the same period of the previous year, while the weighted average effective cost of debt went from the 4.20% posted at 30 June 2015 to 3.69%.

Please refer to the explanatory notes for additional information (note 9 – Consolidated Financial Statements).

### Non-recurring transactions

The result for the half, -€179 thousand, is attributable to: *(i)* the future sale of the interest in UnipolSai Investimenti Sgr following exercise of the call option granted to UnipolSai Investimenti Sgr; *(ii)* the results posted by equity investments accounted for using the equity method; *(iii)* the purchase price adjustment linked to the sale of the RGD joint venture and the second earn-out paid and *(iii)* the write-down of the loan granted to Iniziative Bologna Nord s.r.l., now in liquidation.

### Taxes

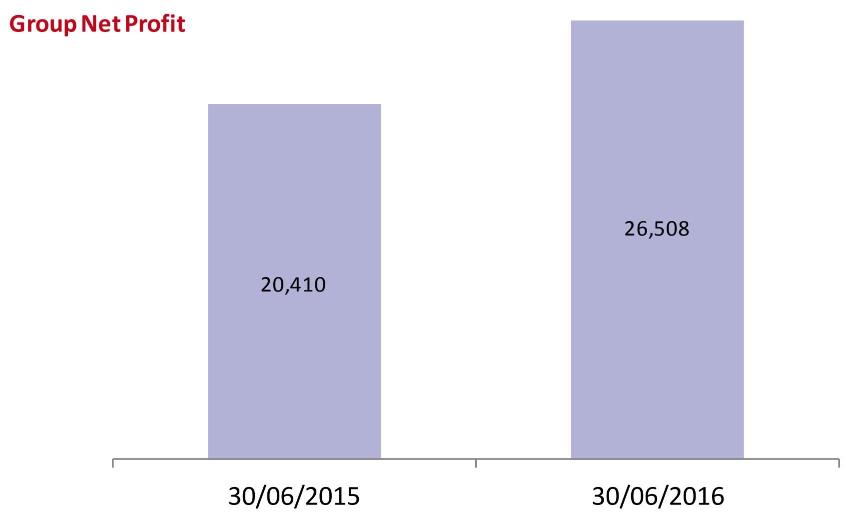
| Income taxes | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Current taxes | 504 | 487 | 17 |
| Deferred tax assets and liabilities | (366) | (1,093) | 727 |
| **Income taxes** | **138** | **(606)** | **744** |

The tax burden, current and deferred, reached €138 thousand at 30 June 2016, an increase of €744 thousand against 30 June 2015.

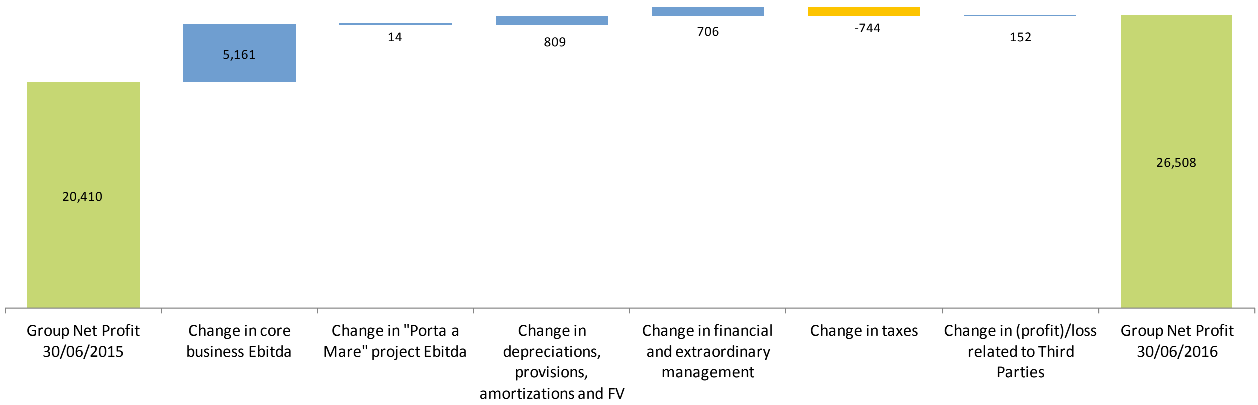
The change is attributable primarily to the adjustment made to deferred tax assets and liabilities in order to align the fair value with the tax assessed value of a few real estate investments as a result of changes in fair value.

### Group net profit

As a result of the above the Group's net profit came to €26,508 thousand, an increase of 29.9% against the €20,410 thousand recorded in first half 2015.

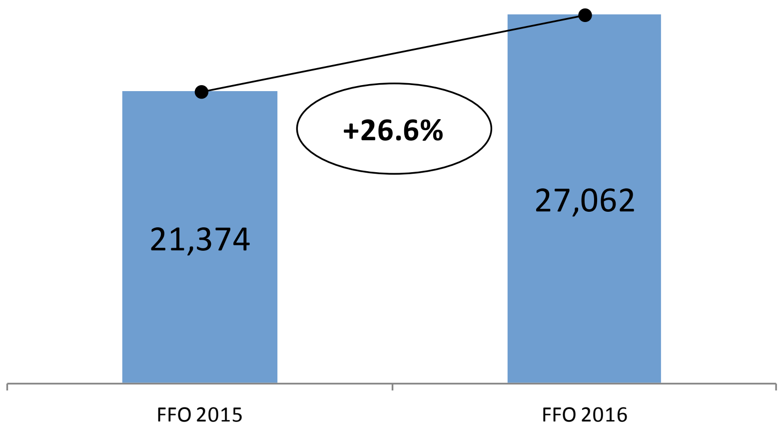



The change in net profit compared to the same period of the prior year is shown below.




## Core business FFO

More significant than the comparison with net profit is the trend in FFO (Funds from Operations), an indicator used widely in the real estate sector (REITs), which measures the cash flow generated by a company's core business.
The figure posted at 30 June 2016 shows a substantial increase of €5,688 thousand or 26.6% with respect to the same period of the prior year explained by the higher Ebitda and lower financial expenses.



## 1.5. Statement of financial position and financial review

The IGD Group's statement of financial position at 30 June 2016 can be summarized as follows:

| | 30/06/2016 | 31/12/2015 | Δ | % |
|---|---|---|---|---|
| Fixed assets | 1,973,998 | 1,970,028 | 3,970 | 0.20% |
| Non-current assets held for sale | 4,466 | 0 | 4,466 | |
| Immobilizzazioni in corso e acconti | 59,179 | 50,533 | 8,646 | 17.11% |
| Intangible assets | 12,732 | 12,736 | (4) | (0.03%) |
| Other tangible assets | 11,407 | 11,899 | (492) | (4.13%) |
| Sundry receivables and other non-current assets | 88 | 90 | (2) | (2.22%) |
| Equity investments | 1,790 | 6,366 | (4,576) | (71.88%) |
| NWC | 54,250 | 51,797 | 2,453 | 4.74% |
| Funds | (6,536) | (6,734) | 198 | (2.94%) |
| Sundry payables and other non-current liabilities | (24,910) | (26,460) | 1,550 | (5.86%) |
| Net deferred tax (assets)/liabilities | (17,740) | (18,247) | 507 | (2.78%) |
| **Total use of funds** | **2,068,724** | **2,052,008** | **16,716** | **0.81%** |
| | | | | |
| Total shareholders' equity | 1,014,010 | 1,022,053 | (8,043) | (0.79%) |
| Non-controlling interests in capital and reserves | 9,812 | 10,150 | (338) | (3.33%) |
| Net (assets) and liabilities for derivative instruments | 35,417 | 34,990 | 427 | 1.22% |
| Net debt | 1,009,485 | 984,815 | 24,670 | 2.51% |
| **Total sources** | **2,068,724** | **2,052,008** | **16,716** | **0.81%** |

The principal changes in the half, compared to 31 December 2015, related to:

- ✓ **Investment property**, which increased by €3,970 thousand, primarily thanks to work done and completed for a total of approximately €2,950 thousand attributable: *(i)* for €976 thousand, to the acquisition of a plot of land and the continuation of the urbanization works at the Retail Park in Chioggia; *(ii)* for around €394 thousand, to the restyling and fit outs, as well as the roof of the multiplex cinema, at the Centro Sarca mall; (iii) for around €285 thousand, to construction works at Esp shopping mall; *(iv)* for around €252 thousand, to fit outs at Città delle Stelle shopping center in Ascoli; *(v)* for €243 thousand, to extraordinary maintenance at a few Romanian shopping centers; *(vi)* for around €273 thousand, to roofing and fit outs at the Mondovì retail park, and *(vii)* for €527 thousand, to other minor projects (the most important of which include the work done at Guidonia, Centro Borgo and Puntadiferro); in addition to the work capitalized in prior years and reclassified under investment property upon completion amounting to €366 thousand (fit outs, multiplex roof and fit outs and Breeam certification at the Centro Sarca mall for €344 thousand and extraordinary maintenance in Romania for €22 thousand ).

  As for fair value adjustments, revaluations and write-downs of investment property reached €23,417 thousand and €22,616 thousand, respectively, with a net positive impact of €801 thousand.
- ✓ **Non-current assets held for sale** which reflects the 20% interest held by IGD in UnipolSai SGR S.p.A., valued at €4,466 thousand following the exercise of the call option held by UnipolSai Investimenti Sgr.
- ✓ **Work in progress and down payments,** a change of €8,646 thousand, as a result of increases linked to:
  - ✓ the addition of approximately €7,909 thousand for investments still in course, including: *(i)* the work done on the roof of the Tiburtino mall for around €198 thousand; *(ii)* continuation of work on Officine Storiche, for a total of approximately €2,952 thousand; *(iii)* the work done on the ESP extension in Ravenna for €4,132 thousand; *(iv)* earthquake protection work at Darsena for around €224 thousand and other minor improvements for €403 thousand, primarily in Romania;
  - ✓ down payments made in the half which totaled approximately €190 thousand;
  - ✓ the €1,758 thousand increase in the fair value of the projects nearing completion (ESP extension in Ravenna and Officine Storiche - Porta a Mare project).

And decreases linked to:

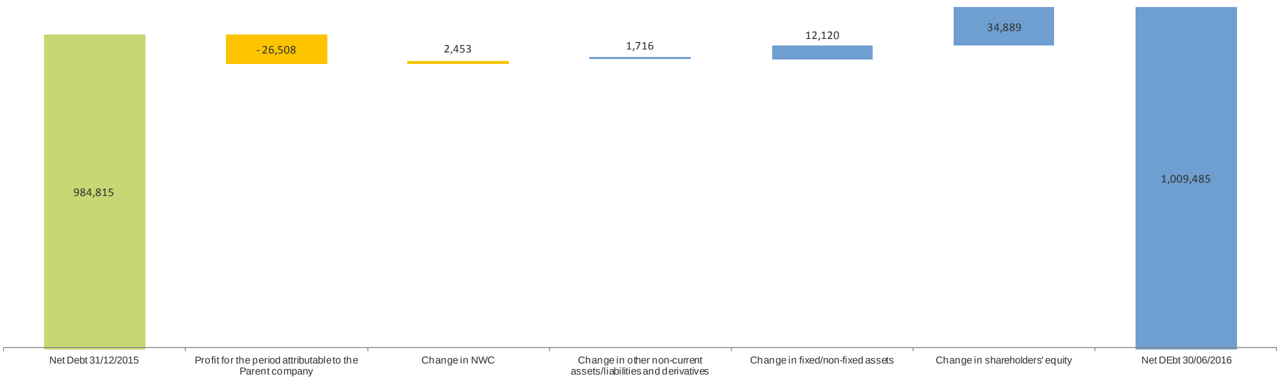
- ✓ for €655 thousand , a drop in down payments due to the progress made on projects underway in the half;
- ✓ for €366 thousand, the reclassification of works completed in the half and recognized as investment property;
- ✓ for €190 thousand, the net impact of the write-down of the Portogrande extension and the Lips-Arsenale project (Porta a Mare), carried at adjusted cost, which were written down to bring their carrying amount in line with the lower of cost and appraised fair value.

- ✓ **Other plant, property and equipment** and **intangible assets changed** in the period due primarily to amortization and depreciation recognized in the period.
- ✓ **Equity investments** dropped by around €4,576 thousand as a result primarily of the classification of the 20% interest in UnipolSai Investimenti SGR S.p.A. under non-current assets held for sale.
- ✓ **Net working capital**, which showed an increase of €2,453 thousand against 31 December 2015 explained primarily by: *(i)* for €6,893 thousand, the decrease in current liabilities due mainly to the advances on invoices made in the prior year but relative to first quarter 2016 by Coop Alleanza 3.0 recognized in the income statement; *(ii)* for €338 thousand, the increase in trade receivables with related parties; *(iii)* for around €1,725 thousand, the increase in other current assets attributable primarily to higher VAT credits and the deferred costs not relative to the quarter. This increase was partially offset by: *(i)* for around €1,454 thousand, the increase in tax liabilities due primarily to the recognition of the withholding on the dividends paid by the Parent Company; *(ii)* for €1,622 thousand, the increase in trade payables with suppliers relating to debt incurred in the period but not yet due; (iii) for €1,152 thousand, the decrease in trade receivables. The drop in working capital is also explained by the work in progress inventory which dropped by €793 thousand in the period as a result of: *(i)* the continuation of the urbanization work mainly on the Officine Storiche for around €1,771 thousand; (ii) the sale of 2 residential units and 2 parking places for a total of approximately €553 thousand, and (iii) a write-down of €2,011 thousand made in the period in order to bring the carrying amount in line with the lower of cost and appraised fair value.
- ✓ **Provisions** increased by €198 thousand due primarily to the payment of variable compensation in the half.
- ✓ **Non-current debt and other liabilities** increased by €1,550 thousand due primarily to the reclassification of the portion of the substitute tax falling due next year;
- ✓ **Net deferred tax assets and liabilities**, went from -€18,247 thousand to -€17,740 thousand which changed primarily as a result of tax misalignments relating to *(i)* adjustments to the fair value of investment properties and projects which are not included in the SIIQ perimeter *(ii)* taxed provisions *(iii)* hedges (IRS).

- ✓ The Group's **net equity** amounted to €1,014,010 thousand at 30 June 2016. The change of -€8,043 thousand is explained primarily by:

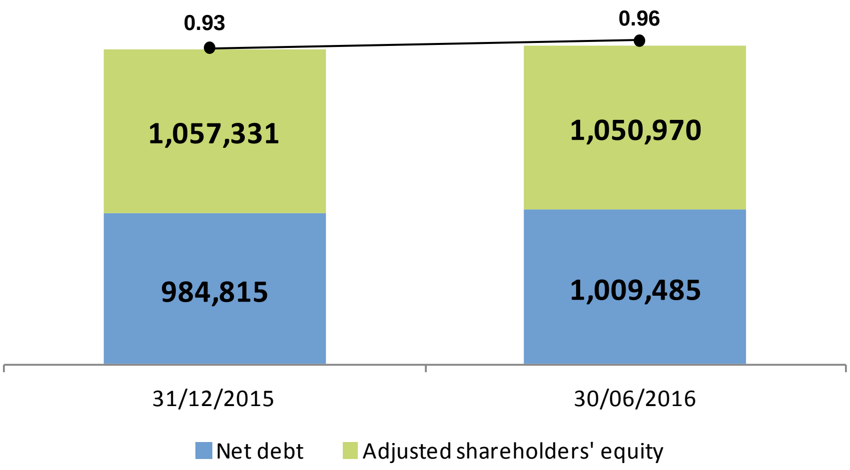
  - ➢ for €32,522 thousand, the distribution of the dividend for 2015;
  - ➢ for approximately -€9 thousand, movements in the translation reserve for the translation of foreign currency financial statements;
  - ➢ adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around -€3,239 thousand for the parent company and around +€1,219 thousand for a subsidiary;
  - ➢ for €26,508 thousand, the profit for the period allocable to the Parent Company.

- ✓ **Non-controlling interests in capital and reserves** fell as a result solely of the non-controlling interests' portion of the loss recorded in the period of €338 thousand.
- ✓ **Net liabilities for derivatives** were slightly higher against the prior year as a result of the fair value measurement of hedging instruments.
- ✓ **Net financial position** at 30/06/2016 was higher against the prior year by around €24,670 thousand. The changes are shown below:




The breakdown of the net financial position is shown below:


The gearing ratio reflects the debt to equity (including non-controlling interests) ratio, but does not include the accounting (non-monetary) effects of the CFH reserves. The ratio came to 0.96 at 30 June 2016, a slight increase against the 0.93 recorded at 31 December 2015.



## EPRA Performance Indicators

The IGD Group decided to report on a few of the EPRA[6] performance indicators in accordance with the recommendations found in in "*EPRA Best Practices Recommendations*"[7].

**EPRA Vacancy Rate:** the portfolio's vacancy rate calculated as the ratio between the estimated market rental value (ERV) of the vacant premises and the ERV of for the whole portfolio. Given the different characteristics of the portfolio and the Italian market with respect to the Romanian one, the vacancy rate was calculated separately for each asset class and for the two countries.

**EPRA Net Asset Value (NAV):** is the fair value of the net assets calculated over the long term and on a going concern basis, based on the equity pertaining to the Group (as shown in the financial statements in accordance with IFRS standards) net of certain assets and liabilities that are not part of normal operations, like the fair value of hedges or the deferred taxes on market appraisals of the properties.

**EPRA Triple Net Asset Value (NNNAV):** is the EPRA NAV adjusted to include the fair values of (i) hedging instruments, (ii) financial debt and (iii) deferred taxes.

**EPRA Cost Ratios:** are ratios aimed at providing a consistent comparison base for a company's main structural and operating costs calculated by expressing operating costs and general overhead, net of management fees and a limited number of other items, as a percentage of gross rental income. There are two EPRA Cost Ratios, one which includes and one which excludesg direct vacancy costs.

**EPRA Earnings:** is a measure of the underlying operating performance of an investment property company net of fair value gains, gains and losses from the sale of investment property and a limited number of other items that are not considered to be part of the company's core business.

The results obtained following application of the EPRA Best Practices Recommendations are summarized below:

| EPRA Performance Measures | | 30/06/2015 | 30/06/2016 |
|---|---|---|---|
| 1) Vacancy Rate | *Italy (malls)* | *5.8%* | *4.0%* |
| | *Italy (hypermarkets)* | *0.0%* | *0.0%* |
| | **Italy** | **3.8%** | **2.7%** |
| | **Romania** | **11.1%** | **4.9%** |
| **2) NAV (per share)** | | **1.33 €** | **1.31 €** |
| **3) NNNAV (per share)** | | **1.23 €** | **1.22 €** |
| **4) Cost Ratios** | **including direct vacancy costs** | **23.8%** | **21.2%** |
| | **excluding direct vacancy costs** | **20.4%** | **18.6%** |
| | | **30/06/2015** | **30/06/2016** |
| **5) Earnings** | **Total (€'000)** | **19,553** | **25,568** |
| | **per share** | **0.03 €** | **0.03 €** |

[6] European Public Real estate Association
[7] Please see www.epra.com

The NAV and NNNAV per share calculations are shown below:

| EPRA | 31-Dec-15 | | 30-Jun-16 | | Δ% |
|---|---|---|---|---|---|
| | €'000 | € p.s. | €'000 | € p.s. | |
| Total number of shares | | 813,045,631 | | 813,045,631 | |
| 1) **Group's shareholders equity** | **1,022,053** | **1.26** | **1,014,010** | **1.25** | **-0.8%** |
| *Excludes:* | | | | | |
| Fair Value of financial instruments | 34,990 | | 35,417 | | 1.2% |
| Deferred taxes | 19,917 | | 19,382 | | -2.7% |
| Goodwill as a results of deferred taxes | | | | | |
| 2) **EPRA NAV** | **1,076,960** | **1.32** | **1,068,809** | **1.31** | **-0.8%** |
| *Includes:* | | | | | |
| Fair Value of financial instruments | (34,990) | | (35,417) | | 1.2% |
| Fair value of debt | (9,560) | | (19,719) | | 106.3% |
| Deferred taxes | (19,917) | | (19,382) | | -2.7% |
| 3) **EPRA NNNAV** | **1,012,492** | **1.25** | **994,291** | **1.22** | **-1.8%** |

The NAV was down against the figure posted at 31 December 2015 due primarily to the change in net equity (see section 2.2.2.).

The NNNAV was down against the prior year due to a change in the fair value of debt, calculated by discounting cash flows at a risk free rate and applying the market spread.

This change is explained by the use of the risk free rate and a spread which were updated to reflect market conditions at 30 June 2016, as well as by a change in the duration and cost of debt.

The Epra Cost Ratios calculation is shown below:

| EPRA Cost Ratios | 31/12/2015 | 30/06/2016 |
|---|---|---|
| **Include:** | | |
| (i) Administrative/operating expense line per IFRS income statement | -41.967 | -21.127 |
| *(ii) Net service charge costs/fees* | 2.173 | 1.228 |
| (iii) Management fees less actual/estimated profit element | 4.561 | 2402 |
| *(iv) Other operating income/recharges intended to cover overhead expenses less any related profits* | 51 | 4 |
| (v) Share of Joint Ventures expenses | | |
| ***Exclude (if part of the above):*** | | |
| *(vi) Investment Property depreciation* | | |
| (vii) Ground rent costs | 10.068 | 5.060 |
| *(viii) Service charge costs recovered through rents but not separately invoiced* | | |
| **EPRA Costs (including direct vacancy costs) (A)** | **-25.114** | **-12.433** |
| *(ix) Direct vacancy costs* | -3.114 | -1.493 |
| **EPRA Costs (excluding direct vacancy costs) (B)** | **-22.000** | **-10.941** |
| *(x) Gross Rental Income less ground rent costs - per IFRS* | 111.074 | 59.924 |
| (xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) (x) | -2.173 | -1.228 |
| *(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)* | | |
| **Gross Rental Income ( C )** | **108.901** | **58.697** |
| **EPRA Cost Ratio (including direct vacancy costs) (A/C)** | **23,1%** | **21,2%** |
| **EPRA Cost Ratio (excluding direct vacancy costs) (B/C)** | **20,2%** | **18,6%** |

The decrease in the EPRA cost ratios is linked to the drop in direct costs and general expenses as a percentage of gross rental income.

The Epra Earnings per share calculation is shown below:

| EPRA Earnings & Earnings Per Share | 30/06/2015 | 30/06/2016 |
|---|---|---|
| **Earnings per IFRS income statement** | **20.410** | **26.508** |
| *EPRA Earnings Adjustments:* | | |
| (i) Changes in value of investment properties, development properties held for investment and other interests | 403 | -358 |
| (ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | 370 | 53 |
| (iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties | -82 | -13 |
| (iv) Tax on profits or losses on disposals | 26 | 4 |
| (v) Negative goodwill / goodwill impairment | 0 | 0 |
| (vi) Changes in fair value of financial instruments and associated close-out costs | 87 | 461 |
| (vii) Acquisition costs on share deals and non-controlling joint venture interests | 0 | 0 |
| (viii) Deferred tax in respect of EPRA adjustments | -1.749 | -1.374 |
| (ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation) | 0 | 0 |
| (x) Non-controlling interests in respect of the above | 90 | 287 |
| **EPRA Earnings** | **19.553** | **25.568** |
| *Company specific adjustments:* | | |
| (a) General provisions and depreciations | 702 | 655 |
| (b) Non-controlling interests in respect of the above | -275 | -626 |
| (c) Tax on profits or losses on disposals | -26 | -4 |
| (d) Contingent tax | -770 | 31 |
| (e) Other deffered tax | 1.426 | 978 |
| (f) Capitalized interests | 0 | 0 |
| (G) Current Tax | 154 | 119 |
| (H) Other Adjstument for no core activities | 609 | 342 |
| **Company specific Adjusted Earnings** | **21.373** | **27.062** |
| **Earnings Per Share** | | |
| Numero azioni | 756.356.289 | 813.045.631 |
| **Earnings Per Share** | **€ 0,03** | **€ 0,03** |

EPRA Earnings is calculated by excluding non-monetary items (write-downs, fair value gains and losses on properties and financial instruments recognized in the income statement, any impairment or revaluations of goodwill), as well as non-recurring items (gains or losses from the disposal of investment properties, profits generated by trading along with current tax, costs relating to the advance repayment of any loans), deferred tax relating to the fair value of properties and financial instruments recognized in the income statement, as well as the portion of these items that pertains to non-controlling interests. The main differences with respect to FFO relate to generic amortization, depreciation and provisions, as well as EPRA adjustments, the non-recurring tax recognized in the income statement and the deferred tax that does not relate to the fair value of properties and financial instruments recognized in the income statement. The figure posted at 30 June 2016 shows a significant increase of €6,976 thousand or +30.7% against the same period of the prior year.

## 1.6. The stock

IGD's shares are traded on the Mercato Telematico Azionario (MTA - screen-based stock market) managed by Borsa Italiana as part of the Super Sector Beni Immobili; IGD is also part of the STAR segment.

Indices in which IGD's stock is also included:

**FTSE All-Share Capped, FTSE Italia All-Share, FTSE Italia Mid Cap, FTSE Italia Finanza**

**FTSE EPRA/NAREIT Global Real Estate Index**

*EPRA: European Public Real Estate Association*

**IEIF Europe, IEIF Eurozone, IEIF Eurozone hors-France, IEIF Europe Continentale, IEIF Italie**

*IEIF: Institut de l'Epargne Immobilière et Foncière*

**FTSE ECPI Italia SRI Benchmark**

The minimum lot is €1.00 and its specialist is Intermonte.

**IGD's stock symbols:**
**RIC: IGD.MI**
**BLOOM: IGD IM**
**ISIN: IT0003745889**

IGD SIIQ SpA 's share capital subscribed and paid-in at 30 June 2016 amounted to €599,760,278.16, broken down into 813,045,631 ordinary shares without a stated par value.

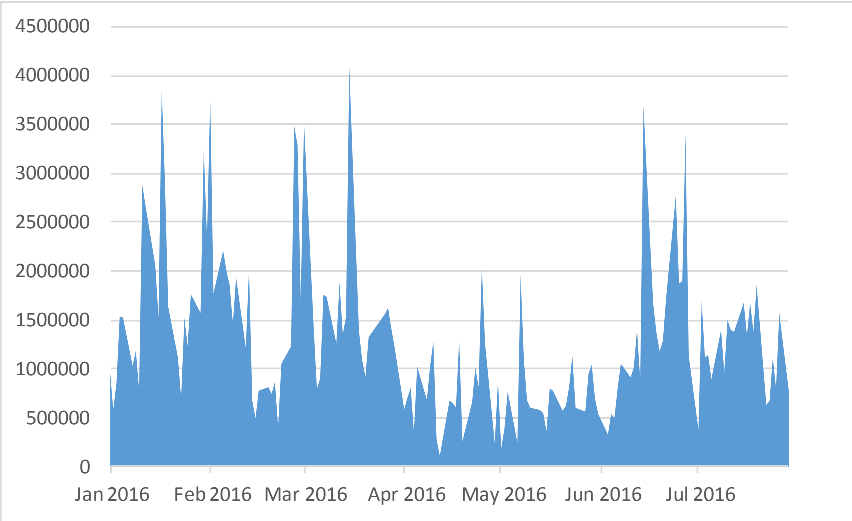
**IGD's stock price (4.1.2016 – 01.08.2016)**


*Source: Italian Stock Exchange data compiled by IGD*

In the first six months of 2016 IGD's stock price fell 17.2% from the €0.887 recorded at 30 December 2015 to €0.734 at 30 June 2016.

IGD's stock price reached its high for the first half of 2016 on 5 January 2016, the first session of the year, of €0.880 and hit the period low of €0.632 on 8 February 2016. The noticeable difference of 35.3% between the period high and the period low is indicative of the strong volatility that characterized stock prices in the period. The average price for the period 4.1.2016 through 30.6.2016 was €0.768.

### Volumes of IGD stock traded (4.1.2016 – 01.08.2016)



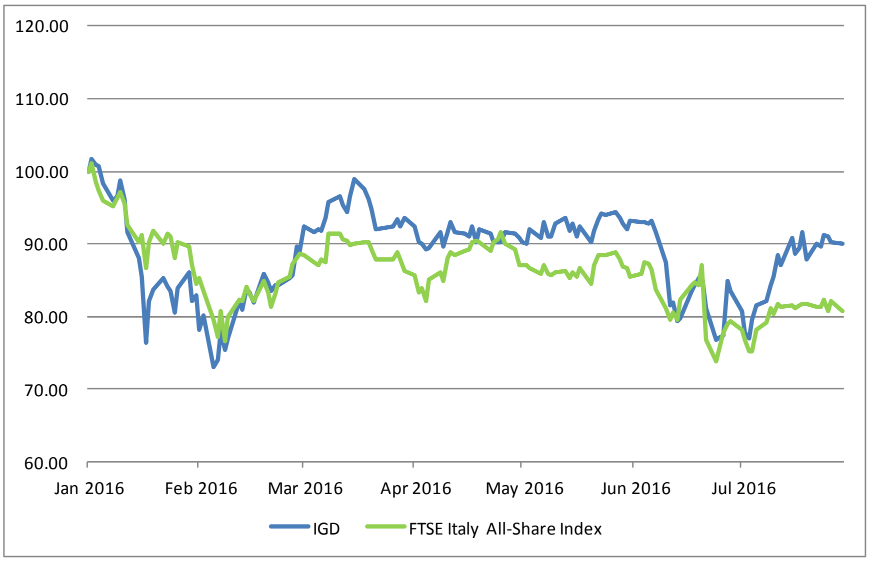

*Source: Italian Stock Exchange data compiled by IGD*

In the first half of 2016, an average of approximately 1.31 million IGD shares were traded each day, down compared to the average of 2.03 million shares traded in the same period 2015, but significantly higher than the average of 967,000 shares traded in the first half of 2014.

The volumes traded in the first half of 2016 (1.31 million shares traded on average per day) was also lower than the full year figure for 2015 (1.73 million shares traded on average per day).

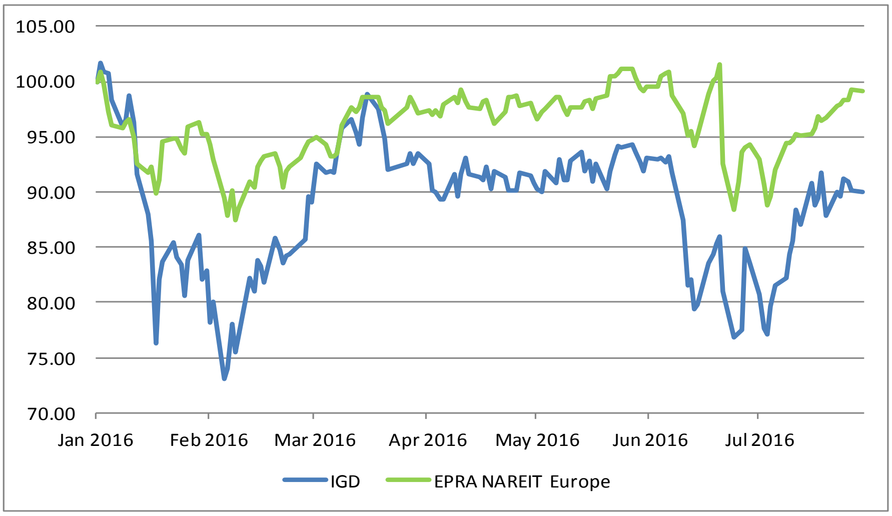
Volumes reached a high for the half of 4.1 million shares on 18 March when the stock price also hit its period high (€0.855) on the back of the favorable reaction to the results for FY 2015 published on 3 March 2016. The next two highs (of 2.8 million shares on 27 June and 3.4 million shares on 30 June) were recorded during a time of great tension on the financial markets, namely the week following the approval of the referendum in the UK to leave the European Union (Brexit). The comparison of IGD with the Italian stock market index (FTSE Italy All-Share Index) shows that the stock outperformed the index in the half, falling 17.2% against year-end 2015 while the index was down by 23.5%. IGD underperformed the European sector index (EPRA NAREIT Europe) which at 30 June 2016 was down 5.2% against year-end 2015.

### IGD's stock vs. the FTSE Italy All-Share Index (base 4.1.2016 = 100)




*Source: Italian Stock Exchange data compiled by IGD*

## IGD's stock price vs. the European real estate sector index (base 4.1.2016 = 100)




*Source: EPRA data compiled by IGD*

Overall, the comparison of IGD's stock price with the two benchmarks shows a significant correlation between IGD's performance and the Italian index in the first part of 2016.

The beginning of 2016 was characterized by generalized weakness across all stock markets and sector indices linked to concerns about the impact that the sudden slowdown in the growth of the Chinese GDP would have on global growth; this dynamic, along with the collapse in oil prices and uncertainty about the next steps that the Federal Reserve would take increased the perceived risk and created an oversold market. In this context, both IGD and the reference indices (FTSE Italy All-Share and EPRA NAREIT Europe) reached their period lows in February 2016. Since the end of March, when bond yields were falling in the wake of encouraging results published for FY 2015, prices recovered markedly.

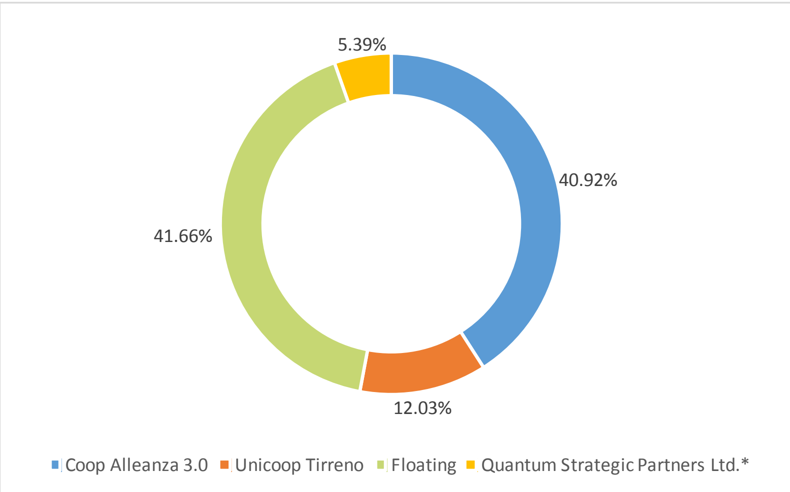
While the European real estate index traded in a range from mid-March 2016 through the eve of the English referendum, in the second half of March 2016 IGD's stock – in line with the Italian index – was influenced significantly by the concerns regarding the non-performing loans of Italian banks, which represent a significant part of the index in terms of capitalization. A topic that, including in light of the outcome of the recent stress tests, continues to influence the performance of the Italian market due to the concerns that complex recapitalizations could be necessary and, more in general, regarding the repercussions that the difficulties of the banks could have on Italy's economic system overall. Moreover, in more recent weeks the Italian stock market was also impacted by growing concerns about political uncertainty that could materialize if the referendum relative to constitutional reforms, which is to be voted on in the fall, is not passed.

The 23 June result of the English referendum had a negative impact on all the financial markets and resulted, above all, in increased short term volatility and a higher equity risk premium. The real estate sector, after a few sessions dominated by initial uncertainty about the post-referendum situation in the UK, proved to be resilient and returned to pre-Brexit levels. IGD's performance at this juncture was more in line with the real estate sector index, than the Italian one, as the stock outperformed the FTSE All-Share Index by an ample margin in July 2016.

Even though in the UK some investors in open end real estate funds sought to redeem their investments, the assets liquidated were quickly absorbed, including in order to take advantage of the weakness of the pound sterling. The outcome of the referendum inevitably resulted in a revision of the estimates for investments in development and growth in rents of companies with the greatest exposure to London; the risk of a profound crisis in the UK does, however, seem to be overcome even if the Bank of England has yet to touch rates. Investors seem, therefore, to believe that a large part of the more cautious growth forecasts are already incorporated in the discount with which real estate equities are trading with respect to NAVs. As it will take some time to accurately assess the repercussions of Brexit, also because it remains to be seen which financial activities will be transferred from London to new financial centers, the valuations of European real estate stocks are now refocusing on the fundamentals of single companies.

IGD, given the brokers' consensus target price of €1.01 at 1 August 2016 and based on the appraisals of the real estate assets at 30 June 2016 which confirmed an EPRA NNNAV per share of €1.2, can also count on very visible elements to support the stock price.

### Main shareholders




*Source: IGD SIIQ SPA's shareholder register*

### Investor relations

In the first part of 2016 Investor Relations carried out its activities in line with the principles of openness and transparency that have always inspired market disclosure.

The rating obtained from Moody's and the subsequent placement of a bond issued have opened a new, important source of dialogue with investors, namely bond roadshows.

At 30 June 2016 IGD was covered by six brokers, four domestic and two international.

In the first part of the year, management organized two conference calls:

- 3 March, to discuss the FY 2015 results;
- 10 May, to discuss the results for first quarter 2016 and the updated Business Plan 2016-2018.

In the first six months of the year IGD's management met more than 70 institutional investors during roadshows in different financial centers, including London, Paris, Frankfurt and Milan.

IGD also participated in two conferences in the first half of 2016:

- the conference organized by Citi held in Miami on 14 and 15 March;
- the STAR Conference organized by Borsa Italiana held in Milan on 15 and 16 March.

A large number of field trips were also organized which made it possible for end investors, brokers and rating agencies to be taken by IGD's management to visit four different freehold shopping centers.

## 1.7. Significant events

### Corporate events

On 5 January 2016, in accordance with and pursuant to Articles 129 and 131, paragraph 4.b, of the Regulations adopted by Consob in resolution n. 11971 of 14 May 1999, the shareholders' agreement stipulated on 9 March 2015 by Coop Alleanza 3.0 and Unicoop Tirreno Company Cooperativa which established a voting block comprised of shares of Immobiliare Grande Distribuzione SIIQ S.p.A. (registered offices in Ravenna, Via Agro Pontino 13, Tax ID and Ravenna Company Register no. 00397420399) ("IGD"), pursuant to Art. 122 paragraphs 1 and 5 A) and B), of Legislative Decree n. 58/1998 (the "Agreement") expired on 31 December 2015.
The Agreement pertained to 430,498,768 ordinary IGD shares (the syndicated shares) of which 385,741,707 shares were bound by a voting block.
Notice of dissolution of the Agreement was also communicated to Consob and on 4 January 2016 was filed with the Ravenna Business Register's office.
On 3 March 2016 the Board of Directors approved the draft separate and consolidated financial statements and resolved to submit a proposed dividend of €0.04 per outstanding share to the AGM for approval.
IGD's Board of Directors also approved the Annual Report on Corporate Governance and Ownership Structure, included in the annual report, as well as the Board of Director's Compensation Report.
Furthermore, based on the proposal of the Nominations and Compensation Committee, the Board of Directors resolved to substitute John William Vojticek, who resigned in November 2015, by co-opting Luca Dondi dall'Orologio to act as an independent non-executive director of the Board of Directors pursuant to Art. 2386 of the Italian Civil Code.
During the Annual General Meeting held on 14 April 2016 IGD's shareholders approved the 2015 Annual Report, as presented during the Board of Directors' meeting of 3 March 2016, and resolved to pay a dividend of €0.04 per share. The dividend was payable as from 25 May 2016 (record date 24 May 2016) with shares going ex-div on 23 May 2016 (detachment of coupon n. 16).
The total dividend paid of €0.040 per share (for a total of €32,521,825.24) comprises:

- ✓ for €0.034875 per share: income and retained earnings generated by exempt operations, subject to the rules for income generated by these operations found in Law n. 296/2006;
- ✓ for €0.005125 per share: capital reserves.

Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 3 March 2016, pursuant to Art. 123-ter of Legislative Decree. 58/98, and renewed the authorization granted to the Board of Directors to buy and sell treasury shares, on one or more occasions for up to the maximum allowed under the law.
Shareholders also confirmed the appointment of Luca Dondi Dall'Orologio as an independent non-executive director who will remain in office through the end of the current Board of Directors' term, namely through the AGM called to approve the financial statements for the year ending 31 December 2017.

On 10 May the Board of Directors approved the new Business Plan 2016-2018.

### Investments

During the half the IGD Group continued with development of new properties (Porta a Mare), as well as extensions (ESP) and extraordinary maintenance. The main investments are described below:

#### "Porta a Mare" Project

Work on the Officine Storiche area (residential) continued in the quarter for a total of around €1,771 thousand.

Work on the retail portion amounted to approximately €2,952 thousand and was done, primarily, on the Officine area which is expected to be completed by second half 2018.


## ESP extension

Structural and construction work started in the half for a total of around €4,132 thousand.  The extension is expected to be opened in first half 2017.


## Other

In 2016 work was completed on: the restyling, fit outs, as well as the remodeling of the multiplex cinema roof, at Centro Sarca  for approximately €394 thousand; the mall in the ESP shopping center for around €285 thousand; fit outs at the Città delle Stelle Shopping Center in Ascoli, for around €252 thousand; extraordinary maintenance at a few Romanian centers for €243 thousand; the roof at the retail park in Mondovì for around  €273 thousand and along with €527 thousand in other minor improvements (the most important at Guidonia, Centro Borgo and PuntadiFerro), in addition to the purchase of a plot of land and continuation of the urbanization work at the Retail Park in Chioggia for  €976 thousand. Extraordinary maintenance continued, and is still underway, for a total of approximately €825 thousand (including the work done on the Tiburtino mall for around €198 thousand and the earthquake protection work at Darsena for around €224 thousand).

The investments made at 30 June 2016 are shown below:

| | Jun-16<br>Euro/mln |
|---|---|
| **Real estate investments** | **2.95** |
| **Assets under construction** | **7.91** |
| **Intangible fixed assets** | **0.01** |
| **Other tangible fixed assets** | **0.07** |
| | |
| **Total investments in fixed assets** | **10.94** |
| | |
| **Inventories of work in progress Porta a Mare project** | **1.77** |
| | |
| **Total investments** | **12.71** |

## Commercial agreements

### Grosseto

Pre-letting of the mall that will be found inside the shopping center currently being built in Grossetto, for which a preliminary sales agreement was signed in the prior year, is coming to a close. The new shopping mall will cover a gross leasable area (GLA) of approximately 17,050 $m^2$, house 45 stores, 6 of which midsize.

The Center is expected to be opened in November 2016.

### Solar energy

On 13 May IGD, along with *Consorzi dei Proprietari*, signed an agreement with Elettra Investimenti S.p.A. based on which three PV systems will be installed for a total capacity of 1.4 MWp at three different shopping centers: Katanè in Catania, La Torre in Palermo and Le Maioliche in Faenza. The three systems will be installed in 2016 following the direct investment of Alea Energia S.p.A., a Gruppo Elettra Investimenti company, a subsidiary of which (EPC Alea Quotidia S.p.A.) will install the rooftop solar energy facilities which will then be leased to the shopping centers for 15 years

## Sustainability

The Board of Directors approved the 2015 Corporate Sustainability Report on 7 April 2016.

In June CentroSarca received Breeam environmental certification and became one of the first existing shopping centers in Italy to receive it.

## Loans

On 10 February 2016, the Company entered into Forward Starting Interest Rate Swap agreements with different banks at a rate of 0.119% for a total notional amount of €300 million in order to hedge interest rate risk related to the highly probable future issue of a €300 million bond loan. This transaction was closed on 31 May 2016 and resulted in a decrease in the Cash Flow Hedge reserve of €1,659 thousand.

On 22 March 2016 the Company used short-term credit lines granted at a rate of 0.3% to extinguish a mortgage loan granted by Banca Popolare di Verona relating to Piazza Mazzini which originally expired on 25 July 2026. The early termination of the loan made it possible to free Mazzini residential and the parking area from the mortgage lien.

On 17 May 2016 the rating agency Moody's assigned a provisional first-time long-term issuer rating of "(P)Baa3" with a stable outlook to the Company which was converted into definitive on 15 June after completion of the bond issue.

On 25 May IGD completed the placement with qualified investors of the €300 million unsecured and non-convertible bond approved by the Board of Directors on 17 May 2016.
The newly issued bond has the following chacteristics:
- nominal value of €100,000 each and multiples of €1,000 up to a maximum amount of €199,000;
- duration of 5 years and expiring on 31 May 2021;
- gross coupon of 2.50%;
- issue price of 99.93.

The notes settled on 31 May 2016 and will be listed on the Irish Stock Exchange.
The purpose of the issue is to partially refinance existing debt, as well as finance general corporate transactions, including the financing of possible investments to be made in the future by the Company.

On 26 May 2016 the company exercised the right to partial withdrawal relative to the loan granted by BNP Paribas, for a total cash-out of € 29.6 million.

On 1 June 2016 the Company was granted two new 3-year Commited Revolving Crediti Facilities for a total of €60 milion.

On 27 June 2016 the Company exercised the term out option on the loan granted by BNL Rimini, extending the maturity for an additional 60 months or through 6 July 2021.

## 1.8. The Real Estate Portfolio

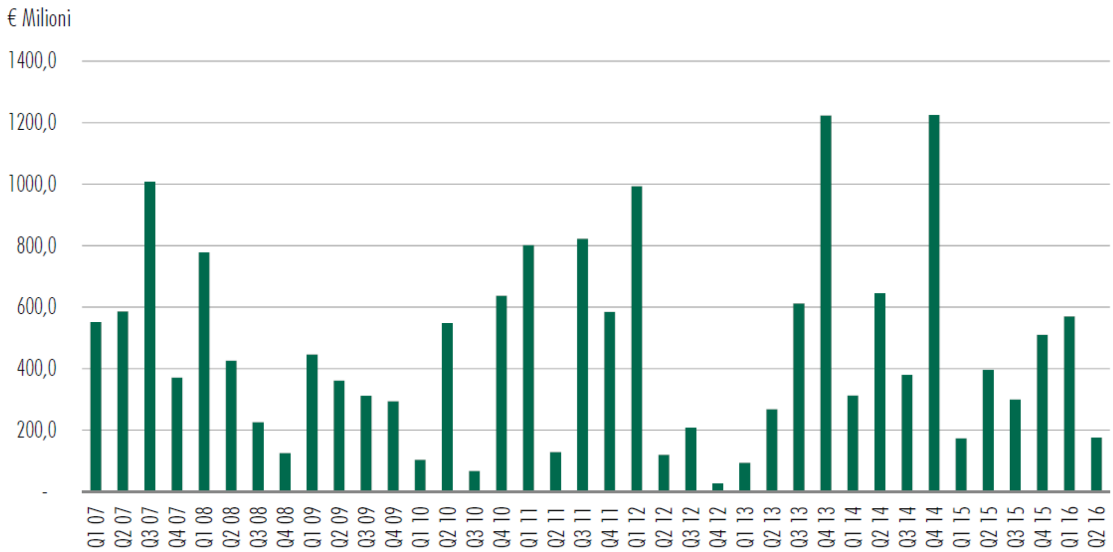
For a better understanding of the performance of the IGD SIIQ SPA Group's real estate portfolio, below is a brief description of the trends in the Italian and Romanian real estate markets for the first half of 2016.

*The Italian real estate market*

In the first half of 2016 the moderate recovery of the Italian real estate market slowed to the extent that investments in second quarter 2016 were lower than in first quarter, though the total investments in the half reached approximately €700 million, outpacing first half 2015 by more than 20%.

The slowdown is attributable more to stalled negotiations linked to the uncertain environment (connected to Brexit, the European economic situation, difficulties of the Italian banking system) than to a decline of the interest in Italian properties. A discrete number of preliminary agreements were, however, signed in the half and estimates indicate that negotiations relative to an additional €700 million could close by year-end.

Retail investments in Italy (source CBRE)




Yields in the first half were in line with the prior period across all retail sectors, though market volatility could cause the pricing differential between prime/super prime and good secondary to widen once again after the noticeable contraction recorded in the latest reporting periods:

| Rendimenti (%) | Q1 15 | Q2 15 | Q3 15 | Q4 15 | Q1 16 | Q2 16 |
|---|---|---|---|---|---|---|
| High Street Prime | 4,25 | 4,00 | 4,00 | 3,50 | 3,50 | 3,50 |
| High Street Secondary | 6,50 | 5,75 | 5,75 | 5,00 | 5,00 | 5,00 |
| Shopping Centre Prime | 5,75 | 5,50 | 5,50 | 5,00 | 5,00 | 5,00 |
| SC Good Secondary | 7,00 | 6,50 | 6,50 | 6,00 | 6,00 | 6,00 |
| Retail Park Prime | 7,75 | 7,00 | 7,00 | 6,00 | 6,00 | 6,00 |
| Retail Park Good Secondary | 8,50 | 7,75 | 7,50 | 7,25 | 7,00 | 7,00 |

(Source: CBRE)

The most important retail real estate investments in first half 2016 are shown below (Source: Savills):

| Deal | Location | Type | Value approx. €mn | Buyer | Seller |
|---|---|---|---|---|---|
| **Single Asset Deals** | | | | | |
| CC Collestrada | Perugia | Shopping Centre | 100 | Eurocommercial | Farbrica SGR |
| I Petali | Reggio Emilia | Shopping Centre | 86 | Ytikehau IM | Cbre Global Investors |
| Meraville RP | Bologna | Retail Park | 105 | TH Henderson | Orion Capital Managers |
| Meridiana | Bologna | Shopping Centre | 53 | Benson Eliot | Pramerica RE |
| Development | | | | | |
| Valle Aurelia | Roma | Shopping Centre | 50 | Orion Capital Managers | Multi Development |

*The stock and the retail sector pipeline*

After the opening in first half 2016 of the "Il Centro" Shopping Center in Arese, which has a GLA of around 90,000 m$^2$, an estimated 387,000 m$^2$ GLA retail is still under construction and is expected to be completed in 2016.

If we look at the openings slotted for 2017-2018, there is an estimated 570,000 GLA under construction along with approximately 80,000 m$^2$ GLA in extensions of existing shopping centers.

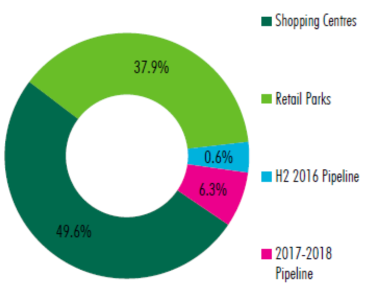
Retailers continue to be actively interested in the Italian market. The opening of the first Primark in the shopping center in Arese (outside Milan) will be followed by the English chain dedicated to Japanese cooking, Wagamama, which is expected to make its debut over the next few months, confirmation of the ever growing importance of f&b in shopping centers.

Rents, after a slight recovery in first quarter 2016, were stable in the second quarter.

*ROMANIA*

In the first half of 2016, retail stock in Romania increased by 93,500 m$^2$ GLA, bringing the total GLA to 3.29 million m$^2$. New GLA of around 150,000 m$^2$ is expected to be added in the second half of 2016. If we consider all the openings in the pipeline, the total stock should reach approximately 3.7 million m$^2$ GLA by year-end 2018. The new developments are concentrated in Romania's biggest cities like Bucharest, the capital, Brasov and Timisoara, but also in the smaller cities like Piatra Neamt and Satu Mare. Mercur Craiova, which has a GLA of 20,000 m$^2$, was the only new opening in the half; the remaining m$^2$ of new GLA reported in first half 2016 related to extensions of existing shopping centers.

Chart 2: Modern stock per retail format as of H1 2016, including pipeline 2016 - 2017




Source: CBRE Research, Q2 2016

Average yields for prime shopping centers were stable in the first half at 7.25%, as was the average rent which was unchanged at €60/ m$^2$.

Thanks to the ability to attract consumers, the prime shopping centers in Romania continued to be preferred by tenants over high street and for this reason average rents for high street locations fell to levels below €50/m$^2$.

A study done by CBRE found that sales for the main brands in the Romanian market grew considerably in 2015 vs 2014 as shown below:

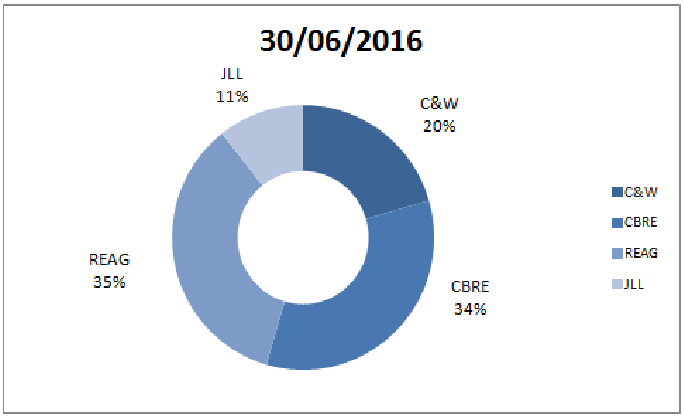
| Brand | Turnover Increase YoY (2015 vs 2014) |
|---|---|
| Zara | 23% |
| Bershka | 19% |
| Stradivarius | 19% |
| Pull&Bear | 14% |
| Massimo Dutti | 9,5% |
| Oysho | 17% |
| Zara Home | 11% |
| H&M | 26% |
| P&C | 6% |
| C&A | 14% |
| McDonalds | 18% |
| KFC | 26% |

Source: CBRE Research, Q2 2016, based on Ministry of Finance website

As internal consumption is one of the main drivers of GDP growth, we expect sales to continue at current levels for the rest of 2016.

## FREEHOLD ASSETS

The IGD SIIQ SPA Group's real estate portfolio comprises primarily commercial retail properties, the majority of which already generate revenue in Italy and Romania. The remaining properties are assets under construction solely in Italy.
At 30.06.2016 in addition to CBRE Valuation S.p.A. (CBRE), Real Estate Advisory Group S.p.A. (REAG) and Cushman & Wakefield), the IGD Group's real estate portfolio was also appraised by Jong Lang LaSalle (JLL). When the new independent appraiser was engaged, the assets were rotated amongst the existing appraisers.
The breakdown of the appraisals done by the independent experts by percentage of the IGD Group's portfolio at 30 June 2016 is shown below:



The fees paid at 30 June 2016 to the independent experts are shown below:

| Fees at 30 June 2016 | | €/thousands |
|---|---|---|
| CBRE Valuation SPA | Fees for appraisals | 75.0 |
| | Other compensation | 0.0 |
| | **Total compensation** | **75.0** |
| REAG Advisory Group Spa | Fees for appraisals | 91.7 |
| | Other compensation | 88.7 |
| | **Total compensation** | **180.4** |
| Cushman&Wakefield | Fees for appraisals | 37.3 |
| | Other compensation | 0.0 |
| | **Total compensation** | **37.3** |
| Jones Lang LaSalle | Fees for appraisals | 18.0 |
| | Other compensation | 0.0 |
| | **Total compensation** | **18.0** |

Based on the appraisals at 30 June 2016, the fair value of the IGD SIIQ SPA Group's real estate portfolio came to around €2,094 million.

The asset classes comprising the Group's real estate portfolio at 30 June 2016 are described below:

- ✓ "Hyper and super": 25 properties with a total GLA of about 270,000 $m^2$, found in 8 regions in Italy;
- ✓ "Malls and retail parks", 21 properties with a total GLA of about 314,000 $m^2$, found in 10 regions in Italy ;
- ✓ "City center", commercial properties located along the main shopping streets of urban centers. At 30 June 2016 this asset class comprised the Piastra Mazzini retail complex in Livorno which has a GLA of about 7,500 $m^2$;
- ✓ "Other": six mixed use properties which are part of freehold shopping centers or office units with a total GLA of about 3,150 $m^2$ The wholesale area of the Malatesta center was reclassified under Hyper/Super following the merger with the Malatesta hypermarket;
- ✓ Porta a Mare Project", a mixed-use real estate complex under construction covering an area of approximately 60,350 $m^2$ located near Livorno's waterfront ";
- ✓ "Development projects", 2 areas found near the ESP center and the Porto Grande center which are to be used for future extensions of approximately 23,800 $m^2$ GLA;
- ✓ "Winmarkt" a portfolio of 14 properties used primarily for retail purposes, and an office building, found throughout Romania covering a total area of approximately 92,106 m2. The properties belonging to this asset class are centrally located in thirteen of Romania's largest cities, but none are found in the capital, Bucharest.

## ANALYSIS OF THE FREEHOLD ASSETS

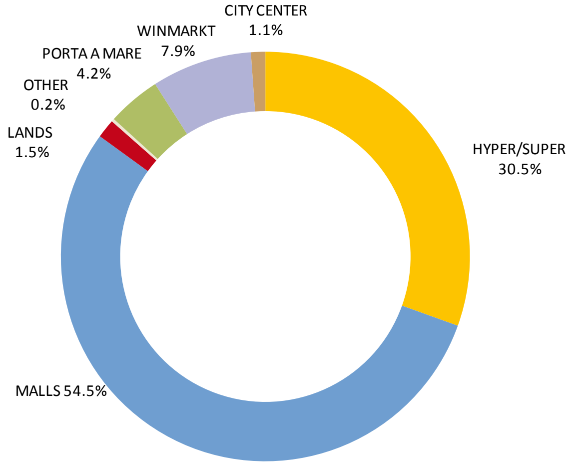
## GEOGRAPHICAL BREAKDOWN AND COMPOSITION OF THE PORTFOLIO

IGD's properties in **Italy** total 56 (including 50% of the "Darsena" Shopping Center) and can be broken down by asset class as follows:

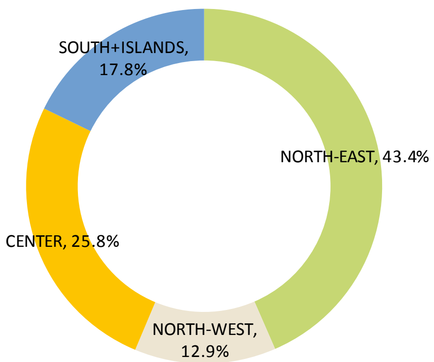
- 25 hypermarkets and supermarkets
- 21 shopping malls and retail parks
- 1 city center
- 2 development projects and plots of land
- 1 asset held for trading
- 6 other

The fair value of the IGD SIIQ Group's Italian real estate portfolio can be broken down by asset class and geographic area as follows:

**Portfolio breakdown at 30 June 2016**

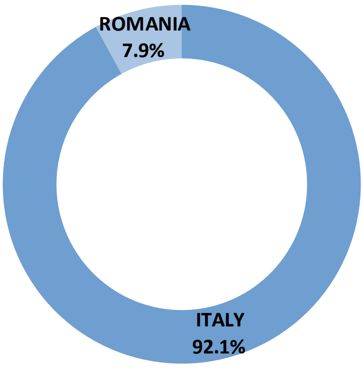



**Geographic distribution Italian portfolio at 30 June 2016**

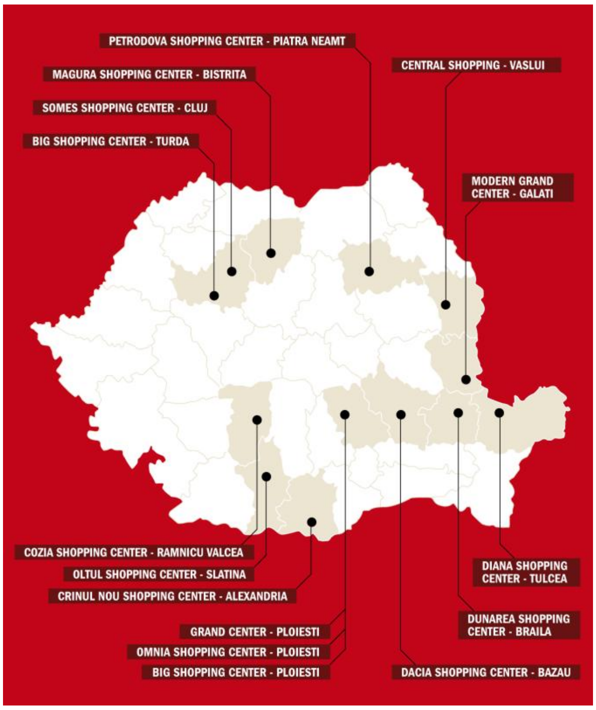



**E.Romagna:** 6 malls, 9 hyper-super,1 development project; 4 other;
**Piedmont:** 1 mall + 1 mall and retail park
**Lombardy:** 2 malls
**Trentino:** 1 mall
**Veneto:** 2 malls and retail parks; 3 hyper
**Marche:** 2 mall, 4 hyper, 2 other, 1 development project
**Abruzzo:** 1 mall; 1 hyper**;**
**Campania:** 1 mall; 1 hyper**;**
**Lazio:** 2 malls; 3 hyper
**Tuscany:** 2 hyper, 1 asset held for trading, 1 city center
**Sicily:** 2 malls, 2 hyper**.**

## Italy - Romania portfolio breakdown at 30 June 2016




IGD's real estate assets in **Romania** total 15, broken down as follows:




- 14 shopping centers
- 1 office building

The following tables provide the principal data relative to the real estate portfolios in Italy and Romania managed by the IGD Group:

# ITALY

| Asset | Location | Mall and Retail Park GLA (sqm) | Other/external areas (sqm) | Ownership | Opening date | Extension/restyling/remodeling date | % of ownership | Form of ownership | No. of shops | No. of middle sized areas | No. of other/external areas | Parking place | Main brands | Food anchor | Food anchor GLA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Centro Commerciale d'Abruzzo | San Giovanni Teatino (CH) | 12,571 | 3,610 | IGD SIIQ SPA | 2001 | 2014 | 100 | Freehold property | 44 | 6 | 3 | 1,730 | Decathlon, Euronics, Librerie Coop, Piazza Italia; Terranova; Intersport; Scarpamondo | Ipercoop | 14,127 |
| Centro Commerciale Borgo | Bologna (BO) | 6,975 | // | IGD PROPERTY SIINQ SPA | 1989 | 2015 | 100 | Freehold property | 32 | 4 | | 1,550 | Librerie Coop, Unieuro, C6, Scarpe&Scarpe | Ipercoop | 11,480 |
| Centro Commerciale Casilino | Roma (RM) | 4,265 | 760 | IGD PROPERTY SIINQ SPA | 2002 | // | 100 | Freehold property | 22 | 3 | 1 | 1,260 | Euronics, Bata, Piazza Italia; | Ipercoop | 14,567 |
| Centro Commerciale ESP | Ravenna (RA) | 11,682 | 3,200 | IGD PROPERTY SIINQ SPA | 1998 | 2012 | 100 | Freehold property | 38 | 6 | 1 | 2,456 | Deichmann, Game 7 athletics, Librerie Coop, Piazza Italia, Unieuro | Ipercoop | 16,536 |
| Centro Commerciale Porto Grande | Porto d'Ascoli (AP) | 7,555 | 543 | IGD SIIQ SPA | 2001 | // | 100 | Freehold property | 36 | 2 | 1 | 1,730 | Decathlon, Deichmann | Ipercoop | 15,290 |
| Centro Commerciale Città delle Stelle | Ascoli Piceno (AP) | 17,185 | 1,850 | IGD SIIQ SPA | 2002 | // | 100 | Freehold property | 42 | 4 | 1 | 2,200 | Piazza Italia, Unieuro; Multiplex Stelle | Ipercoop | 14,381 |
| Centro Commerciale Darsena City | Ferrara (FE) | 12,552 | // | IGD SIIQ SPA | 2009 | // | 50 | 50% freehold property of mall and hypermarkets | 31 | 2 | | 1,320 | | Despar | 3,715 |
| Centro Commerciale e Retail Park Conè | Conegliano (TV) | 18,162 | // | IGD SIIQ SPA | 2010 | // | 100 | Freehold property | 59 | 9 | | 1,550 | Maison du Monde,Conbipel, H&M, Librerie Coop, Euronics, Scarpe&Scarpe, Stradivarius | Ipercoop | 9,498 |
| Centro Commerciale Katanè | Gravina di Catania (CT) | 14,912 | // | IPER IGD SIIQ SPA/GALLERIA IGD PROPERTY SIINQ SPA | 2009 | // | 100 | Freehold property | 64 | 6 | | 1,320 | Adidas, Euronics, H&M, Conbipel, Piazza Italia | Ipercoop | 13,663 |
| Centro Commerciale La Torre | Palermo (PA) | 15,250 | // | IGD SIIQ SPA | 2010 | // | 100 | Freehold property | 44 | 5 | | 1,700 | Expert, Scarpe&Scarpe, Piazza Italia, H&M; McDonald | Ipercoop | 11,217 |
| Centro Commerciale Le Maioliche | Faenza (RA) | 22,313 | // | IGD SIIQ SPA | 2009 | // | 100 | Freehold property | 41 | 8 | | 2,400 | Deichmann, H&M, Trony, C&A, Decathlon, Bricofer | Ipercoop | 9,277 |
| Centro Commerciale Le Porte di Napoli | Afragola (NA) | 16,983 | // | IGD SIIQ SPA | 1999 | 2014 | 100 | Freehold property | 66 | 8 | | 2,650 | Desigual; Euronics, H&M, Piazza Italia; Rosso Pomodoro | Ipercoop | 9,570 |
| Centro Commerciale Lungo Savio | Cesena FC) | 2,928 | // | IGD SIIQ SPA | 2002 | // | 100 | Freehold property | 23 | 1 | | 850 | Librerie Coop, Motivi, Primigi; Kiko | Ipercoop | 7,476 |
| Centro Commerciale Tiburtino | Guidonia Montecelio (RM) | 33,496 | // | IGD SIIQ SPA | 2009 | // | 100 | Freehold property | 99 | 13 | | 3,800 | Desigual; Bata; Azzurra Sport, H&M, Piazza Italia, Obi, Scarpamondo,New Yorker, Euronics | Ipercoop | 7,663 |
| Galleria Commerciale e Retail Park Mondovicino | Mondovì (CN) | 17,197 | // | IGD SIIQ SPA | 2007 | // | 100 | Freehold property (excluding hypermarket) | 43 | 8 | | 4,500 | Jysk,OVS, Librerie Coop: Brico IO; Foot Loker | Ipercoop (not owned by IGD) | // |
| Galleria Commerciale Gran Rondò | Crema (CR) | 11,696 | // | IGD SIIQ SPA | 1994 | 2006 | 100 | Freehold property (excluding hypermarket) | 38 | 3 | | 1,280 | Oviesse, Promenade calzature | Ipercoop (not owned by IGD) | // |
| Galleria Commerciale I Bricchi | Isola d'Asti (AT) | 15,994 | 245 | IGD SIIQ SPA | 2009 | // | 100 | Freehold property (excluding hypermarket) | 24 | 7 | | 1,450 | Deichmann | Il Gigante (not owned by IGD) | // |
| Galleria Commerciale Millennium | Rovereto (TN) | 7,683 | // | MILLENNIUM SRL | 2004 | // | 100 | Freehold property (excluding hypermarket and a portion of a mall) | 28 | 4 | | 900 | Game 7 Athletics, Oviesse, Trony, Bata | Superstore Coop (not owned by IGD) | // |
| Galleria Commerciale Punta di Ferro | Forlì (FC) | 21,223 | // | IGD SIIQ SPA | 2011 | // | 100 | Freehold property | 94 | 3 | | 2,854 | H&M, Unieuro, Toys, McDonald, Deichmann, Benetton | Conad (not owned by IGD) | // |
| Galleria Commerciale Sarca | Sesto S. Giovanni (MI) | 23,773 | // | IGD MANAGEMENT SRL | 2003 | 2015 | 100 | Freehold property (excluding hypermarket) | 72 | 8 | | 2,500 | OVS, H&M, Piazza Italia, Skyline cinema, Roadhouse, Scarpe&Scarpe , Rosso Pomodoro | Ipercoop (not owned by IGD) | // |
| Ipermercato CC Fonti del Corallo | Livorno (LI) | // | // | IGD SIIQ SPA | 2003 | // | 100 | Freehold property (excluding hypermarket) | | | | | // | Ipercoop | 15,371 |
| Ipermercato CC Globo | Lugo di Romagna (RA) | // | // | IGD SIIQ SPA | 1997 | 2005 | 100 | Freehold property (excluding hypermarket) | | | | | // | Ipercoop | 7,937 |
| Ipermercato CC I Malatesta | Rimini (RN) | // | 882 | IGD SIIQ SPA | 2005 | // | 100 | Freehold property (hypermarket + wholesale area + ftiness area) | | | | | // | Ipercoop | 10,435 |
| Ipermercato CC Il Maestrale | Cesano di Senigallia (AN) | // | // | IGD SIIQ SPA | 1999 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 12,551 |
| Ipermercato CC Lame | Bologna (BO) | // | // | IGD SIIQ SPA | 1996 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 15,681 |
| Ipermercato CC Leonardo | Imola (BO) | // | // | IGD SIIQ SPA | 1992 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 15,862 |
| Ipermercato CC Miralfiore | Pesaro (PU) | // | 56 | IGD SIIQ SPA | 1992 | // | 100 | Freehold property (hypermarket + shop) | | | | | // | Ipercoop | 10,356 |
| Ipermercato Schio | Schio (VI) | // | // | IGD SIIQ SPA | 2008 | // | 100 | Freehold property (only hypermarket) | | | | | // | Ipercoop | 8,176 |
| Piastra Commerciale Mazzini | Livorno (LI) | 6,097 | // | IGD SIIQ SPA | 2014 | // | 100 | Freehold property | 30 | 1 | | | Unieuro/Coop | Coop | 1,440 |
| Retail Park Clodì | Chioggia (VE) | 9,323 | // | IGD SIIQ SPA | 2015 | | 100 | Freehold property | 9 | 6 | | | OVS, Scarpe&Scarpe; Piazza Italia, Dechatlon | Ipercoop | 7,490 |
| Supermercato Aquileia | Ravenna (RA) | // | // | IGD SIIQ SPA | | // | 100 | Freehold property (only supermarket) | | | | | // | Coop | 2,250 |
| Supermercato Cecina | Cecina (LI) | // | // | IGD SIIQ SPA | 1994 | // | 100 | Freehold property (only supermarket) | | | | | // | Coop | 5,749 |
| Supermercato Civita Castellana | Livorno (LI) | // | // | IGD SIIQ SPA | 2010 | // | 100 | Freehold property (only supermarket) | | | | | // | Coop | 3,020 |
| | | | | | | | | | | | | | | | |
| Centro Piave | San Donà di Piave (VE) | 11,618 | // | CSII SPA | 1995 | 2003 | // | Master Leasing | 48 | 5 | | 1,500 | Cisalfa, Librerie Coop, Oviesse, Piazza Italia, Scarpe&Scarpe; McDonald | Ipercoop | 15,826 |
| Centro Nova | Villanova di Castenaso (BO) | 12,740 | // | CSII SPA e COPAIN HOLDING SPA | 1995 | 2008 | // | Master Leasing | 55 | 7 | | 2,400 | H&M, Librerie Coop, Bershka, Pittarosso, Benetton; McDonald | Ipercoop | 18,188 |
| Galleria CC Fonti del Corallo | Livorno (LI) | 7,313 | // | Fondo Mario Negri | 2003 | // | // | Master Leasing | 55 | 2 | | 1,600 | Oviesse; Librerie Coop, Bata, Swarovski | Ipercoop | 15,371 |

# ROMANIA

| Asset | Location | Shopping center GLA (sqm) | Net Salling Area | Circulation (sqm) Rented | Rentable Warehouse/office | Ownership | Opening date | Date of extension/restyling | Extension area | % Ownership | Form of ownership | No. of stores | No. of middle sizes area | Parking places | Main brands | Food anchor | Food anchor GLA | Food anchor sales area |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Winmarkt Grand Omnia Center | Ploiesti | 18,308 | 16,870 | 309 | 1,129 | Win Magazin SA | 1986 | 2015 | | 100 | Freehold properties | 109 | // | 400 | Adidas, Levi's, Domo, Vodafone, Carrefour Market, dm drogerie,Leonardo, Jolidon, Eponge, Banca Transilvania, KFC, Flanco, Pepco | Carrefour | 1,215 | 1,215 |
| Winmarkt Big | Ploiesti | 4,233 | 2,776 | 442 | 1,016 | Win Magazin SA | 1976 | 2013 | | 100 | Freehold properties | 82 | // | | Banca Transilvania, Carrefour Market | Carrefour | 882 | 700 |
| Winmarkt | Galati | 7,962 | 7,490 | 106 | 367 | Win Magazin SA | 1973 | 2005 | | 100 | Freehold properties | 36 | // | | H&M, B&B, Sevda, Jolidon, Bigotti, Massini, Pepco, CGS | Billa | 827 | 569 |
| Winmarkt | Ramnicu Valcea | 7,902 | 7,684 | 51 | 166 | Win Magazin SA | 1973 | 2004 | | 100 | Freehold properties | 35 | // | | H&M, Carrefour Market, Eponge, Leonardo, Jolidon, dm drogerie Markt, Domo | Carrefour | 900 | 900 |
| Winmarkt | Piatra Neamt | 6,055 | 4,879 | 337 | 839 | Win Magazin SA | 1985 | 2014 | | 100 | Freehold properties | 67 | // | | H&M, Sevda, B&B Collection, Billa, Leonardo, Eponge, Pepco, Reshoes | Billa | 878 | 520 |
| Winmarkt | Braila | 7,263 | 6,349 | 93 | 821 | Win Magazin SA | 1978 | 2004 | | 100 | Freehold properties | 45 | // | | Carrefour Market, Leonardo, Jolidon, Altex, Vodafone, Sevda, Pepco | Carrefour | 673 | 550 |
| Winmarkt | Buzau | 5,300 | 4,953 | 32 | 314 | Win Magazin SA | 1975 | 2013 | | 100 | Freehold properties | 29 | // | | H&M, Carrefour Market, Leonardo, Pepco | Carrefour | 800 | 650 |
| Winmarkt | Tulcea | 3,964 | 3,777 | 5 | 182 | Win Magazin SA | 1972 | 2002 | | 100 | Freehold properties | 27 | // | | H&M, B&B Collection, Leonardo, Altex, Fraher, Vodafone | Fraher | 405 | 405 |
| Winmarkt | Cluj Napoca | 7,299 | 5,704 | 85 | 1,510 | Win Magazin SA | 1983 | 2011 | | 100 | Freehold properties | 36 | // | | Carrefour Market, dm drogerie, Leonardo, Big Fitness | Carrefour | 1,338 | 1,188 |
| Winmarkt | Bistrita | 5,252 | 4,799 | 61 | 392 | Win Magazin SA | 1984 | 2005 | | 100 | Freehold properties | 33 | // | | Altex, Leonardo, dm drogerie, fast-food Pizzamania, Pepco | | | |
| Winmarkt | Alexandria | 3,410 | 3,302 | 33 | 74 | Win Magazin SA | 1978 | 2013 | | 100 | Freehold properties | 31 | // | | Carrefour Market, Pepco, Eponge, Leonardo, Jolidon, Vodafone | Carrefour | 680 | 680 |
| Winmarkt | Slatina | 5,965 | 4,833 | 29 | 1,102 | Win Magazin SA | 1975 | 2005 | | 100 | Freehold properties | 22 | // | | Altex, Telekom, B&B | Carrefour | 553 | 505 |
| Winmarkt | Vaslui | 3,667 | 3,452 | 23 | 192 | Win Magazin SA | 1973 | 2006 | | 100 | Freehold properties | 26 | // | | Carrefour, Reshoes, Jolidon | Carrefour | 527 | 527 |
| Winmarkt | Turda | 2,515 | 2,231 | - | 284 | Win Magazin SA | 1981 | 2007 | | 100 | Freehold properties | 9 | // | | Pepco | | | |
| **Total shopping malls** | | 89,094 | 79,099 | 1,607 | 8,388 | | | | | | | | | | | | | |
| Winmarkt Junior | Ploiesti | 3,012 | 2,137 | 544 | 331 | Win Magazin SA | | | | 100 | Freehold properties | 2 | | | | | | |
| **TOTAL** | | **92,106** | **81,236** | **2,151** | **8,719** | | | | | | | | | | | | | |

## ITALY

### ANALYSIS BY ASSET CLASS

The positive performance of the IGD Group's real estate portfolio was confirmed in the first half of 2016, with fair value rising both overall and like-for-like. The financial occupancy rate also showed further improvement, while the gross cap out and discount rates were stable.

The main changes for each asset class in the year are described below.

### HYPERMARKETS AND SUPERMARKETS

IGD's freehold hypermarkets and supermarkets are leased on a long-term basis to Coop Alleanza 3.0 Soc. Coop, Distribuzione Centro Sud s.r.l. (70% owned by Coop Alleanza 3.0 and 30% owned by Unicoop Tirreno Scarl), Unicoop Tirreno Scarl, Distribuzione Lazio Umbria s.r.l. (99.86% owned by Unicoop Tirreno Scarl) and Coop Sicilia S.p.A.. Rent is indexed to 75% of the ISTAT index. Tenants are responsible for all routine and extraordinary maintenance on plants and the interiors of the buildings.

The hypermarkets and supermarkets were valued at 30 June 2016 by the appraisers CBRE, REAG, Cushman & Wakefield and JLL based on the following percentages of FV:

| Hyper/Super | 30/06/ 2016 |
|---|---|
| CBRE | 31% |
| REAG | 17% |
| Cushman&Wakefield | 34% |
| JLL | 18% |
| TOTAL | 100% |

The DCF method was used by all the appraisers for this asset class.

In CBRE's, C&W's and JLL's DCF model a standard duration of 10 years was used for all the assets; Reag used a variable duration depending on the expiration of the lease held by the retailer and the estimated fair value of the space in the year the lease was up for renegotiation.

In first half 2016 the perimeter of this asset class increased as a result of the Malatesta wholesale asset which was fully absorbed by the Malatesta hypermarket. Net of the reclassification of the Malatesta wholesale unit, the total value of this class of property at 30 June 2016 reached €638.31 million, an increase of 0.74% (+€4.68 million) against 31 December 2015 explained primarily by the lower discount rate applied of 6.98% (-0.04% vs. 31.12.15).

The gross initial yield came to 6.22, down – 0.11% against 31.12.15, a direct consequence of the increase in the fair value of this asset class.

The average gross cap out rate rose slightly by 0.09% to 6.36%.

The occupancy rate of the hyper/supermarkets came to 100%, unchanged with respect to prior semesters.

### SHOPPING MALLS AND RETAIL PARKS

The IGD Group's shopping malls and retail parks are leased on average for five years to businesses. Rent is indexed to 100% of the ISTAT index.

Leases of six + six years, with rent indexed to 75% of the ISTAT index, are reserved for services like newsstands, tobacco shops, hair salons and beauty centers.

Shopping malls and retail parks were valued at 30 June 2016 by the appraisers CBRE, REAG, Cushman & Wakefield and JLL based on the following percentages of FV:

| Malls/Retail Parks | 30/06/2016 |
|---|---|
| CBRE | 25% |
| REAG | 47% |
| Cushman&Wakefield | 18% |
| JLL | 9% |
| TOTAL | 100% |

The DCF method was used by all three appraisers for this asset class.

In CBRE's, C&W's and JLL's DCF model a standard duration of 10 years was used for all assets; Reag used a standard duration of 15 years for this asset class.

The fair value of this asset class reached €1,141.08 million at 30 June 2016, an increase of +0.38% (+4.27 million) with respect to 31 December 2015.

Malls that showed the largest increase in fair value include Le Porte di Napoli, Conegliano and Tiburtino as a result of yield compression and improved expectations for the performance over the next few years. .

The main malls for which fair value fell include Centro D'Abruzzo, La Torre di Palermo and Maioliche di Faenza as a result of a higher gross exit yield.

The gross initial yield for this asset class came to 6.27%, a decrease of -0.06% against 31.12.2015 due primarily to the increase in fair value.

The weighted average discount rate dropped -0.02% against 31 December 2015 to 7.17%.

The average gross cap out rate reached 6.71%, down -0.03% against the prior half.

The financial occupancy rate came to 95.99% at 30 June 2016, an increase of +0.69% against 31 December 2015 due to the noticeable increase in occupancy at the malls.

**CITY CENTER**

This asset class comprises solely the "Piastra commerciale Mazzini" located in Livorno. The fair value of this asset class came to €23.7 million at 30 June 2016, unchanged against the prior half.

The gross initial yield fell by 0.12% against 31 December 2015 to 5.22% due to an increase in the length of time estimated to rent space.

The discount rate was unchanged against the prior period at 6.70% while the gross cap out fell -0.17% to 7.01%.

The financial occupancy rate for this asset class came to 77.52% at 30 June 2016, down -4.04% compared to 31 December 2015.

The City Center property at 30 June 2016 was appraised 100% by CBRE who used the DCF method with a standard duration of 10 years.

**DEVELOPMENT PROJECTS**

This asset class comprised two plots of land at 30 June 2016 on which the following retail projects are underway:

- ESP extension: extension of the mall in the ESP Shopping Center in Ravenna by a GLA of 19,000 $m^2$. The work began in first half 2015 and is expected to open in first half 2017.

- P.to Grande extension: extension of the Porto Grande Shopping Center in P.rto d'Ascoli (AP) as a result of the construction of two midsize stores with a GLA of 5,000 $m^2$. Planning has been completed for this project and all the permits obtained. The opening is expected to take place in the second half of 2017.

"Development projects" were valued at 30 June 2016 by the appraisers CBRE and Cushman & Wakefield based on the following percentages of FV:

| Malls/Retail Parks | 30/06/2016 |
|---|---|
| CBRE | 91% |
| Cushman&Wakefield | 9% |
| TOTAL | 100% |

Appraisers used the conversion and residual methods to value this asset class.

The total FV of this asset class amounted to €31.2 million at 30 June 2016, an increase of 17.1%, (approximately +€4.56 million), due primarily to the progress made on the ESP extension.

**PORTA A MARE PROJECT**

The assets of Porta Medicea, owner of the Porta a Mare Project, were valued at 30 June 2016 entirely by the independent appraiser CBRE using the conversion method.

The project can be broken down into the following areas:

- Piazza Mazzini (residential and retail) where sales of residential units began in 2013 and the retail portion began generating revenue in the first part of July 2014;
- Officine storiche (retail, residential) where work began in first half 2015 and is expected to end by the first half of 2018;
- Lips (retail, tourist services, and accommodations) where work is expected to begin in the second half of 2018.
- Molo Mediceo (retail and services) where work is expected to begin in the second half of 2018.
- Arsenale (retail) where work is expected to begin in the second half of 2018.

The fair value of this asset class reached €88.46 million at 30 June 2016, an increase of €3.12 million due to the progress made on the work at the Officine area net of residential units sold at Mazzini. The fair value of the Porta a Mare Project at 30 June 2016 includes the retail properties that will continue to be owned by the IGD Group.

**OTHER**

The perimeter of this asset class, which comprises all the IGD Group's other assets, was changed at 30 June 2016 following the exit of the wholesale unit which was absorbed by the hypermarket in the Malatesta Shopping Center in Rimini. This asset class continues to comprise one store near the supermarket on via Aquileia in Ravenna, offices found inside the P.to Grande hypermarket in Porto D'Ascoli (Ascoli Piceno), an office next to the Miralfiore hypermarket, plus a fitness area pertaining to the Malatesta Shopping Center in Rimini.

This category includes the offices located on the second floor of the Centro Direzionale Bologna Business Park office building where the IGD Group's headquarters are located, which is leased for six plus six years to Adriatica Luce&Gas SPA and Coop Alleanza 3.0 Soc. Coop., as well as the offices located on the third and last floors of the same building which are leased to Librerie Coop.

The class of assets was valued at 30 June 2016 by the appraisers CBRE, REAG and Cushman & Wakefield based on the following percentages of FV:

| Malls/Retail Parks | 30/06/2016 |
|---|---|
| CBRE | 78% |
| REAG | 4% |
| Cushman&Wakefield | 18% |
| TOTAL | 100% |

All three appraisers used the DCF method to value this asset class.

The market value of this class of property at 30 June 2016 amounted to €4.86 million, a drop of 8.13% like-for-like (-€0.43 million) against 31 December 2015 explained primarily by the fitness center.

.

**ROMANIA**

The Winmarkt properties were valued at 30 June 2016 by the appraisers CBRE and REAG based on the following percentages of FV:

| Winmarkt | 30/06/2016 |
|---|---|
| CBRE | 49% |
| REAG | 51% |
| TOTAL | 100% |

The DCF method was used by both independent experts. Reag applied a standard duration of 15 years and CBRE of between 5 and 10 years.

The market value of this asset class at 30 June 2016 was €166.05 million, a decrease of 2.67% (-€4.55 million) attributable almost entirely to shopping malls. The decline is explained by the rental of properties at rates that were lower than the market rates assumed in the prior period and the lower market rates used to value vacancies in the current period.

As properties were re-rented at rates below prior estimates, the gross initial yield for the Winmark malls at 30 June 2016 fell by 0.42% to 5.81%. The gross cap out rate was 0.51% lower at 7.96%, while the discount rate was 0.02% lower at 8.48%.

The financial occupancy rate for the Romanian portfolio at 30 June 2016 came to 95.13%, an improvement of 1.23% with respect to the same period of the prior year.

The most important real estate investments and development projects, as well as the accounting method used, are shown in the following table:

| Category | Book value at 30.06.2016 | Accounting method | Market value at 30.06.2016 | Date of last appraisals |
|---|---|---|---|---|
| **Real estate investments IGD Group** | | | | |
| Hypermarkets and supermarkets | 638.31 | fair value | 638.31 | Jul-17 |
| Shopping malls Italy | 1,141.08 | fair value | 1,141.08 | Jul-17 |
| City Center | 23.70 | fair value | 23.70 | Jul-17 |
| Other | 4.86 | fair value | 4.86 | Jul-17 |
| **Total Italy** | **1,807.95** | | **1,807.95** | |
| Shopping mall Romania | 163.45 | fair value | 163.45 | Jul-17 |
| Other Romania | 2.60 | fair value | 2.60 | Jul-17 |
| **Total Romania** | **166.05** | | **166.05** | |
| **Total IGD Group** | **1,974.00** | | **1,974.00** | |

| Category | Book value at 30.06.2016 | Accounting method | Market value at 30.06.2016 | Date of last appraisals |
|---|---|---|---|---|
| **Direct development initiatives** | 31.20 | Adjusted cost / Fair value | 31.20 | Jul-17 |

| Category | Book value at 30.06.2016 | Accounting method | Market value at 30.06.2016 | Date of last appraisals |
|---|---|---|---|---|
| **Porta a Mare project*** | 88.46 | Adjusted cost / Fair value | 88.46 | Jul-17 |

| | Investment property, plots of land and development initiatives, assets held for trading | | Market value of freehold properties, plots of land and direct development initiatives, assets held for trading | Delta |
|---|---|---|---|---|
| **Total** | **2,093.65** | | **2,093.65** | **0.00** |

* The figure includes the portion of the retail units included in preliminary sales agreements with IGD SIIQ S.p.A. classified in the financial statements as works in progress and down.

The details of ongoing projects are shown below:

| PROJECT | TYPE | LOCATION | GLA | COMPLETION DATE | ESTIMATED INVESTMENT | BOOK VALUE AT 30.06.2016 | % HELD | STATUS |
|---|---|---|---|---|---|---|---|---|
| **ESP** | Extension | Ravenna | 19,000 smq | 1H 2017 | approx. 51 Mln/€ | 28.30 | 100% | Signing of the Urban Convetion and marketing authorization being finalized. Work in progress. |
| **PORTO GRANDE** | Extension | Porto d'Ascoli (AP) | 5,000 smq | 2H 2017 | approx. 9.9 Mln/€ | 2.90 | 100% | Planning stage completed. All the construction permits and authorizations have been issued |
| | | | | | **Total** | **31.20** | | |

## 1.9. The SIIQ regulatory environment

The special SIIQ regime was introduced under Art. 1, paragraphs 119 - 141, of Law n. 296 dated 27 December 2006 (the 2007 budget law).

The regulatory framework was completed when the Ministry of Economics and Finance issued the **Founding Law** as Regulation n. 174/2007 which was subsequently interpreted by the Tax Office in **Bulletin** n. 8/E issued on 31 January 2008.

Subsequently, pursuant to Art. 12 of Legislative Decree n. 135 dated 25 September 2009 a new paragraph, 141-*bis*, of Art. 1 of Law n. 296 dated 27 December 2006, was introduced eliminating the Italian residency requirement for the companies that intend to participate in the SIIQ regime. Further reference was made in this regard in the Tax Board's Resolution n. 136 of 27 December 2010.

Lastly, based on Art. 20 of legislative decree n. 133 dated 12 September 2014, n. 133, effective 13 September and converted, with amendments, into Law n. 164 on 11 November 2014 introduced a few substantive changes to the special regime which were subsequently interpreted by the Tax Office in **Bulletin** n. 32/E issued on 17 September 2015.

The most important of the changes made are the ones relating to eligibility for the special regime, the distribution of income generated by exempt operations and the broadening of the scope of operations exempt from taxation.

More in detail, with regard to eligibility requirements, the decree resulted in (i) more stringent **Ownership Requirements**, raising the threshold for a single shareholder from 51% to 60% of the voting and dividend rights (the so-called "**Control limit**") and the percentage of shareholders who must have interests of less than 2% of voting and dividend rights when the option is exercised was lowered from 35% to 25% (the so called "**Float requisite**" ), and (ii) the scope of the parameters relating to the economic elements and assets (the so called **"Asset Test"** and **"Profit Test"**) used to satisfy the **Objective requirements** was broadened**.**

The distribution requirement, namely the amount of the income generated by exempt operations that must be distributed each year upon approval of the annual report, was lowered from 85% to 70%.

Lastly, based on the decree exempt operations may also include the capital gains and losses relating to rental properties and interests held in SIIQ or SIINQ, as well as the income, capital gains and losses, relating to interests held in "qualified" real estate funds. 50% of the capital gains must be distributed within two years of their realization (rather than 70% upon approval of the annual report).

Taking into account the amendments called for in the above mentioned law decree n. 133 dated 12 September 2014, the requirements for eligibility under the special regime can be summarized as follows:

**Subjective requirements**

- must be a joint stock company
- must reside in Italy for tax purposes or, with regard to companies with stable real estate businesses in Italy, in one of the countries member of the European Union and party to the agreement to create a single European economic zone as indicated in the list appended to the decree issued by the Ministry of Treasury and Finance as per paragraph 1 of Art. 168-*bis* of the Uniform Income Tax Act
- shares must be traded on a regulated market

**Statutory requirements**

The corporate by-laws must include:

- rules which regulate investments
- limits on the concentration of investment and counterparty risk
- limits on the maximum financial leverage permitted

**Ownership requirements**

- a single shareholder may not hold more than 60% of the voting rights exercisable in ordinary Shareholders' Meetings and more than 60% of the dividend rights, the so-called **"Control limit"**
- at least 25% of the float must be held by shareholders who hold less than 2% of the voting rights exercisable in ordinary Shareholders' Meetings and less 2% of the dividend rights, the so called **"Float requisite"**

**Objective requirements**

- freehold rental properties must make up 80% of the real estate assets, the so-called **"Asset Test"**
- revenue from rental activities must total at least 80% of the positive entries in the income statement, the so-called "**Profit Test"**.

The failure to comply with the most important conditions for 3 consecutive years will result in ineligibility under the special regime and the ordinary rules and regulations will be applied beginning as of the third of the years considered.
The primary characteristic of this special regime is the possibility, after having satisfied certain legal requirements, to be eligible for a tax regime under which income is subject to income tax only when distributed to shareholders rather than when generated by the company itself.
Given the fact that income generated by the SIIQ is subject to income tax solely when distributed to shareholders, the law requires that a minimum of the rental income must be distributed (the percentage was reduced pursuant to Decree 133/2014 from 85% to 70%).
With regard to the verification of eligibility, based on the same law the subjective, statutory and ownership requisites must be met before the option is exercised while the verification of the objective requisites is done after the close of the financial statements for the year in which the option was exercised.
In April 2008, once it was clear that all the subjective, statutory and ownership requisites had been satisfied, IGD exercised the option to be treated under the special regime effective 1 January 2008
Furthermore, for the purposes of SIIQ status, the total capital gains, net any losses, resulting from the difference between the normal value of the rental assets, the real property rights on same, the plots of land and the value for tax purposes at the end of the fiscal year, are subject to IRES (corporate income tax) and IRAP (regional business tax) at a tax rate of 20 per cent (the **Entry Tax**).
Pursuant to paragraph 128, Art. 1 of the Founding Law, IGD opted to pay the Entry Tax of €30,797,217 in five yearly installments.
The payment of each installment coincides with the deadline for IRES payments related to the prior tax period. The installments subsequent to the payment of the first installment will be paid with the interest matured calculated based on the discount rate plus one percentage point. As mentioned above, pursuant to the law the income generated by rental activities is exempt from IRES and IRAP as long as the company distributes at least 70% of same. In this regard, during the Annual General Meeting held on 14 April 2016 shareholders approved payment of a dividend for 2015 of €32,521,825.24 attributable to: (I) for €28,354,966.38, exempt operations; and (ii) for €4,166,858.86, capital reserves.
Based on the parent company's financial statements at 30 June 2016 both the asset test, based on which the value of freehold rental properties must represent more than 80% of the total value of the real estate assets, and the profit test, based on which revenues from the rental of freehold properties or other property rights rental activities must total at least 80% of the positive entries in the income statement, were satisfied.

**DISCLOSURE REGARDING COMPLIANCE WITH CORPORATE BY-LAW REQUIREMENTS (ART. 3, P. 2, MINISTERIAL DECREE N. 174 OF 7 JULY 2007)**

With regard to the Statutory requirements, please note the following.

With regard to investments, it is expressly provided in Art. 4.3 lett. i) of the Company's by-laws that:

- "*the Company shall not, either directly or through its subsidiaries, invest more than 30 percent of its assets in a single property with urban and functional characteristics, except in the case of development plans covered by a* *single planning scheme, where portions of the property are covered by individual, functionally independent building permits, or equipped with urban works that are sufficient to guarantee connection to public services";*

The Company did not invest, either directly or through its subsidiaries, more than 30% of its assets in a single property with urban and functional characteristics.

With regard to the limits on the concentration of investment and counterparty risk, it is expressly provided in Art. 4.3 lett. ii) of the Company's by-laws that:

- "*income from a single tenant or from tenants belonging to a single group may not exceed 60 percent of total rental income"*.

The income from a single tenant or tenants belonging to a single group did not exceed 60% of total rental income.
With regard to limits on the maximum financial leverage permitted, it is expressly provided in Art. 4.3 lett. ii) of the Company's by-laws that:
- *"the maximum permitted financial leverage, at a company or group level, is 85 percent of equity".*
Financial leverage, either at the group or single level, never exceeded 85% of equity.

## 1.10. Subsequent events

There are no events to report.

## 1.11. Outlook

In light of the positive operating and financial results posted in the first half, as well as having reached the first key targets of the business plan, the Company expects to continue along its growth path and for assets to generate higher revenue, with the cost of debt down against FY 2015. Estimates for core business FFO have also been revised upward.

### Intercompany and related party transactions

With regard to related party and intercompany transactions, there are no transactions which qualify as unusual or atypical, as they fall within the Group's ordinary sphere of operations and take place under arm's-length conditions. For more information regarding the transactions that took place during first half 2016, please refer to the specific section of the explanatory notes.

### Treasury shares

The company owned no treasury shares at 30 June 2016.

### Research and Development

The IGD Group does not perform research and development activities.

### Significant Transactions

During the period ended 30 June 2016, no significant non-recurring transactions or atypical/unusual transactions, as defined in CONSOB's notice of 28 July 2006, were carried out with third parties or between companies in the Group.

## 2. IGD GROUP CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2016

## 2.1 Consolidated income statement

| Consolidated income statement (amounts in thousands of Euro) | Note | 30/06/2016 (A) | 30/06/2015 (B) | Change (A-B) |
|---|---|---|---|---|
| **Revenues:** | 1 | **64,985** | **59,907** | **5,078** |
| -from third parties | | 43,997 | 39,344 | 4,653 |
| -from related parties | | 20,988 | 20,563 | 425 |
| **Other income:** | 2.1 | **2,558** | **2,551** | **7** |
| -from third parties | | 1,730 | 1,705 | 25 |
| -from related parties | | 828 | 846 | (18) |
| **Revenues from trading properties sale** | 2.2 | **590** | **886** | **(296)** |
| **Total revenues and operating income** | | **68,133** | **63,344** | **4,789** |
| | | | | |
| Change in work in progress inventories | 6 | 1,218 | (420) | 1,638 |
| | | | | |
| **Total revenues and change in inventories** | | **69,351** | **62,924** | **6,427** |
| | | | | |
| Cost for work in progress | 6 | 1,771 | 369 | 1,402 |
| Service costs: | 3 | 11,028 | 11,320 | (292) |
| -from third parties | | 9,914 | 10,429 | (515) |
| -from related parties | | 1,114 | 891 | 223 |
| Personnel costs | 4 | 4,657 | 4,547 | 110 |
| Other operating costs | 5 | 4,773 | 4,863 | (90) |
| **Total operating costs** | | **22,229** | **21,099** | **1,130** |
| | | | | |
| (Depreciations, amortizations and provisions) | 7 | (1,348) | (1,361) | 13 |
| (Impairment losses)/Reversals on work in progress and | 17.22 | (2,201) | (1,327) | (874) |
| Fair value changes - increases/(decreases) | 15.17 | 2,559 | 924 | 1,635 |
| **Total depreciations, amortizations, provisions, impairment and fair value changes** | | **(990)** | **(1,764)** | **774** |
| | | | | |
| **EBIT** | | **46,132** | **40,061** | **6,071** |
| | | | | |
| **Result from equity investments and assets disposal** | 8 | **(129)** | **(161)** | **32** |
| | | | | |
| **Financial income:** | 9 | **64** | **22** | **42** |
| -from third parties | | 61 | 19 | 42 |
| -from related parties | | 3 | 3 | 0 |
| **Financial charges:** | 9 | **19,759** | **20,304** | **(545)** |
| -from third parties | | 19,745 | 20,270 | (525) |
| -from related parties | | 14 | 34 | (20) |
| | | | | |
| **Net financial income** | | **(19,695)** | **(20,282)** | **587** |
| | | | | |
| **PRE-TAX PROFIT** | | **26,308** | **19,618** | **6,690** |
| Income taxes | 10 | 138 | (606) | 744 |
| **NET PROFIT** | | **26,170** | **20,224** | **5,946** |
| | | | | |
| Non-controlling interests in net profit | | 338 | 186 | 152 |
| | | | | |
| **IGD SIIQ S.p.A share of net profit** | | **26,508** | **20,410** | **6,098** |
| | | | | |
| -basic earning per share | 11 | 0.033 | 0.027 | |
| -diluted earning per share | 11 | 0.033 | 0.027 | |

## 2.2 Consolidated statement of comprehensive income

| Consolidated statement of comprehensive income (amounts in thousands of Euro) | 30/06/2016 | 30/06/2015 |
|---|---|---|
| **NET PROFIT** | **26,170** | **20,224** |
| **Other comphensive income that will not be re-classified to profit or loss:** | | |
| Transaction costs for capital increase | 0 | (108) |
| **Total other comprehensive income that will not be re-classified to profit or loss, net of tax effects** | **0** | **(108)** |
| **Other comprehensive income that will be re-classified to profit or loss:** | | |
| Effects of hedge derivatives on net equity | (2,142) | 7,681 |
| Tax effects of hedge derivatives on net equity | 122 | (2,112) |
| Other effects on income statement components | (9) | 3 |
| **Total other comprehensive income that will be re-classified to profit or loss, net of tax effects** | **(2,029)** | **5,572** |
| **Total comprehensive Profit/(Loss) for the period** | **24,141** | **25,688** |
| Non-controlling interests in net profit | 338 | 186 |
| **IGD SIIQ S.p.A share of net profit** | **24,479** | **25,874** |

## 2.3 Consolidated statement of financial position

| Consolidated statement of financial position (Amounts in thousand of Euro) | Nota | 30/06/2016 (A) | 31/12/2015 (B) | Changes (A-B) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| **Intangible assets** | | | | |
| Intangible assets w ith finite useful lives | 12 | 70 | 74 | ( 4) |
| Goodw ill | 13 | 12,662 | 12,662 | 0 |
| | | **12,732** | **12,736** | **( 4)** |
| **Property, plant and equipment** | | | | |
| Real estate investments | 15 | 1,973,998 | 1,970,028 | 3,970 |
| Buildings | 14 | 8,497 | 8,618 | ( 121) |
| Plant and machinery | 16 | 299 | 309 | ( 10) |
| Equipments and other assets | 16 | 1,475 | 1,699 | ( 224) |
| Improvements on leaseholds assets | 16 | 1,136 | 1,273 | ( 137) |
| Assets under construction and advances | 17 | 59,179 | 50,533 | 8,646 |
| | | **2,044,584** | **2,032,460** | **12,124** |
| **Other non-current assets** | | | | |
| Deferred tax assets | 18 | 5,272 | 5,387 | ( 115) |
| Sundry receivables and other non-current assets | 19 | 88 | 90 | ( 2) |
| Equity investments | 20 | 1,790 | 6,366 | ( 4,576) |
| Non-current financial assets | 21 | 443 | 493 | ( 50) |
| Derivative assets | 42 | 3 | 12 | ( 9) |
| | | **7,596** | **12,348** | **( 4,752)** |
| **TOTAL NON-CURRENT ASSETS (A)** | | **2,064,912** | **2,057,544** | **7,368** |
| **CURRENT ASSETS** | | | | |
| Work in progress inventories and dow n payments | 22 | 66,275 | 67,068 | ( 793) |
| Trade and other receivables | 23 | 11,811 | 12,963 | ( 1,152) |
| Related parties trade and other receivables | 24 | 1,449 | 1,111 | 338 |
| Other current assets | 25 | 4,857 | 3,132 | 1,725 |
| Related parties financial receivables and other current financial assets | 26 | 151 | 151 | 0 |
| Financial receivables and other current financial assets | 26 | - | 9,023 | ( 9,023) |
| Cash and cash equivalents | 27 | 84,273 | 23,603 | 60,670 |
| **TOTAL CURRENT ASSETS (B)** | | **168,816** | **117,051** | **51,765** |
| **Non-current assets held for sale ( C)** | 20 | **4,466** | **-** | **4,466** |
| **TOTAL ASSETS (A+B+C)** | | **2,238,194** | **2,174,595** | **63,599** |
| **NET EQUITY** | | | | |
| Share capital | | 599,760 | 599,760 | 0 |
| Share premium reserve | | 29,971 | 39,971 | ( 10,000) |
| Other reserves | | 344,376 | 323,915 | 20,461 |
| Grou profit | | 39,903 | 58,407 | ( 18,504) |
| **Total Group net equity** | | **1,014,010** | **1,022,053** | **( 8,043)** |
| Capitale e riserve attribuibili agli azionisti di minoranza | | 9,812 | 10,150 | ( 338) |
| **TOTAL NET EQUITY (D)** | 28 | **1,023,822** | **1,032,203** | **( 8,381)** |
| **NON-CURRENT LIABILITIES** | | | | |
| Derivative liabilities | 42 | 35,420 | 35,002 | 418 |
| Non-current financial liabilities | 29 | 1,012,404 | 764,930 | 247,474 |
| Provision for employees severance indemnities | 30 | 2,188 | 2,046 | 142 |
| Deferred tax liabilities | 18 | 23,012 | 23,634 | ( 622) |
| General provisions | 31 | 4,348 | 4,688 | ( 340) |
| Sundry payables and other non-current liabilities | 32 | 10,961 | 12,504 | ( 1,543) |
| Related parties sundry payables and other non-current liabilities | 32 | 13,949 | 13,956 | ( 7) |
| **TOTAL NON-CURRENT LIABILITIES (E)** | | **1,102,282** | **856,760** | **245,522** |
| **CURRENT LIABILITIES** | | | | |
| Current financial liabilities | 33 | 81,948 | 253,155 | ( 171,207) |
| Trade and other payables | 35 | 15,994 | 14,372 | 1,622 |
| Related parties trade and other payables | 36 | 793 | 432 | 361 |
| Tax liabilities | 37 | 5,690 | 4,236 | 1,454 |
| Other current liabilities | 38 | 7,634 | 6,513 | 1,121 |
| Related parties other current liabilities | 38 | 31 | 6,924 | ( 6,893) |
| **TOTAL CURRENT LIABILITIES (F)** | | **112,090** | **285,632** | **( 173,542)** |
| **TOTAL LIABILITIES (G= E+F)** | | **1,214,372** | **1,142,392** | **71,980** |
| **TOTAL NET EQUITY AND LIABILITIES (D + G)** | | **2,238,194** | **2,174,595** | **63,599** |

## 2.4 Consolidated statement of changes in equity

| | Share capital | Share premium reserve | Other reserves | Group profit | Group net equity | Non-controlling interests | Total net equity |
|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2015** | **549.760** | **147.730** | **231.818** | **20.921** | **950.229** | **10.589** | **960.818** |
| Profit for the period | | | | 20.410 | 20.410 | (186) | 20.224 |
| Cash flow hedge derivative evaluation | | | 5.569 | | 5.569 | | 5.569 |
| Other comprehensive income (losses) | | | (105) | | (105) | | (105) |
| **Total comprehensive income (losses)** | **0** | **0** | **5.464** | **20.410** | **25.874** | **(186)** | **25.688** |
| Allocation of 2014 profit | | | | | | | |
| Dividends paid | | | (9.780) | (18.583) | (28.363) | | (28.363) |
| To legal reserve | | (97.581) | 97.581 | 0 | 0 | | 0 |
| To other reserve | | (10.178) | (253) | 10.431 | 0 | | 0 |
| **Balance at 30/06/2015** | **549.760** | **39.971** | **324.830** | **33.178** | **947.739** | **10.403** | **958.142** |

| | Share capital | Share premium reserve | Other reserves | Group profit | Group net equity | Non-controlling interests | Total net equity |
|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2016** | **599,760** | **39,971** | **323,915** | **58,407** | **1,022,053** | **10,150** | **1,032,203** |
| Profit of the period | | | | 26,508 | 26,508 | (338) | 26,170 |
| Cash flow hedge derivatives evaluation | | | (2,020) | | (2,020) | | (2,020) |
| Other comprehensive income (losses) | | | (9) | | (9) | | (9) |
| **Total comprehensive income (losses)** | **0** | **0** | **(2,029)** | **26,508** | **24,479** | **(338)** | **24,141** |
| Allocation of 2015 profit | | | | | | | |
| Paid dividends | | | (6,828) | (25,694) | (32,522) | | (32,522) |
| To legal reserve | | (10,000) | 10,000 | 0 | 0 | | 0 |
| To toher reserve | | 0 | 19,318 | (19,318) | 0 | | 0 |
| **Balance at 30/06/2016** | **599,760** | **29,971** | **344,376** | **39,903** | **1,014,010** | **9,812** | **1,023,822** |

## 2.5 Consolidated statement of cash flows

| CONSOLIDATED STATEMENT OF CASH FLOW | 30/06/2016 | 30/06/2015 |
|---|---|---|
| *(In thousands of euro)* | | |
| | | |
| CASH FLOW FROM OPERATING ACTIVITIES OF THE YEAR: | | |
| Pre-tax profit | **26,308** | **19,618** |
| **Adjustments to reconcile net profit with cash flow generated (absorbed) by operating activities** | | |
| | | |
| Non-cash items | (2,634) | (3,561) |
| (Depreciations and provisions) | 1,348 | 1,361 |
| (Impairment losses)/Reversals on work in progress and inventory | 2,201 | 1,327 |
| Fair Value changes - increases (decreases) | (2,559) | (924) |
| Income/loss from property sales - Equity investments | 129 | 213 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **24,792** | **18,034** |
| Income taxes | (485) | (487) |
| **CASH FLOW FROM OPERATING ACTIVITIES NET OF TAXES** | **24,307** | **17,547** |
| Change in inventories | (1,218) | 433 |
| Net change in current assets and liabilities with third parties | 2,955 | 6,242 |
| Net change in current assets and liabilities with related parties | (6,870) | (1,808) |
| Net change in non-current assets and liabilities with third parties | (1,909) | (171) |
| Net change in non-current assets and liabilities with related parties | (7) | 430 |
| **CASH FLOW FROM OPERATING ACTIVITIES OF THE YEAR** | **17,258** | **22,673** |
| (Investments) in fixed assets | (10,481) | (19,581) |
| Disposals of fixed assets | 147 | 28,438 |
| (Investments) in equity investments | (13) | (4,391) |
| **CASH FLOW USED IN INVESTING ACTIVITIES** | **(10,347)** | **4,466** |
| Change in non-current financial assets | 0 | 6 |
| Change in financial receivables and other current financial assets with third parties | 9,023 | 0 |
| Share capital increase | 0 | (108) |
| Prehedging derivatives (paid) reserve | (1,659) | 0 |
| Dividends distribution | (32,522) | (28,363) |
| Change in current debt with third parties | (165,661) | 48,013 |
| Change in current debt with related parties | 0 | (188) |
| Change in non-current debt with third parties | 244,577 | (51,081) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **53,758** | **(31,721)** |
| Exchange gain/(losses) on cash and cash equivalents | 1 | 1 |
| **NET INCREASE (DECREASE) IN CASH BALANCE** | **60,670** | **(4,581)** |
| **CASH BALANCE AT THE BEGINNING OF THE YEAR** | 23,603 | **15,242** |
| **CASH BALANCE AT THE END OF THE YEAR** | **84,273** | **10,661** |

# 2.6 Explanatory notes to the Interim Condensed Consolidated Financial Statement

## 1. General information

The interim condensed consolidated financial statements of Immobiliare Grande Distribuzione at 30 June 2016 were approved and authorized for publication by the Board of Directors on 5 August 2016.
IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0. Soc. Coop and is under the management and coordination of that company.

## 2. Summary of accounting standards

### 2.1. Preparation criteria

The interim condensed consolidated financial statements at 30 June 2016 have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). They do not include all disclosures required in the annual financial statements, and should be read jointly with the Group's annual report for the year ended 31 December 2015.

#### Reporting formats

The items in the statement of financial position have been classified as current, non-current, or noncurrent held for sale. Items in the income statement have been classified by type.
The statement of comprehensive income shows the net profit or loss along with income and charges that by express requirement of IFRS are recognized directly in equity.
The statement of changes in equity presents comprehensive income and charges, transactions with shareholders and other changes in shareholders' equity.
The statement of cash flows is prepared using the indirect method, adjusting the pre-tax profit for non-cash items.
The financial statements, tables and explanatory notes are expressed in thousands of euro (€/000 or €K), unless otherwise specified.

#### Changes in accounting standards

##### a) New accounting standards

The accounting standards used to prepare the consolidated financial statements are the same as those employed in the Group's annual financial statements for the year ended 31 December 2015, with the exception of the following new standards and interpretations applicable from 1 January 2016.

| Commission regulation | Title |
|---|---|
| Commission regulation 2015/2441 | **Commission Regulation (EU) 2015/2441 of 18 December 2015, published in the Official Journal of the European Union L 336 on 23 December, adopting Amendments to IAS 27 - Equity method in separate financial statements.** The amendments allow an entity to use the net equity method described in IAS 28 - Investments in Associates and Joint Ventures to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |
| Commission regulation 2015/2406 | **Commission Regulation (EU) 2015/2406 of 18 December 2015, published in the Official Journal of the European Union L 333 on 19 December, adopting Amendments to IAS 1 - Presentation of financial statements: Disclosure initiative.** The amendments aim to improve the effectiveness of disclosure and to encourage companies to apply professional judgment in determining what information to disclose in their financial statements when applying IAS 1.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |
| Commission regulation 2015/2343 | **Commission Regulation (EU) 2015/2343 of 15 December 2015, published in the Official Journal of the European Union L 330 on 16 December,** adopting the IFRS Annual Improvements 2012-2014 Cycle as part of the ordinary process of streamlining and clarifying the international accounting standards.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |
| Commission regulation 2015/2231 | **Commission Regulation (EU) 2015/2231 of 2 December 2015, published in the Official Journal of the European Union L 317 on 3 December, adopting amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets -** Clarification of acceptable methods of depreciation and amortization.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |
| Commission regulation 2015/2173 | **Commission Regulation (EU) 2015/2173 of 24 November 2015, published in the Official Journal of the European Union L 307 on 25 November, adopting amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations.** The amendments provide guidance on accounting for acquisitions of interests in joint operations that constitute a business.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |
| Commission regulation 2015/29 | **Commission Regulation (EU) 2015/29 of 17 December 2014, published in the Official Journal of the European Union L 5 on 9 January, adopting Amendments to IAS 19 - Defined benefit plans: employee contributions.**<br><br>The amendments aim to simplify and clarify the accounting for employee or third party contributions linked to defined benefit plans.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |
| Commission regulation 2015/28 | **Commission Regulation (EU) 2015/28 of 17 December 2014, published in the Official Journal of the European Union L 5 on 9 January, adopting the Annual Improvements to IFRS 2010-2012 Cycle.**<br><br>The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2010 on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required. Amendments to IFRS 8 and to IAS 16, 24 and 38 are clarifications or corrections to the respective standards. Amendments to IFRS 2 and IFRS 3 involve changes to the existing requirements or additional guidance on the implementation of those requirements.<br><br>Adoption of the new standard is not believed to have had a significant impact on the Group's interim condensed consolidated financial statements. |

### b) Accounting standards, amendments, and interpretations not yet effective and not applied in advance by the Group

During the half, the IASB made changes to some previously issued IAS/IFRS and published new international accounting standards.

| Date | IASB publication |
|---|---|
| 13 January 2016 | IASB published the new standard FRS 16 Leases, which substitutes IAS 17. IFRS 16 is applicable beginning 1 January 2019. Early application is allowed for companies which also apply IFRS 15 Revenue from Contracts with Customers. |
| 19 January 2016 | IASB also published a few amendments to IAS 12 Income Tax. The document “Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)” aims to clarify how to account for deferred tax assets relative to debt instruments measured at fair value. The amendments are applicable beginning 1 January 2017. Early application is allowed. |
| 29 January 2016 | IASB published a few amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments are applicable beginning 1 January 2017. |
| 12 April 2016 | IASB published a few amendments to IFRS 15 Revenue from Contracts with Customers “Clarifications to IFRS 15″, which aim to clarify and simplify a few provisions with a view to making first application of this standard less costly and complex. The amendments are applicable beginning 1 January 2018. The new standard substitutes IAS 11 and 18, IFRIC 13, 15 and 18, SIC 31 effective 1 January 2018, introduces new rules for Revenue Recognition (which could potentially impact the portion of revenue to be recognized in the financial statements, revenue recognition and related procedures, commercial transactions, internal control, tax, etc.), as well as new and more detailed mandatory disclosures. When retroactive application is called for, the standard requires at least one period of comparison figures, in addition to a preliminary detailed analysis of the structure of sales agreements. |
| 21 June 2016 | IASB published amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions, with a view to clarifying the accounting of a few transactions involving share-based payments. The amendments are applicable beginning 1 January 2018. Early application is allowed. |
| 28 June 2016 | IASB also published an initial draft of *Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11)* which proposes a view amendments designed to clarify how to define a business and how to account for previously held interests in a business of which control or joint control is subsequently acquired. |

None of these changes were used when preparing the consolidated financial statements at 30 June 2016 as they have not yet been approved by the European Commission.

## 2.2. Consolidation

### Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 30 June December 2016, prepared by the consolidated companies and adjusted, where necessary, to align them with the Group’s IFRS-compliant accounting and classification policies.

With respect to 31/12/2015, there have been on changes in the scope of consolidation. Pursuant to Consob Circular DEM/6064293 of 28 July 2006, below is a list of Group companies showing the location of their registered office, share capital in the local currency and consolidation method. The interests held directly or indirectly by IGD SIIQ S.p.A. and each of its subsidiaries are also specified. Some companies are carried at cost as their value is immaterial. The resulting amount does not differ from that obtained with the equity method.

| Name | Registered office | Country | Share capital | Currency | % consolidato | Held by | % of share capital held | Operations |
|---|---|---|---|---|---|---|---|---|
| **Parent company** | | | | | | | | |
| IGD SIIQ S.p.A. | Ravenna via agro pontino 13 | Italy | 599,760,278.16 | Euro | | | | Facility management |
| **Subsidiaries consolidated on a line-by-line basis** | | | | | | | | |
| IGD Management s.r.l. | Ravenna via Villa Glori 4 | Italy | 75,071,221.00 | Euro | 100% | IGD SIIQ S.p.A. | 100.00% | Facility management and services |
| Millennium Gallery s.r.l | Ravenna via Villa Glori 4 | Italy | 100,000.00 | Euro | 100% | IGD SIIQ S.p.A. | 100.00% | Facility management |
| Porta Medicea s.r.l. | Bologna via trattati comunitari Europei 1957-2007 | Italy | 60,000,000.00 | Euro | 80% | IGD Management s.r.l. | 80.00% | Società di costruzione e commercializzazione |
| IGD Property SIINQ S.p.A. | Ravenna via Villa Glori 4 | Italy | 50,000,000.00 | Euro | 100% | IGD SIIQ S.p.A. | 100.00% | Facility management |
| Punta di Ferro SIINQ S.p.A. | Ravenna via Villa Glori 4 | Italy | 87,202,912.00 | Euro | 100% | IGD SIIQ S.p.A. | 100.00% | Facility management |
| Win Magazin S.A. | Bucarest | Romania | 113,715.30 | Lei | 100% | IGD Management s.r.l. 99.9% | 100.00% | Facility management |
| | | | | | | IGD SIIQ S.p.A. 0.1% | | |
| Winmarkt management s.r.l. | Bucarest | Romania | 1,001,000 | Lei | 100% | Win Magazin S.A. | 100.00% | Agency and facility management services |
| **Subsidiaries valued at cost** | | | | | | | | |
| Consorzio I Bricchi | Isola d'Asti<br>loc. Molini via prato boschiero | Italy | 6,000.00 | Euro | | IGD SIIQ S.p.A. | 72.25% | Shopping center promotion and management of the common areas |
| Consorzio Proprietari C.C.Leonardo | Imola (Bologna)<br>Via Amendola 129 | Italy | 100,000.00 | Euro | | IGD SIIQ S.p.A. | 52.00% | Shopping center promotion and management of the common areas |
| Consorzio Proprietari Fonti del Corallo | Livorno<br>Via Gino Graziani 6 | Italy | 10,000.00 | Euro | | IGD SIIQ S.p.A. | 68.00% | Shopping center promotion and management of the common areas |
| Consorzio Proprietari puntadiferro | Forlì<br>Piazzale della Cooperazione 4 | Italy | 10,000.00 | Euro | | Punta di Ferro SIINQ S.p.A. | 62.34% | Shopping center promotion and management of the common areas |
| Arco Campus S.r.l. | Bologna via dell'Arcoveggio n.49/2 | Italy | 1,500,000.00 | Euro | | IGD SIIQ S.p.A. | 99.98% | Management of real estate and sports facilities/equipment; construction, trading and rental of properties used for commercial sports |
| **Associates valued at equity** | | | | | | | | |
| RGD Ferrara 2013 s.r.l. | Roma, via Piemonte 38 | Italy | 100,000.00 | Euro | | IGD SIIQ S.p.A. | 50% | Management of Darsena city shopping center |
| **Associates valued at cost** | | | | | | | | |
| Millennium Center soc. cons. r.l. | Rovereto (Trento) via del Garda n.175 | Italy | 10,000.00 | Euro | | Millennium Gallery s.r.l | 35.40% | Shopping center promotion and management of the common areas |
| **Other valued at cost** | | | | | | | | |
| Iniziative Bologna Nord s.r.l. in liquidazione | Casalecchio di Reno (Bologna) via Isonzo n. 67 | Italy | 60,000.00 | Euro | | IGD Management s.r.l. | 15.00% | Real estate development |
| Fondazione Virtus Pallacanestro Bologna | Bologna via dell'Arcoveggio n.49/2 | Italy | 1,200,000.00 | Euro | | IGD SIIQ S.p.A. | n.a. | Sport teams promotion |

## 3. Use of estimates

The preparation of the interim condensed consolidated financial statements and notes in accordance with IFRS requires Management to make estimates and assumptions that affect the carrying values of assets and liabilities and disclosures on contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.

The critical valuation processes and key assumptions used by management in the process of applying IFRS that may significantly impact the amounts presented in the condensed interim consolidated financial statements or that may in the future lead to material differences with respect to the carrying amount of assets and liabilities are summarized below.

**Investment property and inventory**

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms with acknowledged professional qualifications and in-depth knowledge of the characteristics of the properties appraised. To that end, IGD SIIQ S.p.A. has hired CBRE Valuation S.p.A., Real Estate Advisory Group S.p.A., Jones Lang LaSalle and Cushman & Wakefield, specialized in the appraisal of investment property, to prepare a report from which the company can determine the fair value of the currently rented portions of shopping centers, malls, hypermarkets, supermarkets, wholesale and fitness zones, stores, offices, and land.

The periodic appraisals are conducted according to an internal procedure that governs the entire process of valuing investment property at fair value: criteria for the selection and appointment of independent appraisers, protocol for extending assignments, protocol for sharing information and documents between the company and the independent appraisers, and overall monitoring and responsibility. The appraisers' contracts define valuation criteria and methods, the means and timing of physical inspections and any other checks of the appraised properties, and the specific reasoning for the method(s) used to appraise the individual asset.

The main information required by the appraisers includes, for rented properties, the rental status of each unit in each shopping center; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs. For construction in progress, the information concerns the start and end dates of the work, the status of building permits and authorizations, remaining costs, the state of progress, the ribbon-cutting date and projected rentals.

The independent appraisers formulate their own assumptions, such as inflation rates, discount rates and capitalization rates, on the basis of their professional judgment. The following are taken into account when determining the capitalization and discounting rates used to value individual properties:

- the type of tenant currently occupying the property or responsible for complying with rental obligations and the possible future occupants of vacant properties, as well as the market's general perception of their creditworthiness;
- the division of responsibilities for insurance and maintenance between the lessor and the lessee;
- the remaining economic life of the property.

The information given to the appraisers, their assumptions, and the models they use are approved by the Director of Property Development and Management, who is responsible for organizing and coordinating the appraisals and for monitoring and checking them before their results are published in the financial statements.

IGD periodically conducts sensitivity analyses on the values assigned to its assets in order to monitor the impact of changes in the discount rate or capitalization rate as a result of macroeconomic developments. Monitoring of the indicators defined in the enterprise risk management system supports the Company's evaluation of how this risk is likely to evolve

**Recoverable amount of goodwill**

The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment.

**Recoverability of deferred tax assets**

The Group has deferred tax assets on deductible temporary differences and theoretical tax benefits for losses carried forward. In estimating recoverable value, the Group considered the results of the company plan in line with the results used for impairment testing.

### Fair value of derivative instruments

The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates, also with support from external consultants. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 7: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

### Variable revenue

Variable revenue at 30 June is determined on the basis of monthly earnings reports from the individual tenants, if available, or otherwise on the basis of the previous year's earnings.

### Provision for doubtful accounts

The provision for doubtful accounts reflects estimated losses on receivables. Management closely monitors the quality of the receivables portfolio and the current and prospective conditions of the economy and IGD's markets. Estimates and assumptions are reviewed on a regular basis and any changes are reflected in the income statement of the pertinent year.

### Contingent liabilities

The Group recognizes a liability for pending disputes and legal actions when it believes that a financial outlay is likely and when the amount of the resulting losses can be reasonably estimated. If a financial outlay becomes possible but its amount cannot be determined, this is reported in the notes to the financial statements. The Group is involved in lawsuits and tax disputes concerning difficult, complex issues that present varying degrees of uncertainty, including with regard to the facts and circumstances of each case, matters of jurisdiction, and different applicable laws. Therefore, it is difficult to reach an accurate prediction of any outlays resulting from these disputes, and the provisions set aside for such matters may vary according to future developments.
The Group monitors the status of such litigation and consults with its attorneys and with experts in law and taxation.

## 4. Segment reporting

The income statement and the statement of financial position are broken down below by business segment in accordance with IFRS 8, followed by a geographical breakdown of revenue from freehold properties

| INCOME STATEMENT | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 |
|---|---|---|---|---|---|---|---|---|---|---|
| | CORE BUSINESS PROPERTIES | | SERVICES | | "PORTA A MARE" PROJECT | | UNSHARED | | TOTAL | |
| **Total revenues and operating income** | **64,985** | **59,907** | **2,558** | **2,551** | **590** | **886** | **0** | **0** | **68,133** | **63,344** |
| **Change in inventories of work in progress** | **0** | | **0** | | **1,218** | **(420)** | **0** | **0** | **1,218** | **(420)** |
| Direct costs (a) (excluding provisions for doubtful accounts) | 12,389 | 12,416 | 2,373 | 2,487 | 1,908 | 562 | 0 | 0 | 16,670 | 15,465 |
| G&A expenses (b) | | | | | | | 5,559 | 5,634 | 5,559 | 5,634 |
| **Total operating costs (a) + (b)** | **12,389** | **12,416** | **2,373** | **2,487** | **1,908** | **562** | **5,559** | **5,634** | **22,229** | **21,099** |
| (Depreciations, amortization and provisions) | (1,170) | (1,171) | (44) | (52) | (2) | (1) | (132) | (137) | (1,348) | (1,361) |
| (Impairment losses)/Reversals on work in progress and inventories | (190) | (591) | 0 | 0 | (2,011) | (736) | 0 | 0 | (2,201) | (1,327) |
| Change in Fair value - increases/(decreases) | 2,559 | 924 | 0 | 0 | 0 | 0 | 0 | 0 | 2,559 | 924 |
| **Total depreciations, amortization, provisions, impairment and fair value changes** | **1,199** | **(838)** | **(44)** | **(52)** | **(2,013)** | **(737)** | **(132)** | **(137)** | **(990)** | **(1,764)** |
| **EBIT** | **53,795** | **46,653** | **141** | **12** | **(2,113)** | **(833)** | **(5,690)** | **(5,771)** | **46,132** | **40,061** |
| **Results from equity investments and asset disposal** | | | | | | | **(129)** | **(161)** | **(129)** | **(161)** |
| **Financial income:** | | | | | | | **64** | **22** | **64** | **22** |
| -third parties | | | | | | | 61 | 19 | 61 | 19 |
| -related parties | | | | | | | 3 | 3 | 3 | 3 |
| **Financial charges:** | | | | | | | **19,759** | **20,304** | **19,759** | **20,304** |
| -third parties | | | | | | | 19,745 | 20,270 | 19,745 | 20,270 |
| -related parties | | | | | | | 14 | 34 | 14 | 34 |
| **Net financial income** | | | | | | | **(19,695)** | **(20,282)** | **(19,695)** | **(20,282)** |
| **PRE-TAX INCOME** | **53,795** | **46,653** | **141** | **12** | **(2,113)** | **(833)** | **(25,514)** | **(26,214)** | **26,308** | **19,618** |
| Income taxes | | | | | | | 138 | (606) | 138 | (606) |
| **NET PROFIT** | **53,795** | **46,653** | **141** | **12** | **(2,113)** | **(833)** | **(25,652)** | **(25,608)** | **26,170** | **20,224** |
| Non-controlling interests in net profit | | | | | | | | | 338 | 186 |
| **IGD SIIQ S.p.A. share of net profit** | **53,795** | **46,653** | **141** | **12** | **(2,113)** | **(833)** | **(25,652)** | **(25,608)** | **26,508** | **20,410** |

| STATEMENT OF FINANCIAL POSITION | 30-Jun-16 | 31-Dec-15 | 30-Jun-16 | 31-Dec-15 | 30-Jun-16 | 31-Dec-15 | 30-Jun-16 | 31-Dec-15 | 30-Jun-16 | 31-Dec-15 |
|---|---|---|---|---|---|---|---|---|---|---|
| | CORE BUSINESS PROPERTIES | | SERVICES | | "PORTA A MARE" PROJECT | | UNSHARED | | TOTAL | |
| - Real estate investments | *1,973,998* | *1,970,028* | *0* | *0* | *0* | *0* | *0* | *0* | *1,973,998* | *1,970,028* |
| - Non-current assets held for sale | *0* | *0* | *0* | *0* | *0* | *0* | *4,466* | *0* | *4,466* | *0* |
| - Assets under construction | *59,179* | *50,533* | *0* | *0* | *0* | *0* | *0* | *0* | *59,179* | *50,533* |
| Intangible assets | *11,655* | *11,655* | *1,007* | *1,007* | *5* | *7* | *65* | *67* | *12,732* | *12,736* |
| Other tangible assets | *2,723* | *3,043* | *183* | *234* | *3* | *4* | *8,498* | *8,618* | *11,407* | *11,899* |
| - Sundry receivables and other non-current assets | *0* | *0* | *0* | *0* | *0* | *0* | *88* | *90* | *88* | *90* |
| - Equity investments | *1,706* | *1,706* | *0* | *0* | *0* | *0* | *84* | *4,660* | *1,790* | *6,366* |
| NWC | *(9,517)* | *(15,016)* | *820* | *975* | *62,947* | *65,838* | *0* | *0* | *54,250* | *51,797* |
| Funds | *(5,519)* | *(5,625)* | *(1,001)* | *(1,099)* | *(16)* | *(10)* | *0* | *0* | *(6,536)* | *(6,734)* |
| Sundry payables and other non-current liabilities | *(18,686)* | *(20,234)* | *0* | *0* | *(6,224)* | *(6,226)* | *0* | *0* | *(24,910)* | *(26,460)* |
| Net deferred tax (assets)/liabilities | *(20,869)* | *(20,810)* | *0* | *0* | *3,129* | *2,563* | *0* | *0* | *(17,740)* | *(18,247)* |
| **Total use of funds** | **1,994,670** | **1,975,280** | **1,009** | **1,117** | **59,844** | **62,176** | **13,201** | **13,435** | **2,068,724** | **2,052,008** |
| Total Group net equity | *985,186* | *992,968* | *6* | *(92)* | *28,819* | *29,177* | *(0)* | *0* | *1,014,010* | *1,022,053* |
| Non-controlling interests in capital and reserves | *0* | *0* | *0* | *0* | *9,812* | *10,150* | *0* | *0* | *9,812* | *10,150* |
| Net (assets) and liabilities for derivative instruments | *35,417* | *34,990* | *0* | *0* | *0* | *0* | *0* | *0* | *35,417* | *34,990* |
| Net debt | *974,068* | *947,322* | *1,003* | *1,209* | *21,213* | *22,849* | *13,201* | *13,435* | *1,009,485* | *984,815* |
| **Total sources** | **1,994,670** | **1,975,280** | **1,009** | **1,117** | **59,844** | **62,176** | **13,201** | **13,435** | **2,068,724** | **2,052,008** |

| REVENUES FROM FREEHOLD PROPERTIES | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 | 30-Jun-16 | 30-Jun-15 |
|---|---|---|---|---|---|---|---|---|
| | NORTHERN ITALY | | CENTER/SOUTHERN ITALY AND ISLANDS | | ABROAD | | TOTAL | |
| *LEASE AND RENTALINCOME* | 29,143 | 25,047 | 24,045 | 23,611 | 4,259 | 4,191 | 57,446 | 52,849 |
| *ONE-OFF REVENUES* | 5 | 13 | 10 | 20 | 0 | | 16 | 33 |
| *TEMPORARY LOCATION RENTAL* | 764 | 560 | 544 | 448 | 0 | | 1,308 | 1,008 |
| *OTHER RENTAL INCOME* | 45 | -10 | 3 | -55 | 21 | 4 | 69 | -61 |
| **TOTAL** | **29,957** | **25,610** | **24,602** | **24,024** | **4,279** | **4,195** | **58,838** | **53,829** |

# Notes to the consolidated financial statements

## Total revenue and other income

| | Note | 30/06/2016 | 30/06/2015 | Change |
|---|---|---|---|---|
| **Revenues:** | 1 | **64,985** | **59,907** | **5,078** |
| - from third parties | | 43,997 | 39,344 | 4,653 |
| - from related parties | | 20,988 | 20,563 | 425 |
| **Other income:** | 2.1 | **2,558** | **2,551** | **7** |
| - from third parties | | 1,730 | 1,705 | 25 |
| - from related parties | | 828 | 846 | (18) |
| **Revenues from trading property sales** | 2.2 | **590** | **886** | **(296)** |
| **Total reveneus and operating income** | | **68,133** | **63,344** | **4,789** |

In the first half of 2016 the IGD Group earned revenue and other income of €68,133K, including €590K from property sales (residential units in the Mazzini section of the Porta a Mare project). Most of the increase on the previous year (+€4,789K) stems from positive changes in real estate holdings, with the acquisition of the Puntadiferro mall in December 2015 and the contribution for the entire six months of Clodì retail park, opened in May 2015.

### Note 1) Revenue

| | | 30/06/2016 | 30/06/2015 | Change |
|---|---|---|---|---|
| ***Freehold hypermarkets - Rent and business leases from related parties*** | *a.1* | **19,082** | **18,765** | ***317*** |
| ***Rents and business lease*** | | **19,082** | **18,765** | ***317*** |
| From related parties | | 19,082 | 18,765 | 317 |
| ***Leasehold hypermarkets - Business leases from related parties*** | *a.2* | **59** | **59** | ***0*** |
| ***Business lease*** | | **59** | **59** | **0** |
| From related parties | | 59 | 59 | 0 |
| ***Freehold supermarkets - Rent and business leases from related parties*** | *a.3* | **850** | **850** | ***0*** |
| ***Rent and business lease*** | | **850** | **850** | ***0*** |
| From related parties | | 850 | 850 | 0 |
| **TOTAL HYPERMARKETS/SUPERMARKETS** | a | **19,991** | **19,674** | **317** |
| ***Freehold malls, malls under beneficial interest, offices and city center*** | *b.1* | **37,470** | **33,144** | ***4,326*** |
| ***Rent*** | | **8,361** | **8,592** | ***(231)*** |
| Related parties | | 487 | 505 | (18) |
| Third parties | | 7,874 | 8,087 | (213) |
| ***Business leases*** | | **29,109** | **24,552** | ***4,557*** |
| Related parties | | 308 | 220 | 88 |
| Third parties | | 28,801 | 24,332 | 4,469 |
| ***Leasehold malls*** | *b.2* | **5,728** | **5,645** | ***83*** |
| ***Rent*** | | **292** | **286** | ***6*** |
| Related parties | | 58 | 58 | 0 |
| Third parties | | 234 | 228 | 6 |
| ***Business leases*** | | **5,436** | **5,359** | ***77*** |
| Related parties | | 122 | 82 | 40 |
| Third parties | | 5,314 | 5,277 | 37 |
| ***Other contracts and temporary rents*** | *b.3* | **1,796** | **1,444** | **352** |
| Other contracts and temporary rents | | 1,774 | 1,420 | 354 |
| Other contracts and temporary rents vs related parties | | 22 | 24 | (2) |
| **TOTAL MALLS** | b | **44,994** | **40,233** | **4,761** |
| **TOTAL** | a+b | **64,985** | **59,907** | **5,078** |
| of which from related parties | | 20,988 | 20,563 | 425 |
| of which from third parties | | 43,997 | 39,344 | 4,653 |

Rent and business lease revenue increased by €5,078K compared with the same period last year.

Rent from freehold hypermarkets and supermarkets was up by €317K, due to the full-period contribution of the hypermarket at Clodì retail park in Chioggia. Rent and business lease revenue from freehold malls, offices and city center properties increased by €4,326K, chiefly as a result of: *(i)* higher revenue due to the acquisition of the Puntadiferro mall in December 2015 and the contribution for the full six months of Clodì retail park, opened in May 2015; *(ii)* the good performance of properties that have now been restyled; *(iii)* revenue growth in Romania thanks to higher occupancy and an average 1.7% upside on contract renewals; and *(iv)* the release to the income statement of excess provisions for doubtful accounts in light of the second and definitive payment from the Darsena FM bankruptcy. These positive factors were partially offset by the disposal of City Center Rizzoli at the end of May 2015.

For further information, see the income statement review (section 1.4) in the Directors' Report.

## Note 2.1) Other income

| | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Facility management revenues | 1,642 | 1,613 | 29 |
| Pilotage and construction revenues | 71 | 84 | (13) |
| Other reveneus | 17 | 8 | 9 |
| ***Total other income from third parties*** | **1,730** | **1,705** | **25** |
| Facility management revenues - related parties | 781 | 749 | 32 |
| Pilotage and construction revenues | 4 | 49 | (45) |
| Portfolio management and rent management revenues - related parties | 17 | 20 | (3) |
| Marketing revenues | 26 | 28 | (2) |
| ***Total other income from related parties*** | **828** | **846** | **(18)** |
| ***Total*** | **2,558** | **2,551** | **7** |

Other income from third parties increased by €25K, due mainly to the acquisition of new facility management contacts. Other income from related parties fell by €18K, mainly as a result of decreased pilotage revenue after Clodì retail park was opened in May 2015, which was partially offset by a full six months of facility management revenue from the same property.

## Note 2.2) Income from the sale of trading properties

This came to €590K in the first half of 2016 and concerns two residential units and two enclosed garage units in the Mazzini section of Porta a Mare, compared with three residential units, three garages and one parking space sold in the same period last year.

## Note 3) Service costs

| | 30/06/2016 | 30/06/2015 | Change |
|---|---|---|---|
| **Third parties service costs** | **9,914** | **10,429** | **(515)** |
| Paid rents | 5,141 | 5,119 | 22 |
| Promotional and advertising expenses | 262 | 423 | (161) |
| Facility management costs | 1,345 | 1,452 | (107) |
| Facility management administration costs | 315 | 336 | (21) |
| Professional fees | 131 | 111 | 20 |
| Directors and statutory auditors fees | 414 | 424 | (10) |
| External auditing fees | 86 | 83 | 3 |
| Investor relations, Consob, Monte Titoli costs | 180 | 174 | 6 |
| Shopping centers pilotage and construction costs | 4 | 116 | (112) |
| Consulting | 413 | 437 | (24) |
| Appraisers fees | 222 | 208 | 14 |
| Maintenance, repairs and insurance | 478 | 595 | (117) |
| Other service costs | 923 | 951 | (28) |
| **Related parties service costs** | **1,114** | **891** | **223** |
| Service | 147 | 145 | 2 |
| Facility management costs | 883 | 676 | 207 |
| Insurances | 34 | 34 | 0 |
| Directors and statutory auditors fees | 50 | 36 | 14 |
| **Total** | **11,028** | **11,320** | **(292)** |

Service costs decreased by €292K compared to same period last year, and mostly include rent for properties managed by IGD, facility management and maintenance costs, and other expenses such as fees paid to the directors, statutory auditors, external auditors and consulting firms. The main decreases concerned: *(i)* routine maintenance; *(ii)* promotional expenses, which were higher last year due to the Chioggia opening; *(iii)* pilotage costs, reflecting the work performed in 2015 for the opening of Clodì retail park. Facility management costs to third parties and related parties increased by €100K overall.

## Note 4) Cost of labor

| | 30/06/2016 | 30/06/2015 | Change |
|---|---|---|---|
| Wage and salaries | 3,427 | 3,322 | 105 |
| Social securities | 954 | 924 | 30 |
| Severnace pay | 184 | 206 | (22) |
| Other cost | 92 | 95 | (3) |
| **Total** | **4,657** | **4,547** | **110** |

The slight increase in the cost of labor is due to a one-time outlay relating to the renewal of the employment contract, as well as the full impact of various contractual adjustments.

## Note 5) Other operating costs

| | 30/06/2016 | 30/06/2015 | Change |
|---|---|---|---|
| IMU/TASI/Property tax | 4,303 | 4,358 | (55) |
| Other taxes | 28 | 38 | (10) |
| Contracts registration fees | 183 | 168 | 15 |
| Membership fees | 63 | 62 | 1 |
| Losses on receivables | 12 | 29 | (17) |
| Fuels and tolls | 81 | 84 | (3) |
| Magazine subscriptios, office supplies, forms | 22 | 39 | (17) |
| Other costs | 81 | 85 | (4) |
| **Total** | **4,773** | **4,863** | **(90)** |

Other operating costs were essentially in line with the previous year.

## Note 6) Change in work in progress inventory

| | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Construction costs of the period | 1,771 | 369 | 1,402 |
| Change in inventories for disposal | (553) | (789) | 236 |
| **Change in work in progress inventories** | **1,218** | **(420)** | **1,638** |

Work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno increased by €1,218K due to the sale of residential units (see Note 2.2), net of the advancement of works for the period.

## Note 7) Depreciation, amortization, provisions and fair value changes

| | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Amortizations | (15) | (17) | 2 |
| Depreciations | (543) | (604) | 61 |
| Provision for doubtful accounts | (693) | (658) | (35) |
| Other provisions | (97) | (82) | (15) |
| **Total depreciations, amortization and provisions** | **(1,348)** | **(1,361)** | **13** |
| **(Impairment losses)/reversals on work in progress and inventories** | (2,201) | (1,327) | (874) |
| **Fair value change** | 2,559 | 924 | 1,635 |
| **Total depreciation, amortization, provisions and fair value changes** | **(990)** | **(1,764)** | **774** |

- ✓ Depreciation and amortization increased by €63K.
- ✓ The allocation to the provision for doubtful accounts, €693K, was higher than the previous year's by €35K. The amount is determined by evaluating the individual positions of clients in order to adjust them to estimated realizable value, and decreased to reflect the reduction in impaired receivables. See Note 23 for changes in this provision.
- ✓ Other provisions refer to the estimated outcome of two IMU (municipal property tax) disputes regarding Le Maioliche (Faenza) and La Torre (Palermo) shopping centers.
- ✓ "(Impairment losses)/reversals on work in progress and inventory" (-€2,201K) cover the following: *(i)* an impairment loss of €247K for the expansion of Porto Grande (listed as assets under construction), to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 30 June 2016; *(ii)* the reversal of a previous impairment loss of €57K regarding the Lips and Arsenale sections of the Porta a Mare project, to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 30 June 2016; *(iii)* an impairment loss of €2,011K regarding work in progress inventory for the Porta a Mare project, to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 30 June 2016.
- ✓ The item "Fair value changes" (€2,559K) covers: *(i)* a net revaluation of €801K (see Note 15) carried out to match the carrying value of investment property to its fair value at 30 June 2016; *(ii)* a net revaluation of €1,758K to adjust construction in progress to fair value (ESP Ravenna expansion for +€667K and Officine Storiche for +€1,091K; see Note 17).

## Note 8) Income/(loss) from equity investments and property sales

The overall loss of €129K derives from: *(i)* the amount relating to the future sale of the investment in UnipolSai Investimenti Sgr, with the exercise of the purchase option by UnipolSai Assicurazioni S.p.A.; *(ii)* the results of investments accounted for using the equity method and *(iii)* the price adjustment on the sale of the joint venture RGD to reflect a second allotment received.

## Note 9) Financial income and charges

| | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Bank interest income | 38 | 9 | 29 |
| Other interest income and equivalents | 11 | 9 | 2 |
| Exchange gains | 12 | 1 | 11 |
| **Total third parties** | **61** | **19** | **42** |
| Interest income from related parties | 3 | 3 | 0 |
| **Total related parties** | **3** | **3** | **0** |
| **Total financial income** | **64** | **22** | **42** |

Financial income increased due mainly to time deposits by Punta di Ferro totaling €9 million and paying 0.60% interest, which matured on 31 May 2016. Interest income from related parties is described in Note 40.

| | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Interest expenses on security deposits | 14 | 34 | (20) |
| **Total related parties** | **14** | **34** | **(20)** |
| Interest expenses to banks | 223 | 89 | 134 |
| Mortgage loan interests | 5,393 | 6,816 | (1,423) |
| Mortgage loans amortised costs | 1,329 | 685 | 644 |
| IRS spread | 5,866 | 6,093 | (227) |
| Equity component of bonds amortised costs | 62 | 137 | (75) |
| Financial charegs on bonds | 5,333 | 5,441 | (108) |
| Bonds amortised cost | 1,002 | 603 | 399 |
| Financial charges on leasing | 34 | 41 | (7) |
| Interests, fees and other charges | 453 | 295 | 158 |
| Impairment loss on financial receivables | 50 | 70 | (20) |
| **Total third parties** | **19,745** | **20,270** | **(525)** |
| **Total financial charges** | **19,759** | **20,304** | **(545)** |

Financial charges went from €20,304K in the first half of 2015 to €19,759K this year. The decrease of €545K is mostly explained by the prepayment of various mortgage loans (BNP loan, partial reimbursement of €29.6 million, plus Centrobanca for Coné hypermarket, Centrobanca and Banco Popolare di Verona for the subsidiary Porta Medicea), offset by the greater use of short-term credit lines with lower interest rates than those charged on the extinguished loans. The decrease also reflects lower interest on interest rate swaps and lower financial charges on the bond loans due to the swap carried out in April 2015. On the other hand, there was an increase in financial charges relating to the €300 million loan issued on 31 May 2016. The unamortized trasaction costs on the loans paid back in full were taken to the income statement in the amount of €598K. As of 30 June 2016, a loan granted to Iniziative Bologna Nord S.r.l. (in liquidation) had been written down by €50K.

For the first half of 2016, the average cost of debt (without considering recurring and non-recurring transaction costs) was 3.23%, down from 3.88% the previous year, while the weighted average effective cost of debt went from 4.20% to 3.69%.

## Note 10) Income taxes

| | 30/06/2016 | 30/06/2015 | *Change* |
|---|---|---|---|
| Current taxes | 504 | 487 | 17 |
| Deferred tax assets and liabilities | (366) | (1,093) | 727 |
| **Income taxes** | **138** | **(606)** | **744** |

Current and deferred taxes came to €138K for the period, an increase of €744K with respect to the first half of 2015. The change is mostly due to the adjustment of deferred tax assets and deferred tax liabilities to reflect the disparity between fair value and the amount valid for tax purposes, caused by the fair value adjustment of certain investment properties.
Below is a reconciliation between theoretical income tax and actual income tax for the periods ended 30 June 2016 and 30 June 2015.

| Reconciliation of income taxes applicable to profit before taxes | 30/06/2016 | 30/06/2015 |
|---|---|---|
| **Pre-tax profit** | **26,308** | **19,618** |
| *Theoretical tax charge (rate 27.5%)* | 7,235 | 5,395 |
| Profit resulting in the income statement | 26,308 | 19,618 |
| ***Increases:*** | | |
| IMU - Property tax | 3,736 | 3,739 |
| Negative fair value | | |
| Devaluation on work in progress and inventories | 2,201 | 1,327 |
| Other increases | 2,269 | 2,450 |
| ***Decreases:*** | | |
| Change in tax-exempt income | (22,843) | (16,849) |
| Deductible depreciations | (3,759) | (3,077) |
| Reversals/Impairment on work in progress | 0 | 0 |
| Positive fair value | (2,559) | (924) |
| Other changes | (2,645) | (2,908) |
| **Taxable income** | **2,708** | **3,376** |
| **Use of ACE benefit** | **878** | **822** |
| **Taxable income net of losses** | **1,830** | **2,554** |
| ***Lower current taxes recognizable directly in equity*** | **(17)** | |
| ***Current taxes of the period*** | **325** | **337** |
| ***Income from tax consolidation*** | **0** | **(12)** |
| ***Total current IRES of the period*** | **325** | **325** |
| **Difference between value and cost of production** | **45,623** | **41,652** |
| *Theoretical IRAP (3.9%)* | 1,779 | 1,624 |
| **Difference between value and cost of production** | **45,623** | **41,652** |
| *Changes:* | | |
| Increases | 6,818 | 5,674 |
| Decreases | (6,323) | (3,351) |
| Change in exempt income | (40,145) | (35,992) |
| Other deductions | (1,580) | (3,932) |
| **Taxable income for IRAP purpose** | **4,393** | **4,051** |
| **Lower IRAP charged directly to equity** | **0** | |
| ***Current IRAP for the period (b)*** | **179** | **162** |
| **Total current taxes (a+b)** | **504** | **487** |

## Note 11) Earnings per share

As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of IGD SIIQ S.p.A. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.

| Earnings per share | 30/06/2016 | 30/06/2015 |
|---|---|---|
| Net profit attributable to IGD SIIQ S.p.A. shareholders | 26,508 | 20,410 |
| Diluted net profit attributable to IGD SIIQ S.p.A. shareholders | 26,508 | 20,410 |
| Weighted average number of ordinary shares for purposes of basic earnings per share | 813,045,631 | 756,356,289 |
| Weighted average number of ordinary shares for purposes of diluted earnings per share | 813,045,631 | 756,356,289 |
| **Basic earnings per share** | **0.033** | **0.027** |
| **Diluted earnings per share** | **0.033** | **0.027** |

## Note 12) Intangible assets with finite useful lives

| | Balance at 01/01/2016 | Increases | Decreases | Amortization | Reclassifications | Balance at 30/06/2016 |
|---|---|---|---|---|---|---|
| Intangible assets with finite useful lives | 74 | 11 | | (15) | | 70 |

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of trademarks used by the Group, which are amortized over 10 years, and of business software, amortized over 3 years. In the first half of 2015 there were no impairment losses or reversals on intangible assets. The increase of €11K is due chiefly to the purchase of software.

## Note 13) Goodwill

| | Balance at 01/01/2016 | Increases | Decreases | Reclassifications | Balance at 30/06/2016 |
|---|---|---|---|---|---|
| **Goodwill** | 12,662 | 0 | 0 | 0 | 12,662 |

Goodwill has been allocated to the individual cash generating units (CGUs).

Below is the breakdown of goodwill by CGU at 30 June 2016:

| Goodwill | 30/06/2016 | 31/12/2015 |
|---|---|---|
| Millennium s.r.l. | 3,952 | 3,952 |
| Winmagazine S.A. | 5,409 | 5,409 |
| Winmarkt management s.r.l. | 1 | 1 |
| Fonti del Corallo | 1,300 | 1,300 |
| Centro Nova | 546 | 546 |
| San Donà | 448 | 448 |
| Service | 1,006 | 1,006 |
| **Total** | **12,662** | **12,662** |

Goodwill for Millennium and Winmagazin refers to consolidation differences arising upon acquisition and first-time consolidation of the corresponding legal entities. The recoverability of the goodwill allocated to these CGUs has been analyzed on the basis of the property appraisals by CBRE Valuation S.p.A., REAG S.p.A., Jones Lang LaSalle, and Cushman & Wakefield in accordance with the criteria described in Note 15 below. Specifically, this goodwill covers the possibility to sell properties owned by the subsidiaries (through the equity investment) without incurring taxes. Therefore, recoverability derives from the tax savings that could be achieved from the investment's sale, and is measured on the basis of the deferred tax provision covering the higher book value of the property with respect to the tax-deductible amount. Goodwill for the CGUs Fonti del Corallo, Centro Nova, San Donà, Service, and Winmarkt Management pertains to business management for properties not owned by the Group, as well as services (facility management) provided at shopping centers owned by the Group and by third parties. For the latter, the Group performs impairment tests every year at 31 December, and whenever circumstances indicate that the recoverable amount of goodwill may have been impaired. For both types described, at 30 June 2016 there were no signs from quantitative and/or qualitative indicators, and specifically from fair value movements in investment property, suggesting that the tests be conducted anew.

## Note 14) Buildings

| | Balance at 01/01/2016 | Increases | Decreases | Depreciations | Balance at 30/06/2016 |
|---|---|---|---|---|---|
| Historical cost | 10,114 | | | | 10,114 |
| Accumulated depreciations | (1,496) | | | (121) | (1,617) |
| **Buildings** | **8,618** | **0** | **0** | **(121)** | **8,497** |

This item refers to the purchase of the building housing IGD SIIQ S.p.A.'s head office.  The only movement during the year was depreciation.

## Nota 15) Investimenti immobiliari

| | Balance at 01/01/2016 | Increases | Decreases | Revaluations | Impariments | Reclassifications | Balance at 30/06/2016 |
|---|---|---|---|---|---|---|---|
| **Investment property** | 1,970,028 | 2,950 | (147) | 23,417 | (22,616) | 366 | 1,973,998 |

Changes in investment property during the first half of 2016 concern work carried out and completed for €2,950K, including: *(i)* purchase of an area and continuation of urban development works at the Chioggia retail park, for €976K; *(ii)* restyling and fit-out work and re-roofing of the multiplex at Centro Sarca mall, amounting to €394K; *(iii)* construction work at Esp shopping center (€285 thousand); *(iv)* fit-out work for Città delle Stelle shopping center in Ascoli, for €252K; *(v)* extraordinary maintenance work at various shopping centers in Romania (€243K); *(vi)* roofing and fit-out work at Mondovì retail park, amounting to €273K; and *(vii)* other minor improvements (mostly at Guidonia, Centro Borgo, and PuntadiFerro) for €527K. The balance also increased with the reclassification of €366K for work capitalized in prior years and now completed (fit-out, multiplex roofing and BREEAM certification at Cento Sarca for €344K; extraordinary maintenance in Romania for €22K).

As for fair value adjustments, investment property was revalued in the amount of €23,417K and written down by €22,616K, for a net positive impact of €801K.

See section 1.8 on the real estate portfolio for further details.

## Fair value hierarchy

Disclosures on the fair value hierarchy for non-financial assets and liabilities are provided below in accordance with IFRS 13. The fair value hierarchy classifies into three levels the inputs to valuation techniques used to measure fair value. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). More specifically:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
    - (a) quoted prices for similar assets or liabilities in active markets;
    - (b) quoted prices for identical or similar assets or liabilities in markets that are not active;
    - (c) inputs other than quoted prices that are observable for the asset or liability, for example:
        - (i) interest rates and yield curves observable at commonly quoted intervals;
        - (ii) implied volatilities; and
        - (iii) credit spreads;
    - (d) market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability.

The IGD Group's real estate portfolio has been measured according to Level 3 fair value models as the inputs directly and indirectly unobservable in the market, used in the valuation models, are greater than the observable inputs.

IGD Group investment property measured at fair value is shown in the table below

| | Fair value measurements at 30 June 2016 | | |
|---|---|---|---|
| | Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) | Significant inputs observable in the market (Level 2) | Significant inputs not observable in the market (Level 3) |
| **Investment property Italy** | | | |
| Malls and retail parks | | | 1,141,083 |
| City Center | | | 23,700 |
| Hypermarkets and supermarkets | | | 638,306 |
| Residual portion of property | | | 4,859 |
| **Total investment property in Italy** | | | **1,807,948** |
| **Investment property Romania** | | | |
| Malls | | | 163,450 |
| PLOJESTI - Junior Office Building | | | 2,600 |
| **Total investment property Romania** | | | **166,050** |
| **IGD Group investment property** | | | **1,973,998** |
| **Total development initiatives** | | | **28,300** |
| **Porta a Mare project** | | | |
| Porta a Mare project (1) | | | 20,050 |
| **Total trading properties** | | | **20,050** |
| **Total IGD Group investment property measured at fair value** | | | **2,022,348** |

**Note: (1)** Retail portion of the Porta a Mare project, listed with assets under construction and measured at fair value.

The specific valuation policies used, as certified in the independent appraisal certificate, were as follows:

- For malls, City Center Project and offices: discounted cash flow projections based on net rental income for the next *n* years. According to this method, at the end of the given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate for similar investments.

- For hypermarkets and supermarkets: discounted cash flow projections based on net rental income for the next *n* years. According to this method, at the end of the given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate for similar investments.
- For other properties: income method (DCF).
- For construction in progress (extensions and new constructions), the transformation method was used, based on the discounting of future rental income for the property net of construction costs and other expenses.

The above methods were applied individually to each property, according to their specific features.

Properties are assessed according to their highest and best use, meaning that of all uses that are physically possible, legally permissible and financially feasible, only those potentially resulting in highest value are considered.

The following are taken into account when determining the capitalization and discounting rates used to value individual properties:

- the type of tenant currently occupying the property or responsible for complying with rental obligations and the possible future occupants of vacant properties, as well as the market's general perception of their creditworthiness;
- the division of responsibilities for insurance and maintenance between the lessor and the lessee;
- the remaining economic life of the property.

## Note 16) Plant and machinery, equipment and other goods, leasehold improvements

| | Balance at 01/01/2016 | Balance at 01/01/2016 | **Balance at 01/01/2016** | Reclassifications | | | | Currency translation gain / loss | | Balance at 30/06/2016 | Balance at 30/06/2016 | **Balance at 30/06/2016** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Accumulated depreciations | **Net carrying value** | Increases | Historical cost | Accumulated depreciations | Depreciations 2016 | Historical cost | Accumulated depreciations | Historical cost | Accumulated depreciations | **Net carrying value** |
| Plants and machinery | 2,945 | (2,636) | **309** | 59 | | | (69) | | | 3,004 | (2,705) | **299** |
| Equipment | 5,358 | (3,659) | **1,699** | 14 | | (22) | (216) | 1 | (1) | 5,373 | (3,898) | **1,475** |
| Leasehold improvements | 2,917 | (1,644) | **1,273** | | | | (137) | | | 2,917 | (1,781) | **1,136** |

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year and purchases worth €73K. Leasehold improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the lease.

## Note 17) Assets under construction and advances

| | Balance at 01/01/2016 | Increases | Decreases | Reclassifications | (Impairment losses)/Reversals | Fair value changes | Currency translation gain/losses | Balance at 30/06/2016 |
|---|---|---|---|---|---|---|---|---|
| Assets under construction | 46,556 | 7,909 | | (366) | (190) | 1,758 | 0 | 55,667 |
| Advances | 3,977 | 190 | (655) | | | | | 3,512 |
| **Assets under construction and advances** | **50,533** | **8,099** | **(655)** | **(366)** | **(190)** | **1,758** | | **59,179** |

Assets under construction increased due to finished works and investments still in course for a total of €7,909K, including: *(i)* roofing at the Tiburtino mall (€198K); *(ii)* ongoing work at Officine Storiche (Porta a Mare, €2,952K); *(iii)* the continued expansion of Esp in Ravenna (€4,132K); *(iv)* improved earthquake protection at Darsena (€224K) and other minor improvements (€403K), primarily in Romania. Advances received during the half-year amounted to €190K. The decreases shown for advances (€655K) reflect construction progress during the period. Reclassifications refer to work completed during the period and reclassified to investment property for €366K (fit-out, multiplex roofing and BREEAM certification at Cento Sarca for €344K; extraordinary maintenance in Romania for €22K).

The Porto Grande expansion and the Lips-Arsenale project (Porta a Mare), carried at adjusted cost, were respectively written down by €247K and written back by €57K to bring their carrying amount into line with the lower of cost and appraised fair value, for a net impact of -€190K. The projects nearing completion, the ESP expansion and the Officine Storiche section of Porta a Mare, were revalued by €668K and €1,090K, respectively.

See section 1.8 on the real estate portfolio for further details.

## Note 18) Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities have been offset in accordance with paragraph 74 of IAS 12, given that: *(i)* the company is entitled to offset current tax assets and liabilities and *(ii)* the deferred tax assets and liabilities are associated with income taxes charged by the same tax jurisdiction.

Net deferred tax assets reflect the deferred tax assets and liabilities of the Italian companies, while the deferred tax liabilities shown in the statement of financial position concern the Romanian subsidiary.

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Deferred tax assets | 12,962 | 12,303 | 659 |
| Deferred tax liabilities | (7,690) | (6,916) | (774) |
| **Net deferred tax assets** | **5,272** | **5,387** | **(115)** |

In detail:

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Capital operations | 75 | 92 | (17) |
| Taxed provisions | 271 | 292 | (21) |
| Interest rate swaps | 8,057 | 7,935 | 122 |
| Impairment losses on inventories | 3,121 | 2,560 | 561 |
| Impairment losses on equity investments and financial receivables | 247 | 235 | 12 |
| Loss from tax consolidation | 1,163 | 1,163 | 0 |
| Other effects | 28 | 26 | 2 |
| **Deferred tax assets** | **12,962** | **12,303** | **659** |

Deferred tax assets mainly originate from:

- ✓ taxed provisions, such as the provision for doubtful accounts and the bonus provision;
- ✓ the effect of writing down inventories to fair value;
- ✓ the recognition of deferred tax assets on mortgage hedging instruments (IRS);
- ✓ tax losses carried forward.

Most of the change for the year stems from: *(i)* deferred tax assets on mortgage hedging instruments (IRS) due to the increase in their negative fair value; *(ii)* the recognition of deferred tax assets on the writedown of Porta a Mare inventory.

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Tax effect on properties fair value | 7,548 | 6,778 | 770 |
| Tax effect on bonds | 11 | 15 | (4) |
| Other effects | 131 | 123 | 8 |
| **Deferred tax liabilities** | **7,690** | **6,916** | **774** |

Deferred tax liabilities principally concern the difference between the fair value of investment property and its value for tax purposes. Most of the change relates to the impairment losses charged for the fair value adjustment of certain investment properties.

The deferred tax liabilities remaining in the statement of financial position pertain to the fair value adjustment of the Romanian properties owned by WinMagazin.

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Tax effects on fair value of Romanian properties | 23,012 | 23,634 | (622) |
| **Deferred tax liabilities** | **23,012** | **23,634** | **(622)** |

## Note 19) Sundry receivables and other non-current assets

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Tax credit | 0 | 4 | (4) |
| Due from others | 23 | 23 | 0 |
| Security deposits | 65 | 63 | 3 |
| **Sundry receivables and other non-current assets** | **88** | **90** | **(2)** |

The change in this item is due to the decrease in tax credits and the increase in security deposits.

## Note 20) Equity investments

| | 31/12/2015 | Increases | Decreases | Revaluations/ Writedowns | Reclassifications | 30/06/2016 |
|---|---|---|---|---|---|---|
| **Equity investments in subsidiaries** | | | | | | |
| Consorzio Forte di Brondolo | 0 | | | | | 0 |
| Consorzio Proprietari C.C.Leonardo | 52 | | | | | 52 |
| Consorzio Proprietari Fonti del Corallo | 7 | | | | | 7 |
| Consorzio C.C. i Bricchi | 4 | | | | | 4 |
| Consorzio Puntadiferro | 6 | | | | | 6 |
| Arco Campus S.r.l. | 1,507 | | | | | 1,507 |
| **Equity investments in associates** | | | | | | |
| Rgd Ferrara 2013 S.r.l. | 51 | | | 2 | | 53 |
| Consorzio Millennium Center | 4 | | | | | 4 |
| UnipolSai Investimenti SGR S.p.A. | 4,578 | 13 | | | (4,591) | 0 |
| **Equity investments in other companies** | **157** | **0** | **0** | **0** | **0** | **157** |
| **Equity investments** | **6,366** | **13** | **0** | **2** | **(4,591)** | **1,790** |

The decrease in equity investments in associates reflects the reclassification of UnipolSai Investimenti SGR S.p.A. to non-current assets held for sale. During the half-year, investments in associates were revalued by €2K as a result of their measurement using the equity method.

### Non-current assets held for sale

On 19 May 2016, UnipolSai Assicurazioni S.p.A. exercised its option to purchase IGD's 20% interest in UnipolSai Investimenti SGR S.p.A. at a price of €4,466K. The investment was therefore reclassified to non-current assets held for sale and valued at the option exercise price as this is lower than the net carrying amount.

## Note 21) Non-current financial assets

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| **Non-current financial assets** | 443 | 493 | (50) |

This item contains the non-current portion of interest-free loans granted to Iniziative Bologna Nord S.r.l (in liquidation) (€343K, net of a €330K writedown) and an interest-bearing loan of €100K granted to Fondazione Virtus Pallacanestro Bologna. See Note 40 for further information.

## Note 22) Work in progress inventory and advances

| | 31/12/2015 | Inreases | Decreases | Writedowns | 30/06/2016 |
|---|---|---|---|---|---|
| Porta a Mare project | 67,024 | 1,771 | (553) | (2,011) | 66,231 |
| Advances | 44 | | | | 44 |
| **Work in progress inventories and advances** | **67,068** | **1,771** | **(553)** | **(2,011)** | **66,275** |

Inventory for work in progress related to land, buildings and urbanization works at the multifunctional complex in Livorno underwent: *(i)* an increase due to the advancement of urban infrastructure works (mostly for the Officine Storiche section), for a total of €1,771K; *(ii)* a decrease for the final sale during the period of two properties and two enclosed garage units (€553K); and (iii) a writedown to adjust carrying amount to the lower of cost and appraised fair value (€2,011K).

## Note 23) Trade and other receivables

| | 30/06/2016 | 31/12/2015 | *Change* |
|---|---|---|---|
| Trade and other receivables | 26,761 | 28,112 | (1,351) |
| Provision for doubtful accounts | (14,950) | (15,149) | 199 |
| **Trade and other receivables** | **11,811** | **12,963** | **(1,152)** |

Trade receivables, gross of the provision for doubtful accounts, decreased by €1,351K with respect to 31 December 2015. IGD has received €180K plus VAT with the second and definitive payment from the Darsena FM bankruptcy, and has therefore reversed to the income statement the excess provision against the Darsena account, in the amount of €180K. The provision for doubtful accounts reflects recovery estimates on problem credits. Movements in the provision for doubtful accounts are shown below:

| Movements in provision for doubtful accounts | *31/12/2015* | *Translation effect* | *Utilizations* | *Writedowns/Utilization of delinquent interests* | *Allocation* | *Transfers* | *Darsena surplus* | *30/06/2016* |
|---|---|---|---|---|---|---|---|---|
| **Provision for doubtful accounts** | **15,149** | **1** | **(720)** | **(33)** | **693** | **40** | **(180)** | **14,950** |

The following table shows receivables by geographical area:

| | **30/06/2016** | **31/12/2015** |
|---|---|---|
| Receivables Italy | 24,560 | 26,230 |
| Provision for doubtful accounts | (13,082) | (13,370) |
| **Net receivables - Italy** | **11,478** | **12,860** |
| Receivables Romania | 2,201 | 1,882 |
| Provision for doubtful accounts | (1,868) | (1,779) |
| **Net receivables - Romania** | **333** | **103** |

## Note 24) Related party trade and other receivables

| | 30/06/2016 | 31/12/2015 | *Change* |
|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 182 | 49 | 133 |
| Rgd ferrara 2013 s.r.l. | 283 | 355 | (73) |
| Adriatica Luce e Gas s.r.l. | 9 | 11 | (2) |
| Unicoop Tirreno Scarl | 142 | 104 | 38 |
| Distribuzione Centro Sud | 281 | 0 | 281 |
| Librerie Coop S.p.A. | 28 | 9 | 19 |
| Robintur S.p.A. | 0 | 1 | (1) |
| Millennium Center | 6 | 7 | (1) |
| Consorzio La Torre | 1 | 8 | (7) |
| Consorzio Crema | 169 | 144 | 25 |
| Consorzio Porta a Mare | 18 | 63 | (45) |
| Consorzio Katanè | 220 | 338 | (118) |
| Consorzio Lame | 0 | 1 | (1) |
| Consorzio Coné | 102 | 20 | 82 |
| Consorzio Le Maioliche | 1 | 0 | 1 |
| Consorzio Punta di Ferro | 6 | 0 | 6 |
| Consorzio Sarca | 1 | 1 | 0 |
| **Related parties trade and other receivables** | **1,449** | **1,111** | **338** |

See Note 40 for details.

## Note 25) Other current assets

| | 30/06/2016 | 31/12/2015 | *Change* |
|---|---|---|---|
| *Tax credits* | | | |
| VAT credits | 1,436 | 544 | 892 |
| IRES credits | 456 | 421 | 35 |
| IRAP credits | 1,085 | 1,124 | (39) |
| *Due from others* | | | |
| Advances paid to suppliers | 26 | 3 | 23 |
| Accrued income and prepayments | 1,359 | 436 | 923 |
| Deferred costs | 98 | 27 | 71 |
| Other | 397 | 577 | (180) |
| **Other current assets** | **4,857** | **3,132** | **1,725** |

Other current assets increased by €1,725K, due mainly to: *(i)* a higher VAT credit; *(ii)* an increase in accrued income and prepayments reflecting costs not pertaining to the half-year.

## Note 26) Financial receivables and other current financial assets

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Other financial assets | 0 | 9,023 | (9,023) |
| **Financial receivables and other current financial assets** | **0** | **9,023** | **(9,023)** |
| | | | |
| Related parties financial receivables | 151 | 151 | 0 |
| **Related parties financial receivables and other current financial assets** | **151** | **151** | **0** |

Other financial assets decreased as a result of the time deposits by Punta di Ferro, totaling €9 million and paying 0.60% interest, which matured on 31 May 2016. Financial assets from related parties refer to the €150K loan granted to RGD Ferrara 2013 S.r.l., plus interest calculated at the 3-month Euribor plus 350 basis points.

## Note 27) Cash and cash equivalents

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Cash and cash equivalents | 84,149 | 23,480 | 60,669 |
| Cash on hands | 124 | 123 | 1 |
| **Cash and cash equivalents** | **84,273** | **23,603** | **60,670** |

The temporary excess cash resulting from the €300 million bond loan caused the increase in cash and cash equivalents. In the context of the guarantees required for the BNP Paribas loan (Italian branch), there are escrow accounts amounting to €5,150K.

## Note 28) Net equity

| | 30/06/2016 | 31/12/2015 | *Change* |
|---|---|---|---|
| Share capital | 599,760 | 599,760 | 0 |
| Share premium reserves | 29,971 | 39,971 | (10,000) |
| **Total other reserves** | **344,376** | **323,915** | **20,461** |
| Legal reserve | 119,952 | 109,952 | 10,000 |
| Goodwill reserve | 0 | 3,956 | (3,956) |
| Cash flow hedge reserve | (25,170) | (21,931) | (3,239) |
| Cash flow hedge reserve - subsidiaries | (1,978) | (3,197) | 1,219 |
| Bond issue reserve | 29,596 | 29,806 | (210) |
| Capital increase reserve | (6,156) | (6,156) | 0 |
| Recalculation of defined benefit plans | (18) | (18) | 0 |
| Recalculation of defined benefit plans - subsidiaries | (30) | (30) | 0 |
| Fair Value reserve | 232,522 | 213,204 | 19,318 |
| Reserve available for asset disposal | 0 | 2,662 | (2,662) |
| Translation reserve | (4,342) | (4,333) | (9) |
| **Group's profit** | **39,903** | **58,407** | **(18,504)** |
| Group's profit (loss) carried forward | 13,395 | 12,768 | 627 |
| Group's profit (loss) of the period | 26,508 | 45,639 | (19,131) |
| **Group net equity** | **1,014,010** | **1,022,053** | **(8,043)** |
| Non-controlling interests in capital and reserve | 10,150 | 10,589 | (439) |
| Non-controlling interests in profit (loss) | (338) | (439) | 101 |
| **Non-controlling interests in capital and reserve** | **9,812** | **10,150** | **(338)** |
| **Total net equity** | **1,023,822** | **1,032,203** | **(8,381)** |

Movements in share capital and reserves resulted from:

- removal of €10,000K from the share premium reserve to supplement the legal reserve;
- addition of €10,000K to the legal reserve, as above;
- allocation of the parent's 2015 profit to the fair value reserve, in the amount of €19,318K;
- reclassification of €2,662K from the reserve available for asset disposal to profit carried forward;
- distribution of €32,522K in dividends for 2015, through full use of the merger surplus reserve (€3,956K) and the bond issue reserve (€210K), and use of profit carried forward for the remainder.

Net equity also changed due to:

- movements in the translation reserve for the translation of foreign currency financial statements, in the amount of -€9K;
- the adjustment of cash flow hedge reserves pertaining to derivatives accounted for using the cash flow hedge method (-€3,239K for the parent company and +€1,219K for a subsidiary);
- the profit for the year allocable to owners of IGD SIIQ S.p.A. (€26,508K) and the result allocable to non-controlling interests (-€338K).

## Note 29) Non-current financial liabilities

| | Duration | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|---|
| ***Mortgage loans*** | | **435,103** | **477,642** | **(42,539)** |
| 04 BNL Rimini IGD MALATESTA - Rimini | 06/09/2006 - 06/07/2021 | 8,489 | 0 | 8,489 |
| 09 Interbanca IGD | 25/09/2006 - 05/10/2021 | 63,575 | 70,004 | (6,429) |
| 05 BreBanca IGD MONDOVICINO (Galleria) | 23/11/2006 - 10/01/2023 | 7,060 | 7,547 | (487) |
| 08 Carisbo Guidonia IGD TIBURTINO | 27/03/2009 - 27/03/2024 | 49,095 | 51,088 | (1,993) |
| 06 Unipol Lungosavio IGD | 31/12/2008 - 31/12/2023 | 7,949 | 8,245 | (296) |
| 01 Unipol SARCA | 10/04/2007 - 06/04/2027 | 69,842 | 71,335 | (1,493) |
| 07 Carige Nikefin Asti I BRICCHI | 31/12/2008 - 31/03/2024 | 20,881 | 21,572 | (691) |
| 13 CR Veneto Mondovi (Retail Park) | 08/10/2009 - 01/11/2024 | 19,697 | 20,498 | (801) |
| 10 Mediocredito Faenza IGD | 05/10/2009 - 30/06/2029 | 11,145 | 11,610 | (465) |
| 14 MPS Palermo (Galleria) | 21/12/2010 - 30/11/2025 | 24,344 | 25,295 | (951) |
| 17 Carige Palermo IGD (Iper) | 12/07/2011 - 30/06/2027 | 17,560 | 18,341 | (781) |
| 15 CentroBanca Cone (Galleria) | 22/12/2010 - 31/12/2025 | 32,153 | 33,463 | (1,310) |
| 03 BPV Porta Medicea | 02/08/2011-25/07/2026 | 0 | 6,751 | (6,751) |
| 23 Finanziamento BNP | 03/12/2013 - 26/11/2018 | 103,313 | 131,893 | (28,580) |
| | | | | |
| ***Due to bonds*** | | **572,892** | **282,349** | **290,543** |
| Bond 122,90ML | 07/05/2013- 07/05/2017 | 0 | 6,722 | (6,722) |
| Bond 22 ML | 07/05/2013- 07/05/2017 | 0 | 1,210 | (1,210) |
| Bond 150 ML | 07/05/2014 - 07/01/2019 | 124,019 | 123,849 | 170 |
| Bond 162 ML | 21/04/2015 - 21/04/2022 | 151,372 | 150,568 | 804 |
| Bond 300 ML | 31/05/2016 - 31/05/2021 | 297,501 | 0 | 297,501 |
| | | | | |
| **Due to other source of finance** | | **4,409** | **4,939** | **(530)** |
| Contigent liabilities for mall and business division | | 0 | 375 | (375) |
| Sardaleasing for Bologna offices | 30/04/2009 - 30/04/2027 | 4,409 | 4,564 | (155) |
| | | | | |
| **Non current financial liabilities** | | **1,012,404** | **764,930** | **247,474** |

### *Mortgage loans*

Mortgage loans are secured by properties. The change is due to the reclassification to current financial liabilities of the principal falling due in the next 12 months, and to the early repayment of the BPV loan in March 2016; the partial payment of the BNP loan (€29.6 million); the renegotiation of the BNL Rimini loan, now to mature in 2021; and the reclassification to current financial liabilities of the bond loan maturing on 7 May 2017. The average interest rate on adjustable-rate mortgage loans at 30 June 2016 was 0.95%.

### *Bonds*

Further to the transaction approved by the Board of Directors on 17 May 2016, the terms of which are reported in section 1.7 on significant events during the half-year, on 31 May the company issued a new bond loan in the amount of €300 million. Additional transaction costs came to €2,538K. On 10 February 2016, the company contracted forward-starting interest rate swaps at 0.119% from various banks, for a total notional amount of €300 million, to hedge interest rate risk on the highly probable future issue of a €300 million bond loan. The transaction was closed on 31 May 2016 and decreased the cash flow hedge reserve by €1,659K. This will be taken to the income statement using the amortized cost method for the duration of the new bonds.

Details of outstanding bonds are presented in the table below:

| Due to bonds | Non-current portion 31/12/2015 | Current portion 31/12/2015 | Bond issue | Ancillary cost amortization at 30/06/2016 | Financial charges at 30/06/2016 | Non-current portion 30/06/2016 | Current portion 30/06/2016 | Nominal interest rate | Actual interest rate |
|---|---|---|---|---|---|---|---|---|---|
| Bond 150 ML | 124,900 | | | | | 124,900 | | | |
| Transaction costs | (1,051) | | | 170 | | (881) | | | |
| Accrued coupon 31.12.2015 | | 4,747 | | | (4,747) | | | | |
| Interests paid | | | | | 4,840 | | | | |
| Accrued coupon 30.06.2016 | | | | | 2,314 | | 2,314 | | |
| **Total Bond 150 ML** | **123,849** | **4,747** | **0** | **170** | **2,407** | **124,019** | **2,314** | **3.875%** | **4.17%** |
| Bond 122,90ML | 6,785 | | | | | | 6,785 | | |
| Transaction costs | (63) | | | 23 | | | (40) | | |
| Accrued coupon 31.12.2015 | | 191 | | | (191) | | | | |
| Interests paid | | | | | 294 | | | | |
| Accrued coupon 30.06.2016 | | | | | 44 | | 44 | | |
| **Total Bond 122,90ML** | **6,722** | **191** | **0** | **23** | **147** | **0** | **6,789** | **4.335%** | **5.07%** |
| Bond 22 ML | 1,215 | | | | | | 1,215 | | |
| Transaction costs | (5) | | | 2 | | | (3) | | |
| Accrued coupon 31.12.2015 | | 34 | | | (34) | | | | |
| Interests paid | | | | | 52 | | | | |
| Accrued coupon 30.06.2016 | | | | | 8 | | 8 | | |
| **Total Bond 22 ML** | **1,210** | **34** | **0** | **2** | **26** | **0** | **1,220** | **4.335%** | **4.63%** |
| Bond 162 ML | 162,000 | | | | | 162,000 | | | |
| Transaction costs | (11,432) | | | 804 | | (10,628) | | | |
| Accrued coupon 31.12.2015 | | 2,979 | | | (2,979) | | | | |
| Interests paid | | | | | 4,293 | | | | |
| Accrued coupon 30.06.2016 | | | | | 823 | | 823 | | |
| **Total Bond 162 ML** | **150,568** | **2,979** | **0** | **804** | **2,137** | **151,372** | **823** | **2.65%** | **3.94%** |
| Bond 300 ML | | | 300,000 | | | 300,000 | | | |
| Transaction costs | | | (2,538) | 39 | | (2,499) | | | |
| Accrued coupon 31.12.2015 | | | | | | | 0 | | |
| Interests paid | | | | | | | | | |
| Accrued coupon 30.06.2016 | | | | | 616 | | 616 | | |
| **Total Bond 300 ML** | | | **297,462** | **39** | **616** | **297,501** | **616** | **2.50%** | **2,80%*** |
| * including the Cash flow hedge reserve effect | | | | | | | | | |
| **Total bonds** | **282,349** | **7,951** | **297,462** | **1,038** | **5,333** | **572,892** | **11,762** | | |
| | | | | | | | | | |
| **Cash Flow Hedge reserve (bond 300 ML)** | | | **(1,659)** | **25** | | **(1,634)** | | | |
| | | | | | | | | | |
| **Total financial charges** | | | | **1,063** | **5,333** | | | | |

## Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 30 June 2016.

| | Name | Property | Owner | Type of product | Counterparty | Start date | End date | Repayment | Covenant | Indicator I) | Indicator II) | Indicator III) | Indicator IV) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 04 | 04 BNL Rimini IGD | MALATESTA - Rimini | IGD SIIQ SpA | Loan | BNL Banca Nazionale del Lavoro | 06/09/2006 | 06/07/2021 | Straight-line amortization of principal: €2.0mn | Financial condition of IGD SIIQ S.p.A.: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 2 through to maturity | 0.74 | | | |
| 05 | 05 BreBanca IGD | MONDOVICINO (Galleria) | IGD SIIQ SpA | Mortgage | Banca Regionale Europea | 23/11/2006 | 10/01/2023 | Amortization with increasing principal | | | | | |
| 01 | 01 Unipol Larice | SARCA (Galleria) | IGD Management srl | Mortgage | Unipol Merchant | 10/04/2007 | 06/04/2027 | Straight-line amortization of principal: €3mn p.a; balloon payment: €40.7mn | Certfied consolidated financial statements ratio of net debt (including derivative assets and liabilities) to equità must no exceed 2.3 | 1.03 | | | |
| 06 | 06 Unipol Lungosavio IGD | LUNGO SAVIO - Cesena (Galleria) | IGD SIIQ SpA | Mortgage | Unipol Merchant | 31/12/2008 | 31/12/2023 | Amortization with increasing principal and balloon payment of €3.6mn | | | | | |
| 07 | 07 Carige Nikefin Asti | I BRICCHI - Isola D'Asti (Gall) | IGD SIIQ SpA | Mortgage | Banca Carige | 31/12/2008 | 31/03/2024 | Amortization with increasing principal and balloon payment of €9.5mn | | | | | |
| 08 | 08 Carisbo Guidonia IGD | TIBURTINO - Guidonia (Gall + Iper) | IGD SIIQ SpA | Mortgage | Cassa di Risparmio di Bologna | 27/03/2009 | 27/03/2024 | Straight-line amortization of principal: €4.1mn p.a; balloon payment: €24mn | Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity | 1.03 | | | |
| 09 | 09 Interbanca IGD | Iper LUGO - Ravenna, Iper MAESTRALE - Senigallia, Iper MIRALFIORE - Pesaro, CENTRO D'ABRUZZO - Pescara (Iper), LE PORTE DI NAPOLI - Afragola ( Iper) - PORTOGRANDE (iper+gall), iper LEONARDO | IGD SIIQ SpA | Loan | GE Capital | 25/09/2006 | 05/10/2021 | Amortization with increasing principal | Consolidated financial statements:ratio of net debt (including derivative assets liabilities) to equity must not exceed 2 from 31/12/2006 to maturity | 1.03 | | | |
| 10 | 10 Mediocredito Faenza IGD | LE MAIOLICHE - Faenza (Iper) | IGD SIIQ SpA | Loan | Mediocredito banca SPA | 05/10/2009 | 30/06/2029 | Straight-line amortization of principal: €0.94mn p.a | IGD SIIQ S.p.A. financial statements. Ratio of external debt to equity + intercompany loans must not exceed 2.7 | 0.89 | | | |
| 14 | 14 MPS Palermo | Palermo (Galleria) | IGD SIIQ SpA | Mortgage | Monte dei Paschi di Siena | 21/12/2010 | 30/11/2025 | Amortization with increasing principal and balloon payment of €6.6mn | Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.7; ii) loan to value ratio for the individual property must not exceed 70% | 1.03 | 49.80% | | |
| 15 | 15 CentroBanca Cone Gall | Conè (Galleria) | IGD SIIQ SpA | Loan | CentroBanca | 22/12/2010 | 31/12/2025 | Straight-line amortization of principal: €2.64mn p.a; balloon payment: €10.56mn | Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity no higher than 2 | 1.03 | | | |
| 13 | 13 CR Veneto Mondovi | MONDOVICINO (Retail Park) | IGD SIIQ SpA | Mortgage | Cassa di Risparmio del Veneto | 08/10/2009 | 01/11/2024 | Straight-line amortization of principal: €1.65mn p.a; balloon payment: €8.55mn | Certified consolidated financial statements ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 | 1,03 | | | |
| 17 | 17 Carige Palermo IGD | Palermo (Iper) | IGD SIIQ SpA | Mortgage | Banca Carige | 12/07/2011 | 30/06/2027 | Amortization with increasing principal | | | | | |

| | Name | Property | Owner | Type of product | Counterparty | Start date | End date | Repayment | Covenant | Indicator I) | Indicator II) | Indicator III) | Indicator IV) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 18 | 18 CC Ipotecario - Tiraggi | I° grado Crema, I° grado Le fonti del corallo (iper) | IGD SIIQ SpA | Credit facility secured by mortgage | Cassa di Risparmio di Firenze | 20/12/2011 | 19/12/2016 | Gradual reduction of available credit by €20mn p.a., from 2015 to maturity | Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must be less than or equal to 1.6 through to maturity; ii) ratio of EBITDA to financial charges must be greater than 1.5; iii) ratio of net debt to market value must be less than or equal to 0.65. | 1.03 | 2.36 | 49.91% | |
| 23 | 23 Bnp paribas | cc casilino -iper lame -galleria catania- cc esp- cc borgo | IGD PROPERTY SIINQ SpA | Loan | Bnp paribas | 03/12/2013 | 26/11/2018 | Bullet | i) LTV ratio below 45%; ii) Interest cover ratio above 190%; | 38.95% | 3.33 | | |
| 24 | 24 Notes 3,875% - Due 07/01/2019 | unsecured | IGD SIIQ SpA | Bond | Payng Agent - Bnp paribas | 07/05/2014 | 07/01/2019 | Bullet | i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00 | 48.22% | 2.60 | 23.12% | 1.81 |
| 25 | 25 Notes 4,335% - Due 07/05/2017 | unsecured | IGD SIIQ SpA | Bond | Payng Agent - Bnp paribas | 07/05/2013 | 07/05/2017 | Bullet | | | | | |
| 26 | 26 Notes 2,65% - 21/04/2022 | unsecured | IGD SIIQ SpA | Bond | Payng Agent - Bnp paribas | 21/04/2015 | 21/04/2022 | Bullet | i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00 | 48.22% | 2.60 | 23.12% | 1.81 |
| 27 | 27 Notes 2,50% - 31/05/2021 | unsecured | IGD SIIQ SpA | Bond | Payng Agent - Citigroup | 31/05/2016 | 31/05/2021 | Bullet | i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.7; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.25 | 48.22% | 2.60 | 23.12% | 1.81 |

## Nota 30) Provision for employee severance indemnities

Movements in the provision for employee severance indemnities are shown below:

| | Balance at 01/01/2016 | Actuarial gain/(loss) | Utilization | Allocation | Financial charges - IAS 19 | Balance at 30/06/2016 |
|---|---|---|---|---|---|---|
| **Provision for employees severance indemnitites** | 2,046 | 0 | (16) | 135 | 23 | 2,188 |

The following charts show the demographic and financial assumptions used:

| *DEMOGRAPHIC ASSUMPTIONS* | *EMPLOYEES* |
|---|---|
| Probability of death | RG 48 |
| Probability of long-term disability | INPS (national statistics) by age and gender |
| Probability of retirement | Achievement of retirement age under mandatory general insurance |
| Probability of resignation | 2% |
| Probability of receiving TFR advance at beginning of the year (provisioned at 70%) | 1% |

| *FINANCIAL ASSUMPTIONS* | *2015* |
|---|---|
| Cost of living increase | 1.50% 2016<br>1.80% 2017<br>1.70% 2018<br>1.60% 2019<br>2.00% dal 2020 in poi |
| Discount rate | 2.30% |
| Increase in total compensation | Executives 2.5%<br>White collars/Middle managers 1.0%<br>Blue collars 1.0% |
| Increase in severance indemnity provision | 2.625% 2016<br>2.850% 2017<br>2.775% 2018<br>2.700% 2019<br>3.000% from 2020 onward |

The provision qualifies as a defined benefit plan.

In accordance with paragraph 83 of IAS 19, the annual discount rate used to calculate the present value of the liability is based on the iBoxx Corporate A index with duration 10+ as of the measurement date. Use of a discount rate based on the Iboxx Corporate AA 10+ would not have made a significant difference.

## Note 31) General provisions

| | 31/12/2015 | Utilization | Allocation | 30/06/2016 |
|---|---|---|---|---|
| Provision for taxation | 1,092 | (147) | 147 | 1,092 |
| Bonus provision | 772 | (742) | 404 | 434 |
| Other general provision | 2,824 | (2) | | 2,822 |
| **General provisions** | **4,688** | **(891)** | **551** | **4,348** |

***Provision for taxation***

This provision covers the charges that might arise from tax audits and other likely tax liabilities. The increase consists of an additional allocation against pending IMU/ICI (local property tax) disputes, which mainly concern new classifications and cadastral rent calculations  for two shopping centers.

***Bonus provision***

The bonus provision covers the variable compensation that will be paid to employees in 2017 on the basis of the Group's 2016 estimated results. The utilization refers to the payment made in the first half of 2016.

***Other general provisions***

These cover the risks arising from litigation in course, as well as probable future expenses. Utilizations refer to unfinished urban infrastructure works associated with the Punta di Ferro acquisition.

See Note 45 for further information.

## Note 32) Sundry payables and other non-current liabilities

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Deferred income | 6,224 | 6,226 | (2) |
| Payable for substitute tax | 4,381 | 5,891 | (1,510) |
| Other liabilities | 356 | 387 | (31) |
| **Sundry payables and other non-current liabilities** | **10,961** | **12,504** | **(1,543)** |

This item mostly concerns the City of Livorno for additional secondary urban infrastructure works as provided for by contract (€2,774K) and works to be delivered to Porta a Mare S.p.A. (€3,450K).

Payables for substitute tax consist of the non-current portion of the substitute tax on the capital gain from the sale of Centro Lame hypermarket, as well as the substitute tax for Punta di Ferro SIINQ S.p.A.'s adoption of SIINQ status, to be paid in annual installments until 2020.

Related party payables are shown below:

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Security deposits v/Coop Alleanza 3.0 | 11,514 | 11,514 | 0 |
| Security deposits Unicoop Tirreno Scarl | 1,012 | 1,960 | (948) |
| Security deposits Distribuzione Centro Sud s.r.l. | 1,393 | 0 | 1,393 |
| Security deposits Adriatica Luce e Gas s.r.l. | 30 | 30 | 0 |
| Security deposits Campania Distribuzione Moderna s.r.l. | 0 | 452 | (452) |
| **Related parties sundry payables and other non-current financial liabilities** | **13,949** | **13,956** | **(7)** |

Security deposits refer to the sums advanced on the leasing of hypermarkets and malls. They pay interest at the rates provided for by law.

The decrease in security deposits from Unicoop Tirreno and Campania Distribuzione Moderna is due to their reclassification to Distribuzione Centro Sud. See Note 40 for additional information.

## Note 33) Current financial liabilities

| | Duration | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|---|
| Banca Pop. Emilia Romagna - Ultra short-term | 16/12/2015 - 16/06/2016 | 0 | 16,700 | (16,700) |
| Banca Pop. Emilia Romagna - Ultra short-term | 28/12/2015 - 28/06/2016 | 0 | 8,000 | (8,000) |
| Banca Pop. Emilia Romagna - Ultra short-term | 23/12/2015 - 23/06/2016 | 0 | 2,000 | (2,000) |
| Banca Pop. Emilia Romagna - Ultra short-term | 03/11/2015 - 04/01/2016 | 0 | 1,800 | (1,800) |
| Banca Pop. Emilia Romagna - Ultra short-term | 10/11/2015 - 12/01/2016 | 0 | 1,500 | (1,500) |
| Banca Pop. Emilia Romagna - Ultra short-term | 04/01/2016 - 04/07/2016 | 1,800 | 0 | 1,800 |
| Bre Banca | 17/06/2016 - 18/07/2016 | 18,001 | 0 | 18,001 |
| Banca popolare di Verona ultra short-term | 20/06/2016 - 18/07/2016 | 5,000 | 0 | 5,000 |
| Carisbo - Ultra short-term | 16/12/2015 - 16/02/2016 | 0 | 10,001 | (10,001) |
| Banco Popolare - Ultra short-term | 16/12/2015 - 16/03/2016 | 0 | 3,500 | (3,500) |
| Banco Popolare - Ultra short-term | 18/12/2015 - 16/03/2016 | 0 | 9,000 | (9,000) |
| Cassa di Risparmio del Veneto | 15/12/2015 - 15/02/2016 | 0 | 15,002 | (15,002) |
| Cassa di Risparmio del Veneto | 15/12/2015 - 15/02/2016 | 0 | 10,002 | (10,002) |
| Mps - Ultra short-term | 18/12/2015 - 18/03/2016 | 0 | 30,000 | (30,000) |
| Bnl - Bologna | 16/12/2015 - 16/03/2016 | 0 | 18,500 | (18,500) |
| Cassa risp. Firenze ultra short-term | 21/12/2015 - 22/02/2016 | 0 | 15,001 | (15,001) |
| Banca Regionale Europea ultra short-term | 16/12/2015 - 16/02/2016 | 0 | 20,002 | (20,002) |
| Bnl - Bologna | a revoca | 0 | 1,500 | (1,500) |
| Cassa di Risparmio di Cesena c/c | a vista | 0 | 4,996 | (4,996) |
| Banca Pop. Emilia Romagna | a vista | 1 | 0 | 1 |
| Mps c/c | a vista | 0 | 7,986 | (7,986) |
| Emilbanca c/c | a vista | 0 | 1,489 | (1,489) |
| Banca Pop. Emilia Romagna c/c | a vista | 0 | 633 | (633) |
| ***Total due to banks*** | | **24,802** | **177,612** | **(152,810)** |
| | | | | |
| 04 BNL Rimini IGD MALATESTA - Rimini | 06/09/2006 - 06/07/2021 | 1,964 | 11,388 | (9,424) |
| 05 BreBanca IGD MONDOVICINO (Galleria) | 23/11/2006 - 10/01/2023 | 991 | 970 | 21 |
| 06 Unipol Lungosavio IGD | 31/12/2008 - 31/12/2023 | 585 | 568 | 17 |
| 09 Interbanca IGD | 25/09/2006-05/10/2021 | 12,923 | 12,731 | 192 |
| 08 Carisbo Guidonia IGD TIBURTINO | 27/03/2009 - 27/03/2024 | 4,132 | 4,136 | (4) |
| 01 Unipol SARCA | 10/04/2007 - 06/04/2027 | 3,060 | 3,097 | (37) |
| 07 Carige Nikefin Asti I BRICCHI | 31/12/2008 - 31/03/2024 | 1,369 | 1,326 | 43 |
| 13 CR Veneto Mondovi (Retail Park) | 08/10/2009 - 01/11/2024 | 1,719 | 1,729 | (10) |
| 10 Mediocredito Faenza IGD | 05/10/2009 - 30/06/2029 | 933 | 933 | 0 |
| 14 MPS Palermo (Galleria) | 21/12/2010 - 30/11/2025 | 1,937 | 1,918 | 19 |
| 17 Carige Palermo IGD (Iper) | 12/07/2011 - 30/06/2027 | 1,554 | 1,537 | 17 |
| 15 CentroBanca Cone (Galleria) | 22/12/2010 - 31/12/2025 | 2,640 | 2,640 | 0 |
| 03 BPV Porta Medicea | 02/08/2011 - 25/07/2026 | 0 | 717 | (717) |
| 18 Cassa risp Firenze ipotecario | 20/12/2011 - 19/12/2016 | 9,990 | 19,979 | (9,989) |
| 23 Finanziamento BNP | 03/12/2013 - 26/11/2018 | 529 | 1,278 | (749) |
| ***Total due to mortgage loans*** | | **44,326** | **64,947** | **(20,621)** |
| | | | | |
| Leasing Igd HQ | 30/04/2009 - 30/04/2027 | 308 | 303 | 5 |
| Contigent liabilities for mall and business division | | 750 | 750 | 0 |
| Punta di Ferro price adjustment | | 0 | 1,592 | (1,592) |
| ***Total due to other source of finance*** | | **1,058** | **2,645** | **(1,587)** |
| | | | | |
| Bond 122,9 ML | 07/05/2013 - 07/05/2017 | 6,789 | 191 | 6,598 |
| Bond 22 ML | 07/05/2013 - 07/05/2017 | 1,220 | 34 | 1,186 |
| Bond 150 ML | 07/05/2014 - 07/01/2019 | 2,314 | 4,747 | (2,433) |
| Bond 162 ML | 21/04/2015 - 21/04/2022 | 823 | 2,979 | (2,156) |
| Bond 300 ML | 31/05/2016 - 31/05/2021 | 616 | 0 | 616 |
| ***Total due to bonds*** | | **11,762** | **7,951** | **3,811** |
| | | | | |
| **Current financial liabilities** | | **81,948** | **253,155** | **(171,207)** |

Current financial liabilities with third parties include the current portion of lease payments on the new head office, the current portion of the liability assumed for the acquisition of a business at Centro Sarca, and the current portion of outstanding mortgage loans and bond loans, including interest accrued.

The principal changes in current financial liabilities relate to:

- ✓ the reduction in the ultra-short-term credit lines used the previous year, which relate mainly to the Punta di Ferro acquisition;
- ✓ the repayment of principal falling due during the period on existing mortgage loans;
- ✓ the repayment of the current portion of the BPV loan;
- ✓ the reclassification from non-current financial liabilities of the bond maturing on 7 May 2017;
- ✓ the reclassification of the non-current portion of the BNL loan due to exercise of the term-out option.

## Note 34) Net financial position

The table below presents the net financial position at 30 June 2016 and 31 December 2015. At neither date does it include derivatives held for hedging purposes, which by nature do not constitute monetary assets or liabilities.

Uncommited credit facilities with banks amount to €301.5 million, of which €274.99 million was unutilized at the close of the period. Committed revolving credit facilities with banks, unutilized at 30 June, amount to €60 million.

See the section "Statement of financial position and financial review" of the Directors' Report for comments.

| NET DEBT | 30/06/2016 | 31/12/2015 |
|---|---|---|
| Cash and cash equivalents | (84,273) | (23,603) |
| Related parties financial receivables and other current financial assets | (151) | (151) |
| Financial receivables and other current financial assets | 0 | (9,023) |
| **LIQUIDITY** | **(84,424)** | **(32,777)** |
| Current financial liabilities | 25,552 | 179,954 |
| Mortgage loans - current portion | 44,326 | 64,947 |
| Leasing - current portion | 308 | 303 |
| Bonds - current portion | 11,762 | 7,951 |
| **CURRENT DEBT** | **81,948** | **253,155** |
| **CURRENT NET DEBT** | **(2,476)** | **220,378** |
| Non-current financial assets | (443) | (493) |
| Non-current financial liabilities due to other source of finance | 0 | 375 |
| Leasing - non-current portion | 4,409 | 4,564 |
| Non-current financial liabilities | 435,103 | 477,642 |
| Bonds | 572,892 | 282,349 |
| **NON-CURRENT NET DEBT** | **1,011,961** | **764,437** |
| **NET DEBT** | **1,009,485** | **984,815** |

## Note 35) Trade and other payables

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Trade and other payables | 15,994 | 14,372 | 1,622 |

The slight increase in trade payables reflects construction and contract work carried out during the half-year, particularly for the Esp Ravenna expansion and Officine Storiche.

## Note 36) Related party trade and other payables

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 360 | 141 | 219 |
| Consorzio Lame | 32 | 67 | (35) |
| Consorzio La Torre - PA | 16 | 5 | 11 |
| Consorzio Conè | 90 | 1 | 89 |
| Consorzio Chioggia | 0 | 54 | (54) |
| Consorzio Porta a Mare | 83 | 3 | 80 |
| Consorzio Proprietari Leonardo | 0 | 4 | (4) |
| Consorzio I Bricchi | 127 | 104 | 23 |
| Unicoop Tirreno Scarl | 49 | 5 | 44 |
| Consorzio Crema | 30 | 4 | 26 |
| Consorzio Fonti del Corallo | 0 | 19 | (19) |
| Robintur S.p.A. | 1 | 0 | 1 |
| Consorzio Puntadiferro | 5 | 25 | (20) |
| **Related parties trade and other payables** | **793** | **432** | **361** |

Related party payables increased by €361K. See Note 40 for additional information.

## Note 37) Current tax liabilities

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| IRPEF including regional and municipal surtax | 623 | 517 | 106 |
| IRAP | 32 | 67 | (35) |
| IRES | 146 | 663 | (517) |
| VAT | 272 | 1,440 | (1,168) |
| Drainage consortium | 0 | 11 | (11) |
| Other taxes | 84 | 23 | 61 |
| Tax on dividends | 3,018 | 0 | 3,018 |
| Substitute tax | 1,515 | 1,515 | 0 |
| **Tax liabilities** | **5,690** | **4,236** | **1,454** |

Most of the change, totaling €1,454K, concerns the increase in tax due by the parent company for withholding charged on dividends, to be paid in July 2016, offset by a decrease in VAT and corporate income tax payable.

## Note 38) Other current liabilities

| | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Social security | 329 | 352 | (23) |
| Accrued liabilities | 662 | 482 | 180 |
| Deferred income | 280 | 0 | 280 |
| Insurance | 8 | 8 | 0 |
| Due to employees | 818 | 708 | 110 |
| Security deposits | 4,989 | 4,195 | 794 |
| Unclaimed dividends | 1 | 1 | 0 |
| Advances received due w ithin one year | 314 | 273 | 41 |
| Other liabilities | 233 | 494 | (261) |
| **Other current liabilities** | **7,634** | **6,513** | **1,121** |

Most of the increase in this item is due to security deposits received to guarantee irrevocable bids relating to the opening of the Grosseto shopping center, scheduled for the last quarter of 2016.

Related party payables are shown below:

| Related parties other current liabilities | 30/06/2016 | 31/12/2015 | Change |
|---|---|---|---|
| Other payables | 31 | 6,924 | (6,893) |
| **Related parties current liabilities** | **31** | **6,924** | **(6,893)** |

The decrease reflects rent for the first quarter of 2016 that was received the previous year from the controlling company, Coop Alleanza 3.0 Soc. Coop. See note 40 for details.

## Note 39) Dividends

During the year, as determined during the Annual General Meeting held to approve the 2015 financial statements on 14 April 2016, a dividend of €0.04 was paid for each of the 813,045,631 shares outstanding, for a total of €32,521,825.24.

## Note 40) Related party disclosures

Below is the information required by paragraph 18 of IAS 24.

| Related parties disclosure | RECEIVABLES AND OTHER CURRENT ASSETS | FINANCIAL RECEIVABLES | PAYABLES AND OTHER CURRENT LIABILITIES | PAYABLES AND OTHER NON-CURRENT LIABILITIES | FINANCIAL PAYABLES | OTHER RECEIVBALES AND OTHER NON-CURRENT ASSETS | Fixed assets - Increases | Fixed assets - Decreases |
|---|---|---|---|---|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 182 | 0 | 360 | 11,514 | 0 | 0 | 870 | 73 |
| Robintur S.p.A. | 0 | 0 | 1 | 0 | 0 | 0 | 0 | |
| Librerie.Coop S.p.A. | 28 | 0 | 17 | 0 | 0 | 0 | 0 | |
| Adriatica Luce e Gas s.r.l. | 9 | 0 | 0 | 30 | 0 | 0 | 0 | |
| Unicoop Tirreno Scarl | 142 | 0 | 63 | 1,013 | 0 | 0 | 0 | |
| Consorzio Cone' | 102 | 0 | 90 | 0 | 0 | 0 | 0 | |
| Consorzio Crema | 169 | 0 | 30 | 0 | 0 | 0 | 0 | |
| Consorzio I Bricchi | 0 | 0 | 127 | 0 | 0 | 0 | 0 | |
| Consorzio Katané | 219 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio Lame | 0 | 0 | 32 | 0 | 0 | 0 | 22 | |
| Consorzio Leonardo | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio La Torre | 1 | 0 | 17 | 0 | 0 | 0 | 0 | |
| Consorzio Millenniun Center | 6 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio Punta di Ferro | 6 | 0 | 5 | 0 | 0 | 0 | 26 | |
| Consorzio Porta a Mare | 18 | 0 | 83 | 0 | 0 | 0 | 0 | |
| Consorzio Sarca | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |
| DistribuzioneCentro Sud s.r.l. | 281 | 0 | 0 | 450 | 0 | 0 | 40 | |
| Distribuzione Lazio Umbria s.r.l. | 0 | 0 | 0 | 943 | 0 | 0 | 0 | |
| Iniziative Bo Nord s.r.l. in liquidazione | 0 | 343 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio Centro Le Maioliche | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Rgd ferrara 2013 s.r.l. | 283 | 151 | 0 | 0 | 0 | 0 | 0 | |
| **Total** | **1,449** | **494** | **824** | **13,949** | **0** | **0** | **958** | **73** |
| | | | | | | | | |
| **Amount reported** | **84,392** | **65,602** | **24,452** | **24,910** | **1,094,352** | **88** | | |
| **Total increase / decrease of the period** | | | | | | | **11,133** | **802** |
| **% of the total** | **1.72%** | **0.75%** | **3.37%** | **56.00%** | **0.00%** | **0.00%** | **8.61%** | **9.10%** |

| Related parties disclosure | REVENUES AND OTHER INCOME | FINANCIAL INCOME | COSTS | FINANCIAL CHARGES |
|---|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 13,878 | 0 | 155 | 12 |
| Robintur S.p.A. | 119 | 0 | 0 | 0 |
| Librerie.Coop S.p.A. | 395 | 0 | 0 | 0 |
| Adriatica Luce e Gas s.r.l. | 70 | 0 | 0 | 0 |
| Unicoop Tirreno Scarl | 2,332 | 0 | 42 | 1 |
| Consorzio Cone' | 82 | 0 | 74 | 0 |
| Consorzio Clodì | 27 | 0 | 33 | 0 |
| Consorzio Crema | 20 | 0 | 23 | 0 |
| Consorzio I Bricchi | 56 | 0 | 297 | 0 |
| Consorzio Katané | 100 | 0 | 71 | 0 |
| Consorzio Lame | 89 | 0 | 0 | 0 |
| Consorzio Leonardo | 115 | 0 | 0 | 0 |
| Consorzio La Torre | 98 | 0 | 133 | 0 |
| Consorzio Millenniun Center | 51 | 0 | 34 | 0 |
| Consorzio Punta di Ferro | 5 | 0 | 71 | 0 |
| Consorzio Porta a Mare | 38 | 0 | 125 | 0 |
| Consorzio Sarca | 27 | 0 | 0 | 0 |
| DistribuzioneCentro Sud s.r.l. | 777 | 0 | 0 | 0 |
| Distribuzione Lazio Umbria s.r.l. | 649 | 0 | 0 | 1 |
| Coop Sicilia S.p.A. | 2,553 | 0 | 0 | 0 |
| Consorzio Centro Le Maioliche | 84 | 0 | 54 | 0 |
| Robintur Travel Partner s.r.l. | 7 | 0 | 0 | 0 |
| Rgd ferrara 2013 s.r.l. | 244 | 3 | 0 | 0 |
| **Total** | **21,816** | **3** | **1,114** | **14** |
| | | | | |
| **Amount reported** | **68,133** | **64** | **22,229** | **19,759** |
| **% of the total** | **32.02%** | **3.92%** | **5.01%** | **0.07%** |

The Group has financial and economic relationships with its controlling company, Coop Alleanza 3.0 Soc. Coop.; with other companies in the Coop Alleanza 3.0 Group (Coop Sicilia S.p.A., Robintur S.p.A., Librerie Coop S.p.A., R.P.T. Robintur Travel Partner S.r.l. and Adriatica Luce e Gas S.r.l.); with Unicoop Tirreno S.c.a.r.l., Campania Distribuzione Moderna S.r.l. (absorbed by Distribuzione Centro Sud S.r.l. on 1 March 2016), Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno S.c.a.r.l.) and Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0 Soc. Coop. and 30% by Unicoop Tirreno S.c.a.r.l.).
Related party transactions are conducted at arm's length and are recognized at face value.

*Transactions with Coop Alleanza 3.0 Soc. Coop. and its subsidiaries*

Transactions with the controlling company Coop Alleanza 3.0. Soc. Coop. refer to:

- the rental of investment property to Coop Alleanza for use as hypermarkets and supermarkets; rental income in the first half of 2016, including for retail premises, amounted to €13.8 million;
- provision of electronic data processing services by Coop Alleanza 3.0 Soc. Coop;
- security deposits received on leases;
- purchase of land and partial reimbursement of the work on Chioggia retail park;

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the period ended 30 June 2016, €119K in rent was received from Robintur S.p.A. and €7K from R.P.T. Robintur Travel Partner S.r.l.

Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the half-year, the Group received €395K under this arrangement.

Transactions with Adriatica Luce e Gas S.r.l. refer to the rental of part of the second floor of the building where IGD has its head office. For the half-year, the Group received €70K under this arrangement.

Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0. Soc. Coop. and 30% by Unicoop Tirreno S.c.a.r.l.) refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €777K, as well as security deposits received on leases.

Transactions with Coop Sicilia S.p.A., owned 100% by Coop Alleanza 3.0 Soc. Coop., concern receivables and income from the leasing of properties used as hypermarkets. In the period ended 30 June 2016 such income amounted to €2.5 million.

*Transactions with Unicoop Tirreno S.c.a.r.l.*

Transactions with Unicoop Tirreno S.c.a.r.l. consist of:

- security deposits received on leases;
- receivables and income for the leasing of properties used as hypermarkets. For the half-year, the Group received €2.3 million under these arrangements.

Transactions with Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno) refer to the lease to that company of the Casilino hypermarket and the Civita Castellana supermarket for €649K, as well as security deposits received on leases.

*Transactions with other Group companies*

Transactions with consortiums concern receivables and income for facility management services at shopping centers; the costs incurred refer to service charges for vacant units and extraordinary maintenance work on properties.

Transactions with Iniziative Immobiliari Bologna Nord S.r.l. (in liquidation, held 15%) refer to an interest-free loan with a balance of €673K (written down by €330K) at 30 June 2016.

Transactions with RGD Ferrara 2013 S.r.l., formed on 30 September 2013 to manage the Darsena City shopping center in Ferrara (a joint venture between IGD and Beni Stabili), consist of: (*i*) rental of the Darsena property by IGD (rent for the first half of 2016 amounted to €244K) and (*ii*) an interest-bearing loan in the amount of €150K, with interest charged at the 3-month Euribor plus a spread of 350 basis points.

## Note 41) Management of financial risk

In the course of business, the Group is exposed to various financial risks: interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group has operational and financial policies aimed at reducing the impact of such risks on performance, in part through the use of interest rate derivatives. The Board of Directors reviews and agrees on policies to manage these risks.

*Interest rate risk*

The main risk factor is the volatility of interest rates and the effect this has on borrowing and on the investment of liquid funds. The Group borrows mainly through short-term facilities and long-term mortgage loans charging adjustable interest, so it risks an increase in financial charges if interest rates go up. The Finance department monitors interest rate risk constantly, in coordination with top management. To hedge interest rate risk, the Group has entered into interest rate swaps covering about 89% of its exposure to rate fluctuations on long-term loans, which allow it to collect the adjustable interest rate in exchange for payment of a fixed rate. The Finance department analyzes and measures interest rate and liquidity risk while constantly evaluating the best means of implementation of the risk management model. See Note 42 for quantitative information on derivatives.

*Liquidity risk*

This refers to problems with liquidity management, insufficient resources to finance the business, and difficulty keeping up with loans or obtaining new credit. Liquidity is monitored through cash flow planning, and risk is mitigated by the Group's extensive credit lines. The Finance department uses a financial forecasting tool to monitor expected cash flows over a one-quarter rolling horizon and makes sure there is enough liquidity to operate the business. Cash flow sensitivity and stress testing are used with respect to financial risk. Some long-term loans involve covenants, which are monitored constantly by the chief financial officer. The strategic, operational, compliance and financial risks that could generate risks for liquidity are monitored through coordination with management and use of the ERM system. Financial commitments are covered by funds confirmed by the banks, where unutilized credit facilities are available. Liquidity risk is managed prudently to avoid incurring excessive costs in the case of unforeseen events, which could have a negative impact on performance.

*Credit risk*

Credit risk takes the form of customer insolvency and difficulty collecting payments. To mitigate these risks, tenants go through a pre-contractual selection process, based on financial standing and earnings prospects. Reviews of potential customers are performed also with the help of external specialists and aim to identify any risk factors for the company. All customers are asked for bank guarantees and/or security deposits to guarantee fulfillment of their commitments. Throughout the life of the contract, the company monitors compliance on an ongoing basis, and follows internal credit management procedures in the event any problems arise; when the business relationship is secure, measures to assist the tenant may be taken. The credit situation is also constantly monitored by way of the customer payment calendar, which is formalized every quarter but checked on a daily basis to stay abreast of the measures taken/required to collect receivables.

*Foreign exchange risk*

The Group is exposed to foreign exchange risk for its operations in Romania. Fluctuations in the value of the Romanian lei could lead to the writedown of properties held or to the unsustainability of contractual obligations for tenants in Romania, where rent is denominated in lei but anchored to the performance of the euro. At the moment, IGD mitigates this risk through constant efforts to optimize the merchandising mix and tenant mix and to support the value of the real estate portfolio, in part by making improvements.

## Capital management

The primary objective of the Group's capital management is to make sure it maintains a solid credit rating and sufficient capital indicators to support the business and maximize shareholder value. This is pursued by:

1. keeping the ratio of net debt to equity (including non-controlling interests and net of cash flow hedge reserves) at 1.5x or below (the ratio was 0.93x at 31 December 2015 and 0.96x at 30 June 2016);
2. keeping the loan-to-value ratio under 60% (it was 48.2% at the close of the half-year, compared with 47.3% at the end of 2015).

## Note 42) Derivative instruments

The IGD Group has engaged in derivative contracts for the use of interest rate swaps. The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 7: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

| Fair value - Hierarchy | 30/06/2016 | 31/12/2015 | Change | Level |
|---|---|---|---|---|
| Derivative assets | 3 | 12 | (9) | 2 |
| Derivative liabilities | (35,420) | (35,002) | (418) | 2 |
| **Interest rate swaps - net effect** | **(35,417)** | **(34,990)** | **(427)** | |

| Contracts in detail | IRS 04 - ex MPS 3.84% | IRS 07 - Banca Aletti 3.420% | IRS 09 - BNP Paribas 3.439% | IRS 10 - ex MPS 3.439% | IRS 08 - ex MPS 3.420% | IRS 06 - Carisbo 3.3495% | IRS 12 - Carisbo 3.177% | IRS 05 - BNP Paribas |
|---|---|---|---|---|---|---|---|---|
| Nominal amount | 10,461,539 | 12,850,185 | 12,850,185 | 12,850,185 | 12,850,185 | 8,019,062 | 12,850,185 | 73,000,000 |
| Inception date | 06/10/2006 | 10/06/2009 | 10/06/2009 | 11/06/2009 | 12/06/2009 | 12/02/2009 | 28/10/2009 | 06/10/2007 |
| Maturity | 06/10/2016 | 05/10/2021 | 05/10/2021 | 05/10/2021 | 05/10/2021 | 10/01/2023 | 05/10/2021 | 06/10/2017 |
| IRS frequency | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Half-yearly | Quarterly | Quarterly |
| Bank rate | Euribor 3 months | Euribor 3 months | Euribor 3 months | Euribor 3 months | Euribor 3 months | Euribor 6 months | Euribor 3 months | Euribor 3 months |
| Customer rate | 3.84% | 3.42% | 3.44% | 3.44% | 3.42% | 3.35% | 3.18% | 4.38% |

| Contracts in detail | IRS 11 - ex MPS 3.175% | IRS 16 - Aletti 3.285% | IRS 17 - Aletti 2.30% | IRS 14 - Carisbo 3.272% | IRS 13 - Carisbo 3.412% | IRS 15 - ex MPS 3.25% | IRS 18 - MPS 2.30% | IRS 19 - Carisbo 2.30% |
|---|---|---|---|---|---|---|---|---|
| Nominal amount | 12,850,185 | 6,697,344 | 13,571,750 | 8,929,792 | 8,549,373 | 6,697,344 | 13,571,750 | 13,571,750 |
| Inception date | 28/10/2009 | 28/04/2010 | 27/08/2010 | 28/04/2010 | 28/04/2010 | 28/04/2010 | 27/08/2010 | 27/08/2010 |
| Maturity | 05/10/2021 | 31/03/2024 | 27/03/2024 | 28/03/2024 | 29/12/2023 | 28/03/2024 | 27/03/2024 | 27/03/2024 |
| IRS frequency | Quarterly | Quarterly | Quarterly | Quarterly | Half-yearly | Quarterly | Quarterly | Quarterly |
| Bank rate | Euribor 3 months | Euribor 3 months | Euribor 3 months | Euribor 3 months | Euribor 6 months | Euribor 3 months | Euribor 3 months | Euribor 3 months |
| Customer rate | 3.18% | 3.29% | 2.30% | 3.27% | 3.41% | 3.25% | 2.30% | 2.30% |

| Contracts in detail | IRS 20 - Carisbo 2.285% | IRS 21 - MPS 2.80% | IRS 22 - Carisbo 3.25% | IRS 24 - Carisbo 2.429% | IRS 23 - Carisbo 2.429% | IRS 25 - Aletti 2.427% | IRS 26 - CRF 40 Mln 4.427% |
|---|---|---|---|---|---|---|---|
| Nominal amount | 13,571,750 | 11,071,429 | 21,750,000 | 17,490,000 | 6,996,000 | 10,494,000 | 10,000,000 |
| Inception date | 27/08/2010 | 12/07/2011 | 12/07/2011 | 12/09/2011 | 12/09/2011 | 12/09/2011 | 22/12/2011 |
| Maturity | 27/03/2024 | 31/03/2024 | 01/11/2024 | 31/12/2025 | 31/12/2025 | 31/12/2025 | 30/09/2016 |
| IRS frequency | Quarterly | Quarterly | Half-yearly | Quarterly | Quarterly | Quarterly | Quarterly |
| Bank rate | Euribor 3 months | Euribor 3 months | Euribor 6 months | Euribor 3 months | Euribor 3 months | Euribor 3 months | Euribor 3 months |
| Customer rate | 2.29% | 2.80% | 3.25% | 2.43% | 2.43% | 2.43% | 2.45% |

## Note 43) Subsequent events

At the date of approval, no events following the mid-year reporting date had occurred that would require the Group to adjust the figures in the financial statements or report elements not previously disclosed.

## Note 44) Commitments

At 30 June 2016 the Group had the following major commitments:

- Contract for urban infrastructure and digging in relation to the expansion of ESP shopping center (remaining amount: €2.5 million), under the Urban Planning Agreement signed with the City of Ravenna on 24 June 2014.
- Contract for structural work, civil construction and finishing work in relation to the expansion of ESP shopping center, for a total of €13.4 million.
- Contract for the development of the Officine Storiche section, for a remaining amount of €27 million.
- Preliminary contract for the purchase from Unicoop Tirreno of the mall to be built inside the shopping center, currently under construction in Grosseto. The purchase price is €43.75 million, plus taxes and transaction costs. The sale depends on satisfaction of a suspensive condition. Payment is due upon transfer of title, after the opening scheduled for the second half of 2016.

## Note 45) Disputes

Information is provided below on the main disputes involving Group companies.

### Darsena

Due to the dissolution of the joint venture with Beni Stabili S.p.A. SIIQ on 15 December 2010, resulting in the sale of 50% of RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) by Immobiliare Larice (now IGD Management S.r.l.) and the joint purchase of the Darsena City shopping center, the IGD Group has a commitment with RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) to assume its share of all income and costs associated with the contracts signed on 15 March 2006 and transferred to RGD S.r.l. (now Beni Stabili) on 29 March 2007.

**ACTION TAKEN BY RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) IN AGREEMENT WITH IGD SIIQ S.p.A.**

Given the receivables accrued to RGD S.r.l. (now Beni Stabili S.p.A. SIIQ), over time and in agreement with IGD SIIQ S.p.A. it has filed several legal actions against Magazzini Darsena S.p.A. and Darsena FM S.r.l. (both of them now bankrupt), as follows:

- RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) filed for an injunction against Magazzini Darsena S.p.A. for nonpayment of rent on the Ferrara building forming part of the Darsena City shopping center, owned by Riqualificazione Grande Distribuzione S.p.A. SIINQ (now merged into Beni Stabili S.p.A. SIIQ). The injunction of €6,984K was confirmed by the court after the plaintiff's counterarguments and then appealed by Magazzini Darsena S.p.A., which at the conclusion of the appeal was ordered to pay the above amount net of the sum collected in the meantime through enforcement of the rent guarantee in the amount of €3,640K.
- RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) requested and obtained a preventive attachment of €35 million against Magazzini Darsena S.p.A. and of €38 million against Darsena FM S.r.l. (owner of the business operated inside the shopping center and promised for sale).
- RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) filed two suits pursuant to Art. 447 *bis* of the Code of Civil Procedure to force Magazzini Darsena and Darsena FM S.r.l. to pay the rent falling due subsequent to the missed payments covered by the injunction.
  Magazzini Darsena was ordered to pay €5.2 million (the amount of rent accrued as of 4 April 2012) plus VAT, interest and legal expenses, while the case against Darsena FM S.r.l. was suspended when the company was declared bankrupt.

- RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) had asked the Arbitration Board of Milan to determine the legitimacy of the price adjustment clause in the contract for the purchase of the Darsena City shopping center and calculate the amount of said adjustment, and to confirm the obligation of Magazzini Darsena S.p.A. and the joint obligation of Darsena FM S.r.l. and the parent company Partxco S.p.A. to pay future rent and the penalty that had accrued for the late delivery of "portion B" of the shopping center.

On 8 July 2013, the Arbitration Board issued its Judgment, ordering: (i) Partxco to pay a penalty of €12.5 million for Magazzini Darsena's failure to pay rent; (ii) Magazzini Darsena and Partxco to pay a penalty of €16 million for the delay in completing building "B"; and (iii) Magazzini Darsena, Darsena FM and Partxco to accept the price adjustment of €2.5 million (which Beni Stabili S.p.A. SIIQ had already received through enforcement of the guarantee, as mentioned above). The adversaries were also ordered to reimburse the Company for some legal expenses and for three quarters of the arbitration costs.

In rulings dated 26 and 29 July 2013, the Court of Ferrara declared Magazzini Darsena S.p.A. and Darsena FM S.r.l. to be bankrupt.

Pursuant to Art. 829 of the Code of Civil Procedure, on 12 June 2014 Partxco contested the arbitration judgment and petitioned for its immediate suspension, requesting that it be determined and declared to be null and void in accordance with CCP Art. 829(1)(5) and 829(1)(11). With the challenge pending, the Court of Ferrara declared Partxco S.p.A. bankrupt in a ruling filed on 24 June 2014 (entry no. 52/2014 in the Register of Bankruptcies).

At the initial hearing of 2 December 2014 the Court of Appeals, acknowledging the bankruptcy of Partxco S.p.A., interrupted the challenge in accordance with CCP Art. 301.

On 27 February 2015, Partxco S.p.A. petitioned the Appeals Court to set a date for resumption of the challenge.

At the hearing of 12 May 2015, the court announced that it would hand down a decision and set the legally required deadlines (60 and 90 days) for closing statements and replies.

With decision no. 4140/2015 published on 29 October, the Appeals Court ruled in favor of Beni Stabili S.p.A. SIIQ on the grounds that resumption of the challenge of the arbitration judgment had been requested beyond the three-month deadline set by CCP Art. 305, ordering Partxco's receivership to reimburse Beni Stabili S.p.A. SIIQ for court fees in the amount of €15,000 plus expenses at 15% and the tax and social security charges provided for by law.

On 11 February 2016, Partxco served timely notice of its appeal to the Court of Cassation, to which Beni Stabili filed a response on 31 March. The final judgment is therefore pending, once the Court of Cassation sets a date pursuant to CCP Art. 377 and designates the Judge-Rapporteur.

- In the meantime, during the course of the above lawsuits, the Company enforced the bank guarantee of €2.5 million that Magazzini Darsena had posted to secure payment of the price adjustment. This took place further to the decision in favor of Beni Stabili S.p.A. SIIQ after Magazzini Darsena S.p.A. filed for an injunction against enforcement of the guarantee, a decision that was affirmed on appeal.

The receivables due under the arbitration judgment have been claimed and accepted as payable via the bankruptcy process of Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A.:

a) those due from Magazzini Darsena S.p.A. will be listed in a preliminary allocation plan to be drawn up by the receiver;

b) as for those due from Darsena FM S.r.l., on 20 March 2015 the receiver sent notification of having filed the preliminary partial allocation plan, along with the plan itself. On 3 February 2016 the receiver filed the definitive allocation plan with the court clerk's office, which the bankruptcy judge accepted. The procedure was concluded by order of the judge on 23 May 2016, acknowledging the final allocation pursuant to Art. 118(3) of the Bankruptcy Law;

c) the receivables due from Partxco S.p.A. will be listed in a preliminary allocation plan to be drawn up by the receiver.

**ACTION TAKEN DIRECTLY BY IGD SIIQ S.p.A.**

**BANKRUPTCY OF MAGAZZINI DARSENA S.P.A. AND DARSENA FM S.R.L.**

With decisions dated 26 and 29 July 2013, the Court of Ferrara declared both companies bankrupt.

Further to those rulings, IGD SIIQ S.p.A. and Beni Stabili S.p.A. SIIQ managed to reach a partial settlement with the official receiver, signed on 29 October 2013.

Under the partial settlement, the companies were awarded the building by the receivership of Magazzini Darsena and through a 50-50 joint venture between IGD SIIQ S.p.A. and Beni Stabili S.p.A. they acquired the business (with its commercial permits) from the receivership of Darsena FM for the price of €255K plus taxes, terminated the preliminary contract to purchase the adjacent property ("Building B") and the associated agreements, and obtained Magazzini Darsena's definitive acceptance of the price reduction of €2,500K for the purchase of "Building A" (the amount Beni Stabili S.p.A. SIIQ had already collected through enforcement of the guarantee).

Under the settlement, the companies did not waive their right to the receivables accrued up to the date of bankruptcy and resulting from court decisions against the bankrupt firms, nearly all of which were therefore registered as claims.

In 2012 IGD SIIQ S.p.A. was summoned to court by Magazzini Darsena, Darsena FM and Partxco regarding the management agreement of Darsena City shopping center. IGD SIIQ S.p.A. appeared in court and filed a statement and related pleadings. Because IGD SIIQ S.p.A.'s legal advisors believe that the plaintiff's claims are not supported by sufficient evidence or legal grounds, the Company has recognized no liability in this regard. On 17 July 2013, the Court of Ferrara filed its decision rejecting the plaintiff's demands and ordering Magazzini Darsena, Darsena FM and Partxco to reimburse IGD SIIQ S.p.A.'s legal expenses in the amount of €20,000.00.

Further to that decision, on 8 October 2013 IGD SIIQ S.p.A. was summoned to the Court of Bologna for an appeal filed by Partxco against the ruling to indemnify IGD. At the initial hearing on 4 March 2014, a court date of 18 December 2018 was set for the announcement of conclusions. Because Partxco was then declared bankrupt on 24 June 2014, this proceeding will also be suspended at the next scheduled hearing, subject to resumption by the receiver. IGD SIIQ S.p.A.'s lawyers are confident that the appeal will be rejected and the initial decision confirmed, given the logical arguments on which that decision was based and the documentation submitted as proof of IGD's proper and complete fulfillment of all obligations.

### Vibo Valentia

In May 2013, GAM S.p.A. took IGD SIIQ S.p.A. to court in Milan concerning the framework agreement signed by those parties in May 2007, whereby IGD was to purchase a 50% share of a new company owning a shopping center in Vibo Valentia to be built by the prospective seller GAM, subject to a positive due diligence report.

Back in June 2012, as the deadline had elapsed and the due diligence outcome was negative, IGD SIIQ S.p.A. had notified GAM that the framework agreement was no longer valid for a number of reasons, and that in any case it wished to withdraw from the agreement; GAM denied that the due diligence outcome was negative and refused to allow the withdrawal.

The present lawsuit therefore alleged that the framework agreement was terminated for breach of obligation by IGD and asked for compensation of the damages allegedly suffered by GAM. IGD contested that claim and asked the court to rule that the framework agreement had lapsed for a number of reasons (including the negative due diligence and resulting withdrawal), filing a counterclaim against the plaintiff.

Given the groundlessness of GAM's claims, as confirmed by IGD's legal advisors, no liability had been recognized in this regard. The Court of Milan settled the dispute at the lower-court level with decision 628 of December 2014, published on 19 January 2015, which logically and coherently rejects all of GAM's claims against IGD by agreeing with the basis of the negative due diligence report and therefore with IGD's legitimate withdrawal from the (no longer valid) framework agreement, ordering the plaintiff not only to reimburse IGD's legal expenses but also to pay it damages for frivolous action in accordance with Art. 96 of the Code of Civil Procedure.

On 10 April 2015, GAM notified IGD that it had appealed the lower-court decision and asked for enforcement of that ruling to be suspended. On 30 June 2015, IGD filed an appearance and response, including a cross-appeal contesting all of its adversary's pleas. At the hearing of 15 September 2015 the commission rejected GAM's request for suspension of enforcement of the lower-court decision and scheduled arguments for 1 December 2015. The decision is pending, with concluding statements due by 29 January 2016 and rebuttals by 19 February.

On 25 February 2016 the Appeals Court of Milan demanded relief from the expiration of time due to a leave of absence by one of its judges; as the court was temporarily unable to meet and reach a decision, it set a new deadline for concluding statements of 7 June 2016, from when it then had the standard amount of time to issue a ruling. The ruling, summarized below, was announced by the court clerk's office on 7 July 2016.

GAM's appeal demands the reversal of decision 628/2015 based on the same arguments it put to the Court of Milan, which that court rejected as baseless in a sound and logical explanation. The Appeals Court ruling wholly rejects GAM's appeal and confirms the lower-court decision (including damages for frivolous action pursuant to Art. 96 of the Code of Civil Procedure), agreeing with IGD's arguments and ordering GAM to reimburse IGD's legal expenses at the second level of justice. Within the strict constraints allowed by legal process and by the obvious fairness and validity of the Appeals Court ruling, GAM is still in time to appeal the second-instance decision with the highest court.

### Iniziative Immobiliari Siciliane S.r.l.

During the first half of 2015, Iniziative Immobiliari Siciliane S.r.l. (IIS) filed a lawsuit in Ravenna against IGD SIIQ S.p.A. concerning the purchase of a mall, within the broader purchase of the Katanè shopping center in Gravina di Catania, under a contract signed on 29 October 2009. At issue is whether IIS should receive a supplement on the agreed price, under Art. 2 of that contract, to be quantified after the fifth anniversary of the shopping center's grand opening on the basis of certain variables.

The dispute is over what to include in the calculation of rent for the purpose of determining the price supplement (if any), and what to include in the initial calculation of rent to determine whether it increased.

Specifically, IIS has asked the Court of Ravenna to find that for the purposes of calculating a price supplement, certain items should be included which in IGD's opinion should not.

On 25 June 2015, IGD filed an appearance and response contesting all of its opponent's claims, stating that it owes no price supplement to IIS, as the amount of rent for the purposes of this calculation had not increased with respect to the threshold agreed.

On the basis of the arguments filed, IGD asked the Court of Ravenna to reject all demands made by IIS. As a subordinate measure, IGD objected that a different interpretation of the clause on how to quantify a price supplement should be considered null and void, as the object of the contract would be undetermined and undeterminable.

The hearing, set for 15 July 2015 in the summons, was postponed by the court to 20 July. On that date, the deadlines were set in accordance with Art. 183(6) of the Code of Civil Procedure and the case was adjourned until 15 December 2015, at which time IIS dropped its petition for preliminary expert testimony pursuant to CCP Art. 696 *bis* at the express request of the court.

After the standard exchange of pleadings, the court set the discovery hearing for 6 April 2016. Deciding on an outstanding issue, on 6 June the Ravenna judge ruled that IIS would not be allowed the interrogatories and witness testimony it had requested, while the witness testimony requested by IGD would be granted. The judge also allowed an expert witness to be hired to quantify the rent valid for calculating whether the price supplement was due under the contract, indicating the variables the expert should consider for this purpose, and scheduled a hearing for 6 July 2016 to swear in the expert and question the witnesses listed by IGD (those listed by the plaintiff were not admitted).
At the hearing of 6 July, the judge questioned the witnesses called by IGD and formally engaged the services of the expert witness, who was sworn in as required by law. The first session to examine the evidence was scheduled for 12 September 2016. The next hearing, for expert testimony, was set for 15 February 2017.
The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

## Note 46) Tax litigation

Following the tax audit concluded on 11 September 2008, IGD received an audit report without significant findings, but with a recommendation to revalue closing inventories for about €645K; this generated an IRES (corporate tax) charge of €213.1K and an IRAP (regional business tax) charge of €27.4K plus penalties of €240.5K, all of which has been paid.
IGD then received an assessment claiming that it had mistakenly interpreted the type of contract (sale of a future asset rather than a commissioned job) and therefore misclassified inventories, subjecting them to the wrong set of tax rules. The Company's appeal to the Provincial Tax Commission of Ravenna was rejected with a ruling of January 2011.
In September 2011 IGD appealed the lower commission's decision and requested a public hearing with the Regional Tax Commission, asking it to declare the assessment null and void.
In May 2014 the Regional Commission rejected the appeal and on 28 August IGD was ordered to settle the remaining third of the taxes and penalties charged, which it paid on 24 October 2014.
In December 2014 IGD appealed to the Court of Cassation; after that final ruling, it plans to request that the tax be refunded because any error caused a simple carry-over effect from one year to the next.

On 23 December 2015 the regional tax authorities of Emilia Romagna served Immobiliare Grande Distribuzione SIIQ S.p.A. with two assessments arguing that €240,625.00 in costs incurred in 2010 had been unduly deducted for IRES and IRAP purposes and that the corresponding €48,125.00 in VAT had been unduly credited against VAT payable. The assessments resulted from a notification that the provincial tax authorities of Ravenna had received from the Sicilian regional office, which began by stating that the Sicilian authorities had served Coop Sicilia S.p.A. (head office in San Giovanni La Punta in the province of Catania) with an assessment based on the disallowance of costs incurred for services that were deemed to lack sufficient documentation. On that basis, the Sicilian regional office recommended that the Ravenna provincial authorities disallow the portion of those costs that Coop Sicilia had charged to IGD under a contract between the two companies. After reviewing the papers and looking into the matter carefully, IGD's advisors concluded that the assessments are unfounded and filed settlement requests for both.

During the subsequent debate phase, the company presented its arguments against the assessments to the regional tax authorities of Emilia Romagna. While understanding the company's position, the authorities decided to uphold their complaint with regard to VAT, although they were open to considering IGD's arguments regarding the complaints about IRES and IRAP. Nevertheless, as the deadline approached for contesting the two assessments and no reversal notice had been received from the authorities, the company took stock of the situation and filed a formal appeal.

## 2.7 Certification of the condensed consolidated half-year financial statements

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

*pursuant to Art. 81 ter of the Consob Regulation adopted*

*with Resolution 11971 of 14 May 1999, as amended*

1. We, the undersigned, Claudio Albertini as chief executive officer and Grazia Margherita Piolanti as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:

- the adequacy of in relation to the characteristics of the business; and
- the company's due compliance with the administrative and accounting procedures for the preparation of the consolidated financial statements duringfirst he year 2016.

2. We also confirm that:

2.1. the condensed consolidated financial statements:

a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;

b) correspond to the ledgers and accounting entries;

c) provide fair and truthful disclosure of the financial status and performance of the issuer and the companies included in the consolidation;

2.2 the directors' report contains a reliable analysis of the performance, results, and current situation of the issuer and the companies in the consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Bologna, 5 August 2016

| | |
|---|---|
| *Claudio Albertini* | *Grazia Margherita Piolanti* |
| Chief Executive Officer | Financial Reporting Officer |

## 2.8 External auditors' report

pwc

### REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

**Foreword**

We have reviewed the consolidated condensed interim financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter, also the "Company") and its subsidiaries (hereinafter, also "IGD Group") as of 30 June 2016 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

**Scope of review**

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n° 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that consolidated condensed interim financial statements of IGD Group as of 30 June 2016 are not prepared, in all

*PricewaterhouseCoopers SpA*

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material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, 5 August 2016

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers.*

## 2.9 Appraisals

CBRE
CBRE VALUATION S.P.A.
Via del Lauro 5/7
20121 Milano
Tel +39 02 655 670 1
Fax +39 02 655 670 50

Milan, July, the 21st 2016

I.G.D.

**Immobiliare Grande Distribuzione S.p.A.**
Via Trattati Comunitari Europei 1957-2007, n.13
40127 Bologna (BO)

# VALUATION CERTIFICATE

## INTRODUCTION

### Instruction

In accordance with our proposals 105/16, 106/16 and 107/16 dated 27 April 2016 countersigned on 11 May 2016, we have determined the Market Value of operating Shopping Galleries, Hypermarkets office portions and plots of land owned by IGD SIIQ SpA as at 30th June 2016. The scope of work is to value on the basis of the Market Value the freehold interest in the Properties of the Portfolio for balance sheet purposes. The Portfolio is composed as follows:

Italian Portfolio :

| ASSET CLASS | NAME | TOWN | PROVINCE |
|---|---|---|---|
| Shopping gallery | ESP | Ravenna | RA |
| Hypermarket | ESP | Ravenna | RA |
| Land plot | Ampliamento ESP | Ravenna | RA |
| Shopping gallery | Centro Borgo | Bologna | BO |
| Hypermarket | Centro Borgo | Bologna | BO |
| Hypermarket | Centro Lame | Bologna | BO |
| Shopping gallery | Tiburtino | Guidonia Montecelio | Roma |
| Hypermarket | Tiburtino | Guidonia Montecelio | Roma |
| Shopping gallery | La Torre | Palermo | PA |
| Hypermarket | La Torre | Palermo | PA |
| Shopping gallery | Città delle Stelle | Ascoli Piceno | AP |
| Hypermarket | Città delle Stelle | Ascoli Piceno | AP |
| Office (via Trattati Comunitari) | HERA | Bologna | BO |
| Office (via Trattati Comunitari) | Librerie Coop | Bologna | BO |
| City Center | Piazza Mazzini | Livorno | LI |
| Trading | Porta a Mare | Livorno | LI |

Winmarkt Portfolio:

| ASSET | TOWN |
|---|---|
| MODERN | Galati |
| SOMES | Cluj Napoca |
| DUNAREA | Braila |
| DIANA | Tulcea |
| DACIA | Buzau |
| PETRODAVA | Piatra Nemt |
| BIG | Turda |
| MAGURA | Bistrita |
| CENTRAL | Vaslui |

### Compliance with Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014) ("the Red Book").

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c.c.i.a.a. Milano 1004000
Società soggetta all'attività di direzione e coordinamento da parte della Società CBRE Ltd

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

The property details on which each valuation is based are as set out in the valuation report of which this document is an extract.

## Assumptions

We have carried out our work based upon information supplied to us by IGD SIIQ, which we have assumed to be correct and comprehensive. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

## Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision and we will be monitoring the markets closely. We recommend that the valuation is kept under regular review.

## Conflicts of Interest

We confirm that we have had no previous material involvement with the property, and that copies of our conflict of interest checks have been retained within the working papers.

## Reliance and publication

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

## Sources of Information

We have carried out our work based upon information supplied to us by the Client, which we have assumed to be correct and comprehensive. Specifically, we have been provided with the details regarding:

- the leasing status of each unit at the date of valuation;
- the related turnover data and variable rent received;
- other eventual income related to temporary lettings;
- sales area and gross area, both related to existing assets or buildings under construction;
- property tax, insurance, service charges of each asset.

### Inspections

As instructed, we have not re-inspected all the properties for the purpose of this valuation. For the purpose of this valuation exercise, we have inspected the following properties: Centro Borgo, Centro Lame, Tiburtino, Città delle Stelle, CentroEsp, La Torre, Piazza Mazzini and Porta a Mare; all assets forming Winmarkt Portfolio.

### Areas

We have not measured the Property but have relied upon the floor areas provided. All measurements, areas and ages quoted in our report are approximate.

### Environmental Matters

We have not undertaken any environmental audit or other environmental investigation or soil survey.

We have not carried out any investigation into the past or present uses of the Property, nor of any neighboring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

### Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property. We are unable, therefore, to give any assurance that the Property is free from defect.

### Town Planning, Titles, Tenures and Lettings

We have not undertaken planning enquiries but have relied on information provided by the Owner.

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

All Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions and comply with national regulations and have the benefit of permanent planning consents or existing use rights for their current use.

## LIMITATIONS AND ASSUMPTIONS TO THE SUBJECT REPORT

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges. No legal, fiscal or financial aspects have been considered other than those explicitly quoted below.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with RICS's definition of Market Rent.

### Environmental Matters

In the absence of any information to the contrary, we have assumed that the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law; that any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; that the Properties possess current energy performance certificates as required under government directives.

## VALUATION CRITERIA

The valuation of the assets in question has been performed on the basis of commonly used and accepted valuation criteria. Specifically the criteria we applied to the different asset types are the following:

**Shopping galleries, Hypermarkets and office portions:**

- Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (typically 10 years), that refers to the lease contracts duration. At the end of this period, we assume that the property will be sold at a value obtained by capitalising the final year net income at a right market capitalisation rate relating to investments similar to that in question.

**Land sites for new constructions or enlargement of the existing assets:**

- Conversion/Transformation method, based on the discount, at the date of valuation, of the cash flows (deriving from rental incomes after completion of works) calculated over a period corresponding to the completion of works on the site in order to be fully operating, (cash flows are the results of the difference between incomes and costs) so the market value is the difference between the market value of the transformed area and the costs of development. At the end of this period, we assume that the property will be sold at a value obtained by capitalising the final year net income at an appropriate market capitalisation rate relating to investments similar to that in question, deducting costs required to the enlargement at valuation date.

### Valuation Methodology

We have adopted the Discounted Cash Flow (DCF) method in preparing our valuation of the Market Value of the subject Property. The valuation has been based on a site inspection and our valuation inputs are based on local market evidence and practice (rent and current costs, demand and supply level, operators' expectations), which has been adjusted to relate to the specific characteristics of the Property.

CBRE

## Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 30th June 2016 is:

Euro 712,709,500.00

**(Seven Hundred and Twelve Million Seven Hundred and Nine Thousand Five Hundred Euro/00)**

exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.

Ref. 8332, 8333, 8334

Mirko Baldini
(Managing Director)

For and on behalf of
**CBRE Valuation Spa**

Elena Gramaglia
(Director)

For and on behalf of
**CBRE Valuation Spa**

CBRE

CBRE
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Milan, July, the 21st 2016

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# VALUATION CERTIFICATE

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| City Center | Piazza Mazzini | Livorno | LI |

Winmarkt Portfolio:

| ASSET | TOWN |
|---|---|
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| SOMES | Cluj Napoca |
| DUNAREA | Braila |
| DIANA | Tulcea |
| DACIA | Buzau |
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c.c.i.a.a. Milano 1004000
Società soggetta all'attività di direzione e coordinamento da parte della Società CBRE Ltd

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

The property details on which each valuation is based are as set out in the valuation report of which this document is an extract.

## Assumptions

We have carried out our work based upon information supplied to us by IGD SIIQ, which we have assumed to be correct and comprehensive.

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

## Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision and we will be monitoring the markets closely. We recommend that the valuation is kept under regular review.

## Conflicts of Interest

We confirm that we have had no previous material involvement with the property, and that copies of our conflict of interest checks have been retained within the working papers.

## Reliance and publication

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

## Sources of Information

We have carried out our work based upon information supplied to us by the Client, which we have assumed to be correct and comprehensive. Specifically, we have been provided with the details regarding:

- the leasing status of each unit at the date of valuation;
- the related turnover data and variable rent received;
- other eventual income related to temporary lettings;
- sales area and gross area, both related to existing assets or buildings under construction;
- property tax, insurance, service charges of each asset.

CBRE

### Inspections

As instructed, we have not re-inspected all the properties for the purpose of this valuation. For the purpose of this valuation exercise, we have inspected the following properties: Centro Borgo, Centro Lame, Tiburtino, Città delle Stelle, CentroEsp, La Torre, Piazza Mazzini; all assets forming Winmarkt Portfolio.

### Areas

We have not measured the Property but have relied upon the floor areas provided. All measurements, areas and ages quoted in our report are approximate.

### Environmental Matters

We have not undertaken any environmental audit or other environmental investigation or soil survey.

We have not carried out any investigation into the past or present uses of the Property, nor of any neighboring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

### Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property.

We are unable, therefore, to give any assurance that the Property is free from defect.

### Town Planning, Titles, Tenures and Lettings

We have not undertaken planning enquiries but have relied on information provided by the Owner.

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents.

We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

All Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions and comply with national regulations and have the benefit of permanent planning consents or existing use rights for their current use.

## LIMITATIONS AND ASSUMPTIONS TO THE SUBJECT REPORT

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No legal, fiscal or financial aspects have been considered other than those explicitly quoted below.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

### Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with RICS's definition of Market Rent.

### Environmental Matters

In the absence of any information to the contrary, we have assumed that the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law; that any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; that the Properties possess current energy performance certificates as required under government directives.

## VALUATION CRITERIA

The valuation of the assets in question has been performed on the basis of commonly used and accepted valuation criteria. Specifically the criteria we applied to the different asset types are the following:

**Shopping galleries, Hypermarkets and office portions:**

- Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (typically 10 years), that refers to the lease contracts duration. At the end of this period, we assume that the property will be sold at a value obtained by capitalising the final year net income at a right market capitalisation rate relating to investments similar to that in question.

### Valuation Methodology

We have adopted the Discounted Cash Flow (DCF) method in preparing our valuation of the Market Value of the subject Property.

The valuation has been based on a site inspection and our valuation inputs are based on local market evidence and practice (rent and current costs, demand and supply level, operators' expectations), which has been adjusted to relate to the specific characteristics of the Property.

## Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 30th June 2016 is:

**Euro 595,950,00.00**
**(Five Hundred and Ninety Five Million Nine Hundred and Fifty Thousand Euro/00)**
exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.

Mirko Baldini
(Managing Director)

For and on behalf of
**CBRE Valuation Spa**

Rif. 8332, 8333, 8334

Elena Gramaglia
(Director)

For and on behalf of
**CBRE Valuation Spa**

CBRE

CUSHMAN & WAKEFIELD

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| | |
|---|---|
| TO: | **GRUPPO IGD** |
| ATTENTION: | **MR. ROBERTO ZOIA** |
| PROPERTY: | **REAL ESTATE PORTFOLIO** |
| REPORT DATE: | **08 JULY 2016** |
| VALUATION DATE: | **30 JUNE 2016** |

# 1. INSTRUCTIONS

## 1.1 THE PROPERTIES

We are instructed to provide our opinion of Market Value of the portfolio including the following Properties:

| GRUPPO IGD PORTFOLIO | | | |
|---|---|---|---|
| # | Location | Province | Property |
| 1 | Conegliano | TV | Conè |
| 2 | San Benedetto del Tronto (Porto d'Ascoli) | AP | Porto Grande |
| 3 | Rovereto | TN | Millenium Center |
| 4 | Pesaro | PU | Miralfiore Hypermarket |
| 5 | Cesano di Senigallia | AN | Il Maestrale Hypermarket |
| 6 | Cesena | FC | Lungo Savio |
| 7 | Civita Castellana | VT | Hypermarket |
| 8 | Schio | VI | Hypermarket |
| 9 | Cesena | FC | Hypermarket |
| 10 | Rimini | RN | Malatesta |
| 11 | Ravenna | RA | Hypermarket |
| 12 | Faenza | RA | Le Maioliche |

Detailed reports relating to the Properties are enclosed under Attachment 1 of *Ref: IGD-GruppoIGD-CertVal-160630-01-ITA*.

## 1.2 PURPOSE OF VALUATION

We have been instructed to prepare this valuation for accounting purposes.

The subject Valuations are not intended to be *due diligence*. Therefore, it is likely that a potential buyer before proceeding with the purchase of the Properties may require further advice or clarification on such issues that may affect the Market Values which we have estimated. We recommend you to draw particular attention on the assumptions on which our valuations have been prepared.

## 1.3 COMPLIANCE WITH RICS "RED BOOK"

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards current at the date of the report (the "Red Book") by valuers conforming to its requirements, acting as external valuer.

## 1.4 DISCLOSURE OF CONFLICT OF INTEREST

We confirm that we have no conflict of interest in carrying out this assignment.

## 1.5 BASIS OF VALUATION

As per instruction and according to the RICS Valuation – Professional Standards, the valuation has been prepared on the basis of Market Value and Market Rent and adopts the following definitions contained in the Red Book:

### MARKET VALUE

*VS 3.2 defines the Market Value as follows:*

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

### MARKET RENT

*VS 3.3 defines the Market Rent as follows:*

*"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".*

## 1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter *Ns Ref: VAL/CLI/IGD-Portfolio2014-ConfIncarico-140506-02-fp.docx* dated 6 May 2014, the addendum to the instruction letter *Ns Ref: VAL/CLI/IGD-LettIntegrativaIncarico-141031-01-mcl* dated 3 November 2014, the successive extension letter for 9 Properties *Ns Ref: VAL/CLI/IGD-Estensione2016-ConfIncarico-160502-02-ep.docx* dated 5 May 2016 and for the new perimeter the confirmation letter *Ns Ref: VAL/CLI/IGD-Portfolio2016-ConfIncarico-160502-02-ep.docx* dated 5 May 2016, together with a copy of the confirmation fax signed by you, are enclosed to this report under Attachment II.

## 1.7 THIRD PARTY LIABILITY

The valuation has been carried out on behalf of Gruppo IGD and no responsibility is accepted to any third party in respect of its contents.

### 1.8 VALUERS

This valuation has been undertaken by the team of professionals of Cushman & Wakefield Valuation & Advisory and reviewed by Francesca Prandi MRICS and Mariacristina Laria MRICS and Joachim Sandberg FRICS.

## 2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

This valuation report and its contents are subject to the general Assumptions contained in our 'General Valuation Principles and Principal Terms and Conditions of Appointment as Valuers' as listed under Attachment I of this report.

This valuation is not subject to any Special Assumptions.

## 3. DATE OF VALUATION

The date of valuation is 30 June 2016.

## 4. INSPECTIONS

As described in the relevant valuation reports hereto attached enclosed under Attachment 1 of *Ref: IGD-GruppoIGD-CertVal-160630-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the current valuation dated 30 June 2016.

Our comments on the state of repair are limited to the state of maintenance which is visible from a cursory visit and they are not intended to be technical due diligence.

In particular, we did not have access to non public areas and the roof which are assumed in good state of repair.

We have not measured the Properties nor carried out check-measurements but have relied on the GLAs that have been supplied to us. We assume that these have been calculated on an appropriate basis.

## 5. INFORMATION SUPPLIED

The Valuations were prepared on the basis of information that has been supplied to us by Gruppo IGD, which we have assumed to be complete and correct for our purposes.

Details on the information supplied for each Property is provided within the Full Property Reports *Ref. IGD-GruppoIGD-CertVal-160630-01-ITA*.

We have relied on the information supplied to us as being complete, updated and correct as we have not been instructed to carry out any due diligence activity.

## 6. GENERAL PRINCIPLES

Our valuations and their contents are subject to the general Assumptions contained in our 'General Valuation Principles' enclosed in the body of this report and to the terms stated in our proposal. We report below the main terms.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-160630-01-ITA*, our valuations assume the Properties are effectively freehold. We have assumed that the Properties have a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances.

Should the lease contracts contemplate a pre-emption right in favor of the tenant, our valuations are based on the assumption that this right does not have any impact on our estimate of the Market Value of the Property.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-160630-01-ITA*, our valuations are on the basis that the Properties have been erected in accordance with a valid planning permission and are being occupied and used without any contravention.

According to our proposal, we have not investigated the presence of harmful or hazardous substances in the Properties. In the absence of information to the contrary, we based our valuations on the assumption that there are no such substances and that each Property has been properly built.

According to our proposal, we have not carried out technical surveys of the Properties nor verified the maintenance conditions of plants and machinery. In any case, our valuations take into consideration the information supplied to us and any defect which we have noted during our cursory visits to the Properties. However, our valuations are on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuations.

Should you be aware of any information contrary to the content of the subject paragraph, we recommend that this is referred back to us to enable us to amend our valuation accordingly.

## 7. VALUATION METHODOLOGY

In the following paragraph we provide a brief description of the methodology used to arrive at the Market Value of the Properties. For further details, please refer to the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-160630-01-ITA*.

### 7.1 DCF ANALYSIS (DISCOUNTED CASH FLOW ANALYSIS)

This methodology takes into account the income generated by the lease contract/s in place for the Property, the annual costs to be borne by the Landlord (e.g. management fees, IMU property tax, insurance costs), the expenses relating to the extraordinary maintenance, the void period before the re-letting of the asset at market rental levels and the sale of the asset once it will be fully let at market rent. The assumed holding period is 10 years. The exit value of the Property is obtained capitalizing the net income of the year following the last year of the cash flow at a net yield that takes into account the specific features of the asset in the market (location, material characteristics, state of repair and letting status). The exit value is then reduced by the sales costs. The net cash flows are discounted using an appropriate discount rate which reflects the specific risk relating to the specific real estate investment and takes into considerations all the variables that have been assumed in the cash flow. The algebraic sum of the discounted cash flows represents the gross value of the Property from which, once deducted the purchaser's costs, we obtain the Market Value.

We wish to point out that there are no comparables of Discount Rates (especially considering that the choice of the discount rate to be applied depends on further factors which are not available, as data relating to investment transactions). Once we have estimated Market Value on the basis of the DCF method, the result is compared to the rent to check whether the initial yield would be consistent with those expectations of return that investors require for similar type of investments. Therefore, to support the result of our valuations, we use the Direct Capitalization methodology.

## 8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio and spilt as per your request, as at 30 June 2016, may fairly be estimated as:

**€421,900,000**

**(Four hundred twenty one million nine hundred thousand Euros)**

The Properties have been valued on an individual basis. The sum of the Market Values of the single Properties does not represent the Market Value of the portfolio in its entirety.

More details are included in the Full Valuation Reports *Ref: IGD-GruppoIGD-CertVal-160630-01-ITA.*

As per your request we report the Value gross of purchaser's costs, which is equal to €428,457,836.

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision and we will be monitoring the markets closely. We recommend that the valuation(s) is kept under regular review.

## 9. CONFIDENTIALITY

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the whole or any part of its contents.

IGD-GRUPPOIGD-VALCERTPERBILANCIO-160630-03-ENG

## 10. DISCLOSURE AND PUBLICATION

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

**FOR AND ON BEHALF OF CUSHMAN & WAKEFIELD LLP**

**JOACHIM SANDBERG FRICS**
**Partner**

**MARIACRISTINA LARIA MRICS**
**Partner**

**FRANCESCA FRANDI MRICS**
**Partner**

Attachments that form part of this report:

ATTACHMENT I GENERAL VALUATION PRINCIPLES AND PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

ATTACHMENT II INSTRUCTION LETTER ADDENDUM AND CONFIRMATION FAX

CUSHMAN & WAKEFIELD

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20121 Milano
Tel +39 02 63799 1
Fax +39 02 63799 250
PEC: finance@pec.cwllp.it
cushmanwakefield.it

| | |
|---|---|
| TO: | **GRUPPO IGD** |
| ATTENTION: | **MR. ROBERTO ZOIA** |
| PROPERTY: | **REAL ESTATE PORTFOLIO (excluding buildable land)** |
| REPORT DATE: | **08 JULY 2016** |
| VALUATION DATE: | **30 JUNE 2016** |

# 1. INSTRUCTIONS

## 1.1 THE PROPERTIES

We are instructed to provide our opinion of Market Value of the portfolio including the following Properties:

| GRUPPO IGD PORTFOLIO | | | |
|---|---|---|---|
| # | Location | Province | Property |
| 1 | Conegliano | TV | Conè |
| 2 | San Benedetto del Tronto (Porto d'Ascoli) | AP | Porto Grande |
| 3 | Rovereto | TN | Millenium Center |
| 4 | Pesaro | PU | Miralfiore Hypermarket |
| 5 | Cesano di Senigallia | AN | Il Maestrale Hypermarket |
| 6 | Cesena | FC | Lungo Savio |
| 7 | Civita Castellana | VT | Hypermarket |
| 8 | Schio | VI | Hypermarket |
| 9 | Cesena | FC | Hypermarket |
| 10 | Rimini | RN | Malatesta |
| 11 | Ravenna | RA | Hypermarket |
| 12 | Faenza | RA | Le Maioliche |

More details relating to the Properties are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA*.

## 1.2 PURPOSE OF VALUATION

We have been instructed to prepare this valuation for accounting purposes.

The subject Valuations are not intended to be *due diligence*. Therefore, it is likely that a potential buyer before proceeding with the purchase of the Properties may require further advice or clarification on such issues that may affect the Market Values which we have estimated. We recommend you to draw particular attention on the assumptions on which our valuations have been prepared.

## 1.3 COMPLIANCE WITH RICS "RED BOOK"

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards current at the date of the report (the "Red Book") by valuers conforming to its requirements, acting as external valuer.

## 1.4 DISCLOSURE OF CONFLICT OF INTEREST

We confirm that we have no conflict of interest in carrying out this assignment.

## 1.5 BASIS OF VALUATION

As per instruction and according to the RICS Valuation – Professional Standards, the valuation has been prepared on the basis of Market Value and Market Rent and adopts the following definitions contained in the Red Book:

### MARKET VALUE

*VS 3.2 defines the Market Value as follows:*

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

### MARKET RENT

*VS 3.3 defines the Market Rent as follows:*

*"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".*

## 1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter *Ns Ref: VAL/CLI/IGD-Portfolio2014-ConfIncarico-140506-02-fp.docx* dated 6 May 2014, the addendum to the instruction letter *Ns Ref: VAL/CLI/IGD-LettIntegrativaIncarico-141031-01-mcl* dated 3 November 2014, the successive extension letter for 9 Properties *Ns Ref: VAL/CLI/IGD-Estensione2016-ConfIncarico-160502-02-ep.docx* dated 5 May 2016 and for the new perimeter the confirmation letter *Ns Ref: VAL/CLI/IGD-Portfolio2016-ConfIncarico-160502-02-ep.docx* dated 5 May 2016, together with a copy of the confirmation fax signed by you, are enclosed to this report under Attachment II.

## 1.7 THIRD PARTY LIABILITY

The valuation has been carried out on behalf of Gruppo IGD and no responsibility is accepted to any third party in respect of its contents.

IGD-GRUPPOIGDNOSVILUPPI-VALCERTPERBILANCIO-160630-03-ENG

### 1.8 VALUERS

This valuation has been undertaken by the team of professionals of Cushman & Wakefield Valuation & Advisory and reviewed by Francesca Prandi MRICS and Mariacristina Laria MRICS and Joachim Sandberg FRICS.

## 2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

This valuation report and its contents are subject to the general Assumptions contained in our 'General Valuation Principles and Principal Terms and Conditions of Appointment as Valuers' attached.

This valuation is not subject to any Special Assumptions.

## 3. DATE OF VALUATION

The date of valuation is 30 June 2016.

## 4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment 1 of *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the current valuation dated 30 June 2016.

We inspected the Properties as stated in the relevant Full Property Reports. Our comments on the state of repair are limited to the state of maintenance which is visible from a cursory visit and they are not intended to be technical due diligence.

In particular, we did not have access to non public areas and the roof which are assumed in good state of repair.

We have not measured the Properties nor carried out check-measurements but have relied on the GLAs that have been supplied to us. We assume that these have been calculated on an appropriate basis.

## 5. INFORMATION SUPPLIED

The Valuations were prepared on the basis of information that has been supplied to us by Gruppo IGD, which we have assumed to be complete and correct for our purposes.

Details on the information supplied for each Property is provided within the Full Property Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA*.

We have relied on the information supplied to us as being complete, updated and correct as we have not been instructed to carry out any due diligence activity.

## 6. GENERAL PRINCIPLES

Our valuations and their contents are subject to the general Assumptions contained in our 'General Valuation Principles' enclosed in the body of this report and to the terms stated in our proposal. We report below the main terms.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA*, our valuations assume the Properties are effectively freehold. We have assumed that the Properties have a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances.

Should the lease contracts contemplate a pre-emption right in favor of the tenant, our valuations are based on the assumption that this right does not have any impact on our estimate of the Market Value of the Property.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA*, our valuations are on the basis that the Properties have been erected in accordance with a valid planning permission and are being occupied and used without any contravention.

According to our proposal, we have not investigated the presence of harmful or hazardous substances in the Properties. In the absence of information to the contrary, we based our valuations on the assumption that there are no such substances and that each Property has been properly built.

According to our proposal, we have not carried out technical surveys of the Properties nor verified the maintenance conditions of plants and machinery. In any case, our valuations take into consideration the information supplied to us and any defect which we have noted during our cursory visits to the Properties. However, our valuations are on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuations.

Should you be aware of any information contrary to the content of the subject paragraph, we recommend that this is referred back to us to enable us to amend our valuation accordingly.

## 7. VALUATION METHODOLOGY

In the following paragraph we provide a brief description of the methodology used to arrive at the Market Value of the Properties. For further details, please refer to the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA*.

### 7.1 DCF ANALYSIS (DISCOUNTED CASH FLOW ANALYSIS)

This methodology takes into account the income generated by the lease contract/s in place for the Property, the annual costs to be borne by the Landlord (e.g. management fees, IMU property tax, insurance costs), the expenses relating to the extraordinary maintenance, the void period before the re-letting of the asset at market rental levels and the sale of the asset once it will be fully let at market rent. The assumed holding period is 10 years. The exit value of the Property is obtained capitalizing the net income of the year following the last year of the cash flow at a net yield that takes into account the specific features of the asset in the market (location, material characteristics, state of repair and letting status). The exit value is then reduced by the sales costs. The net cash flows are discounted using an appropriate discount rate which reflects the specific risk relating to the specific real estate investment and takes into considerations all the variables that have been assumed in the cash flow. The algebraic sum of the discounted cash flows represents the gross value of the Property from which, once deducted the purchaser's costs, we obtain the Market Value.

We wish to point out that there are no comparables of Discount Rates (especially considering that the choice of the discount rate to be applied depends on further factors which are not available, as data relating to investment transactions). Once we have estimated Market Value on the basis of the DCF method, the result is compared to the rent to check whether the initial yield would be consistent with those expectations of return that investors require for similar type of investments. Therefore, to support the result of our valuations, we use the Direct Capitalization methodology.

## 8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio (excluding buildable land and development project) and spilt as per your request, as at 30 June 2016, may fairly be estimated as:

**€419,050,000**

**(Four hundred nineteen million fifty thousand Euros)**

The Properties have been valued on an individual basis. The sum of the Market Values of the single Properties does not represent the Market Value of the portfolio in its entirety.

More details are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-160630-01-ITA.*

As per your request we report the Value gross of purchaser's costs, which is equal to €425,561,222.

Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. It is not clear to what extent other EU markets will be affected by this decision and we will be monitoring the markets closely. We recommend that the valuation(s) is kept under regular review.

## 9. CONFIDENTIALITY

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the whole or any part of its contents.

## 10. DISCLOSURE AND PUBLICATION

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

**FOR AND ON BEHALF OF CUSHMAN & WAKEFIELD LLP**

**JOACHIM SANDBERG FRICS**
**Partner**

**MARIACRISTINA LARIA MRICS**
**Partner**

**FRANCESCA PRANDI MRICS**
**Partner**

Attachments that form part of this report:

ATTACHMENT I GENERAL VALUATION PRINCIPLES AND PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

ATTACHMENT II INSTRUCTION LETTER, ADDENDUM AND CONFIRMATION FAX

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Centro Direzionale Colleoni
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Fax +39 039 6058427

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Capitale Sociale € 1.000.000,00 i.v
R.E.A. Milano 1047058.
C.F. / Reg. Imprese / P. IVA 0588166015
italy@reag-aa.com

Agrate Brianza, 28 July 2016
Ref. n° 20454-20455-20456-20460

Messrs
**GRUPPO IGD S.p.A.**
**Immobiliare Grande Distribuzione**
Via Trattati Comunitari Europei 1957-2007, n. 13
40127 Bologna

*To the kind attention of Mr Roberto Zoia*

**Subject:** **Determination of the Market Value as of June 30th 2016 of a real estate portfolio consisting of of n. 10 real estate assts intended for commercial use and located on the italian territory and n. 6 real estate assets located on the romanian territory, indicated as owned by GRUPPO IGD S.p.A.**

Dear sirs,
in compliance with Your request, REAG – Real Estate Advisory Group carried out the valuation of a real estate portfolio, indicated as owned by GRUPPO IGD S.p.A. (hereinafter the Client), in oder to determine the market value as of June 30th 2016.

The appraisal has been completed on the basis of the following assumptions:

- sale of the real estate complex as a whole (not piecemeal), in the rental situation at the date of the appraisal.

## Definitions

In this report, the following listed words have to refer to their proper definitions, except for the different cases mentioned on the report itself. For the definition of all other technical and/or legal terms contained in this report, please refer to the Italian Civil Code and related laws, or to the commonly used meaning.

**"Real Estate Portfolio"** (hereinafter **"Portfolio"**) represents the ensemble of assets subject to appraisal: land, buildings, building systems and land improvements. Personal Properties and intangible assets were excluded from the appraisal.

**"Real Estate Property"** (hereinafter **"Property"**) represents the asset subject to appraisal: land, buildings, building systems and land improvements. Personal Properties and intangible assets were excluded from the appraisal.

**"Valuation"** is defined by the Royal Institution of Chartered Surveyors ("RICS") as: a member's opinion of the value of a specified interest or interest in a property, at the date of valuation, given in writing. Unless limitations are agreed in the Terms of Engagement this will be provided after an inspection, and any further investigations and enquiries that are appropriate, having regard to the nature of the property and the purpose of the valuation.

**"Market Value" (MV)** is "(…) the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". (Valuation Standard RICS, January 2014).

**"Market Rent" (MR)** is " (…) the estimated amount for which a property, or space within a Property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". (Valuation Standard RICS, January 2014).

## Valuation criteria

Valuations Asset by Asset of the entire portfolio have been carried out considering the conditions set out in drafts of leases and rent of business unit and individual "rent roll" provided by the Ownership, reflecting the rental situation as of June 2016.

For the valuation of the shopping centers having both the part called "Hyper" and the part called "Mall", REAG, as agreed with the client, proceeded to the virtual separation of the properties into two separate entities, Hyper and Mall, making two separate assessments, assumptions and specific valuation criteria.

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During the appraisal, REAG followed generally accepted valuation concepts and methods, applying in particular the following valuation methods.

- **Market/Sales Comparison Approach:** is predicated on actual sales transaction data. Sales are adjusted for comparability including time, location, size, condition, utility and intangible benefits.

- **Income Capitalization Approach:** takes two different methodological approaches into consideration:
  - ✓ <u>Direct Capitalisation</u>: based on capitalisation of future net incomes generated by the property at a rate deduced from the real estate market;
  - ✓ <u>Discounted Cash Flow Method (DCF)</u> based:
    - ❖ on the calculation of future net incomes derived from Property renting for a period of "n." years;
    - ❖ on the determination of the Market Value of the property by means of the capitalisation in perpetuity of the net income at the end of this period;
    - ❖ on the discounted back net incomes (cash flow) as of the evaluation date.

REAG moreover:

- Carried out during June 2016 site inspections on the Properties of Afragola, Forlì, Sesto San Giovanni, Isola d'Asti, Mondovì, Ravenna, Chioggia, located in Italy, and on the Properties of Alexandria, Ploiesti, Slatina, Ramnicu Valcea, located in Romania, to find out all the information (building qualities, preservation condition, etc,) necessary to elaborate the appraisals themselves, in addition to the information given by Client; no site inspections were carried on the other properties, REAG based the appraisals on the informations already known.

- Carried out an analysis of the conditions of the local real estate market, took the economic data detected therein into consideration and adapted it to the specific features of the Properties through appropriate statistical work-ups;

- Determined the building area on the basis of the documents supplied by the Client;

- Considered the draft of the "model" lease agreement, the individual amounts of the fees as indicated in the "rent-roll" and the related clauses (duration, insurance costs, maintenance costs, etc) provided by the Client;

- Determined the value of the Property on the assumption of its highest and best use, that is to say, considering among all legally permitted and financially feasible technical uses, only those that can potentially confer the maximum value to each Property;

- Carried out an analysis of the catchment area of the property of Sesto San Giovanni and Afragola;

- Considered the rental sistuation at the date of the appraisal and indicated by the Client.

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## Report content

This work, including the final report on the conclusions reached by REAG, comprises:

– a letter of general introduction to the work, identifying the Property appraised, describing the nature and extent of the investigation, presenting and certifying the conclusion reached;
– assumptions and limiting conditions;
– general service conditions

## Conclusions

The conclusions out coming from the analysis have been reached by REAG on the basis of the results obtained at the end of all the following activities:

- Site inspections on the Properties;
- Collection, selection, analysis and valuation of the data and documents concerning the Property;
- Performance of proper market researches;
- Technical-financial elaborations;

besides on the basis of the methods and valuation criteria above described.

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Real Estate Advisory Group

Given the above considerations

It is our opinion that, as of June 30th, 2016, the **Market Value** of the subject Properties can reasonably be expressed as follows:

| | ITALIA | | | | |
|---|---|---|---|---|---|
| | CITTA' | PROV. | IMMOBILE | TIPOLOGIA CC | TIPOLOGIA IMMOBILE |
| 1 | AFRAGOLA | RN | C.C. LE PORTE DI NAPOLI | IPER + AREA FITNESS + AREA INGROSSO | IPER |
| | | | | | GALLERIA |
| 2 | FERRARA | FE | C.C. LA DARSENA | GALLERIA | GALLERIA |
| 3 | S.S.GIOVANNI | RA | C.C. SARCA | GALLERIA +IPER | GALLERIA |
| 4 | RAVENNA | RA | VIA AQUILEIA | SUPERMERCATO + NEGOZIO | SUPERMERCATO |
| | | | | | NEGOZIO |
| 5 | MONDOVI' | CN | C.C. MONDOVICINO | GALLERIA + RETAIL PARK | GALLERIA |
| | | | | | RETAIL PARK |
| 6 | ISOLA D'ASTI | AT | C.C. I BRICCHI | GALLERIA | GALLERIA |
| 7 | ROMA | RM | C.C. CASILINO | GALLERIA +IPER | GALLERIA |
| | | | | | IPER |
| 8 | GRAVINA DI CATANIA | CT | CC KATANE' | GALLERIA +IPER | GALLERIA |
| | | | | | IPER |
| 9 | CHIOGGIA | VE | CLODI RETAIL PARK | RETAIL PARK + IPER | RETAIL PARK |
| | | | | | IPER |
| 10 | FORLI' | FC | C.C. PUNTA DI FERRO | GALLERIA | GALLERIA |

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| ROMANIA | | | |
|---|---|---|---|
| | CITTA' | IMMOBILE | TIPOLOGIA |
| 1 | ALEXANDRIA | S.C. CRINUL NOU | DEPARTMENT STORE |
| 2 | PLOIESTI | S.C. BIG | DEPARTMENT STORE |
| 3 | PLOIESTI | S.C. GRAND CENTER + OMNIA | SHOPPING CENTRE |
| 4 | PLOIESTI | S.C. JUNIOR | MIXED OFFICE / RETAIL BUILDING |
| 5 | RAMNICU VALCEA | S.C. COZIA | DEPARTMENT STORE |
| 6 | SLATINA | S.C. OLTUL | DEPARTMENT STORE |

**Euro 731.200.000,00**

**(Euro Seven hundred thirty one million two hundred thousand/00)**

*The present valuation does not take into consideration possible effects derived from Brexit, effects that could have an impact on European real estate markets in the near future. The geopolitical and economic situation created could actually influence the trend of the real estate market over the short-to-medium term, in a global scenario that remains uncertain. Under such circumstances, one cannot exclude that there may be even considerable variations in value within a short time span and that the price of some assets may shift from the potential Market Values expressed herein.*

**REAG – Real Estate Advisory Group S.p.A.**

Performed by:
Gianluca Molli
Project Manager

Supervised and coordinated by:
Savino Natalicchio
Director Retail Advisory & Val.Dept

Simone Spreafico
Managing Director Advisory & Valuation Dept.

REAG S.p.A. for GRUPPO IGD - Immobiliare Grande Distribuzione S.p.A. 8
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DNV-GL

Milan, July 27 2016

*IGD SiiQ S.p.A.*
Via Trattati Comunitari Europei 1957-2007, n.13
40127, Bologna
Italia

For the attention of: Mr. R. Zoia

*Subject: Valuation as at 30th June 2016 of a Retail Portfolio held by IGD SiiQ S.p.A. comprising three hypermarkets, one supermarket and two retail galleries*

Dear Mr. Zoia,

In accordance with the instruction dated 28th April 2016, we have performed the necessary analysis aiming to determine the Market Value and Market Rental Value (as defined in Section 2) of the properties identified in Section 1 of the present letter.

The present *Certificate Letter* summarizes the results of the valuation analysis, the general principles and the information provided to use, which are detailed in each individual valuation report prepared on behalf of *IGD SiiQ S.p.A.* of the properties detailed in Section 1. All introductory and explanatory provisions, limitations, valuation and special assumptions and specific information are set out in the each individual Valuation Report.

## 1 *Subject Properties*

The retail portfolio under-analysis consists of three hypermarkets, one supermarket and two SC mall galleries mainly located in the North and Centre of Italy. The main details of these assets are identified in the table below:

| Asset | Address | Use | GLA m² |
|---|---|---|---|
| Fonti Del Corallo | Via Graziani, 6 Loc. Porta a Terra (LI) | Hypermarket | 15,371 |
| Super Cecina | Via Pasubio, 33 Cecina (LI) | Supermarket | 5,749 |
| Centro d'Abruzzo | Via Po, San Giovanni Teatino (CH) | Hypermarket | 14,127 |
| Centro d'Abruzzo | Via Po, San Giovanni Teatino (CH) | Retail Gallery | 16,181 |
| Centro Leonardo | Viale Amendola, 129 Imola (BO) | Hypermarket | 15,862 |
| Gran Rondò | Via Giorgio La Pira, 12 Crema (CR) | Retail Gallery | 11,996 |

## 2 *Scope of the Valuation Analysis*

The scope of the valuation analysis is to provide you with our professional opinion of the following values as at market conditions available at the valuation date, 30th of June 2016:

- Market Value of each property in its current state of repairs and use, subject to the existing property/business lease agreements and with the benefit of vacant possession for the portions that are not income producing at the valuation date;
- Market Rent of each property in its current state of repairs and use as at the valuation date.

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As previously mentioned, the present Valuation Certificate reports the results of our analysis, the supplied information, which have been considered to be accurate and correct, and the general assumptions upon which our valuations have been based.

## 3 *Basis of the Valuation*

Our analyses are carried out in accordance with the principles, guidelines and definitions contained in the RICS Professional Standards Global – RICS Valuation Professional Standards January 2014 Edition incorporating the IVSC International Valuation Standards. The subject valuation is carried out in accordance with the following definition of Market Value and Market Rent settled by the International Valuation Standards Committee and referred to in the Red Book under section VPS4 paragraph No. 1.2. and 1.3:

*Market Value*

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

*Market Rent*

*"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

## 4 *General Principles*

The following are the general principles upon which our Valuations and Reports are prepared; they apply unless we have agreed otherwise and specifically mentioned any variations in the body of the subject individual reports. We would like to bring to your attention that in the subject report we refer to *IGD SiiQ S.p.A.* as the Client.

### 4.1 *Sources of Information*

As per our agreement, we have carried out our analysis on the basis of the documentation and data provided by the Client and/or its appointed representatives. For the purposes of this valuation, we have assumed that the information provided to us are accurate and correct.

For completeness of information we report below the list of the documentation provided to us by the Client for the purposes of this valuation:

- Tenancy Schedules;
- Turnover figures (net of VAT) of each retail unit divided per year and per months for the years of 2014, 2015 and for the first 3 months of 2016;
- Non recoverable Landlord costs;
- Summary schedule of all additional income;
- Turnover rent generated in 2015
- Cadastral Documentation (Cadastral Certificate "Visura" and/or extract from cadastral maps, etc);
- Asset summary identification schedules;

- Cadastral plans.

We would like to bring to your attention that we have assumed that we are entitled to use and to elaborate the information and details provided to us for the purposes of the subject valuation exercise and to report them in the subject valuation report[1].

### *4.2 Measurements and Areas*

For the purposes of this valuation, we have relied on the information provided by the Client and/or its appointed representatives.

### *4.3 Titles*

For the purposes of the subject valuation, we have not studied the details of the title deed, general or specific ground lease conditions, or other restrictions or rights of third parties, if not otherwise specified in the relevant sections of the subject report.

### *4.4 Town Planning and Other Statutory Regulations*

We have based our opinion on the cadastral documentation information provided in writing by the Client and/or its appointed representatives. We have in all cases assumed that the uses to which the land and future buildings are put are established for planning purposes, and that all necessary town-planning consents and byelaw approvals will have been obtained, and all other relevant statutory regulations complied with, if not otherwise specified in the relevant sections of the subject report.

### *4.5 Site Visit*

As per our agreement, we have carried out site inspections in several dates in late May and in the beginning of June. We completed the necessary analysis and inquiries in order to provide you with our professional opinion.

### *4.6 Structural Survey*

It is our opinion that the data and information collected/provided by us during the inspection of the subject property is appropriate for carrying out the subject valuation instruction. We bring to your attention that, in any case, our inspections aim at gaining a general understanding of the state of repair of the property and of their formal and functional qualities (with reference to the areas we have inspected) with a purely visual analysis. If you wish for certainty regarding the constructional and technical state of the object, we advise you to consult a technical consultant. Based on the above we report that any costs estimates present in the subject valuation report should be considered as indicative; if you wish for certainty in regarding the costs estimates, we advise you to consult a cost consultant.

### *4.7 Deleterious materials and Pollution*

We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example, high cement concrete, wood-wool as permanent shuttering, calcium chloride or asbestos). Our valuations are on the basis that no such materials or techniques have been used in the existing construction or will be used in the construction of the future buildings.

### *4.8 Environmental Contamination*

We do not carry out site surveys or environmental assessments, or investigate historical records to establish whether any land or premises are or have been contaminated. Unless we are specifically advised to the contrary, our valuations assume that the land site is not affected by environmental contamination.

[1] We have assumed that the Client has obtained the necessary authorisations and has provided the third parties involved with the appropriate written communications in compliance with Privacy Law regulations.

### 4.9 *Geotechnical Conditions*

We do not carry out site surveys related to goodness or nature of the valued areas. If you wish for certainty regarding the geological analysis of the subject area, we advise you to consult a specialized technical advisor.

### 4.10 *Disposal Costs and Liabilities*

No allowances are made for any expenses related to any taxes and impositions. For the purposes of this valuation, we have not taken into account the effect of the changes to VAT legislation, nor of the changes to the provisions on property transfer and registration charges, or of the introduction of legal measures intended to close loopholes in property-tax legislation. If you require certainty as to the possible considerable effects of changes in legislation on the value of the property, we advise you to contact your tax advisor.

### 4.11 *Confidentiality to Third party and Liabilities*

This report is exclusively intended for the Client's internal and accounting purposes. No responsibility whatsoever is accepted to any third party and, except as otherwise noted herein, neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

### 5 *Valuation Method*

We have analysed the subject property using an income based approach to value in form of the Discounted Cash Flow Method (DCF), The choice of methodology represents the likely basis of analysis to be used by a potential purchaser for this type of investment. The DCF method identifies the value of the asset by discounting the cash flows generated by the property in the holding period.

We have also based our analysis on a direct capitalisation model where the lease based incomes have been capitalised with an all risk yield in perpetuity. The choice of methodology represents the likely basis of analysis to be used by a potential purchaser for this type of investment. A ten year cash flow period has been adopted with the assumption that all payments are made monthly in advance whereas the terminal value at the end of the assumed ten year holding period is due annually in arrears. The Market Value was estimated on the basis of the analysis we conducted and the documentation provided.

### 6 *Valuation*

Please note that the sum of the Net Market Values of each subject property, listed in Section 1 ("Subject Properties"), is in the amount of € 215,857,000 , which corresponds to a total Gross Market Values of € 221,287,000.

Please note that the above reported Gross Market Value is inclusive of the associated acquisition costs.

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The subject report has been drawn up in good faith and at best of our knowledge on the basis of information made available to us and market conditions available at the valuation date.

Yours sincerely,

P. Marin

*Pierre Marin MRICS*
*CEO - Jones Lang LaSalle Spa*

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# 3. GLOSSARY

### AGENCY MANAGEMENT
Activities aimed at finding the most profitable tenant mix and negotiating leases for stores at malls.

### AVERAGE COST OF DEBT

Refers to the average cost, without taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt.
The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

### CORE BUSINESS FFO

FFO is calculated by subtracting non-cash items (writedowns, fair value adjustments, amortization, depreciation and other), as well as the impact of extraordinary transactions and income generated by property sales from pre-tax profit, net of current tax. It is the indicator that best represents the performance of the Group's core business.

### DEVELOPMENT PIPELINE
Program of investments in development.

### DIRECT COSTS
Costs directly attributable to the shopping centers.

### DIVIDEND YIELD
The dividend yield, or price/dividend ratio, is the company annual dividend payments made or announced divided by closing price of its ordinary shares at the end of the year.

### EBIT (Operating profit)

EBIT, or Earnings before Interest and Taxes, differs from EBITDA in that it includes information on amortization, depreciation, changes in the fair value of properties held and provisions for risk.

### EBITDA (including core business)
EBITDA, or Earnings Before Interest, Taxes, Depreciation & Amortization, is the most significant measure of a company's operating performance as it indicates earnings before interest payable, taxes, disposals, income/(loss) from equity investments, non-recurring transactions, amortization, depreciation, provisions, as well as impairment and fair value adjustments. Core business Ebitda refers to the core business included in the consolidated income statement which does not include the results posted by the "Porta a Mare Project".

### EBITDA MARGIN (including core business)

This indicator is calculated by dividing Ebitda by operating income.

### EPRA
European Public Real Estate Association.

### EPS / EARNINGS PER SHARE
Net profit divided by the average number of shares outstanding in the year.

## ESTIMATED RENTAL VALUE / ERV

The estimated value at market rates for rentable space, according to an independent appraisal based on similar properties in comparable areas.

## FACILITY MANAGEMENT

Supply of specialized services to shopping centers such as security, clearing and routine maintenance.

## FINANCIAL OCCUPANCY

Calculated as the GLA rented at market rates and expressed as a percentage of the market value of the total GLA rented at market rates.

## GENERAL EXPENSES

Corporate costs not attributable to the individual shopping center.

## GEARING

The gearing ratio reflects the total debt to total equity ratio, including non-controlling interests, and net of the cash flow hedge reserve. It measures financial leverage which demonstrates the degree to which a company's operations are funded by owner's funds versus borrowings, and facilitates sector benchmark analysis.

## GROSS EXIT CAP RATE

The terminal value of the gross revenue (rents, temporary and variable) calculated as a percentage of the exit value.

## GROSS INITIAL YIELD

The gross initial yield of an investment is the annualized rental income used in the first year of the DCF model (Discounted Cash Flow) expressed as a percentage of the property's fair value.

## GLA / GROSS LEASABLE AREA

The total floor area designed for tenant occupance which includes outside walls.

## HEDGING

The total amount of mortgage loans hedged with interest rate swaps and bonds divided by the total amount of mortagage loans and bonds.

## HYPERMARKET

Property with a sales floor in excess of 2,500 sqm, used for the retail sales of food and non-food products.

## INITIAL YIELD

The annualized rental income from a property as a percentage of its valuation at the time of purchase.

## INTEREST COVER RATIO (ICR)

Measure of the number of times a company's operating profit covers the interest payable on debt. It is an indicator used to understand a company's solvency and ability to assume debt. It is calculated by dividing EBITDA by the net financial expense.

## INTEREST RATE SWAPS / IRS

Financial instrument whereby two parties agree to exchange a certain interest rate stream on a pre-established date. Using to convert floating rate debt into fixed rate debt.

## LIKE-FOR-LIKE PORTFOLIO

Real estate assets held in the portfolio for the entire year and the entire prior year.

## LIKE FOR LIKE REVENUES

Revenues from rental activities of the assets held in the portfolio for the entire year and the entire prior year. They are separately calculated for Italy and Romania portfolios and they exclude:

- Revenues from assets that have been acquired, sold or subject to remodeling and therefore they have not realized any income in the period;
- missing revenues from instrumental vacancy due to different reasons (ie works carried out to create new layouts);
- exceptional and one-off revenues which would make the comparison less reliable.

## LOAN TO VALUE (LTV)

Ratio between the amount borrowed and the market value of freehold properties.

## MALL / SHOPPING MALL

Property comprised of many stores plus the common spaces around which they are situated. Usually called a "galleria" in Italian.

## MIDSIZE STORE

A property with a sales floor area of 250 to 2,500 sqm used for the retail sales of non-food consumer goods.

## NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNNAV)

The equity pertaining to the Group, calculated based on EPRA indications which call for a few adjustments.
Certain items are excluded from the NAV calculation for lack of relevance in a business model with a long term view like the Group's. NNNAV provides more relevant information about the fair value of assets and liabilities. The NAV is adjusted to take into account the fair value of (i) hedges, (ii) debt and (iii) deferred taxes.
It represents the equity pertaining to the Group including in the calculation the fair value of the main assets and liabilities that are not included in the EPRA NAV, namely (i) hedges, (ii) debt and (iii) deferred taxes.

## NET DEBT

Net debt shows financial structure and is calculated by adding long-term debt, short-term debt and the current portion of long-term debt included in "Non-current and current financial liabilities (with third parties and related parties)", net of "Cash and cash equivalents", "Non-current financial assets" and "Financial receivables and other current financial assets (with third parties and related parties)".

## OCCUPANCY RATE

Gross let surface area as a percentage of properties' total surface area.

## OVER-RENTED

Space rented for an amount exceeding its ERV.

## PRE-LET

Lease signed by a tenant before development of the property has been completed.

## REAL ESTATE ASSETS

The Group's freehold properties.

## REAL ESTATE PORTFOLIO

The portfolio of freehold and leasehold properties rented out by the IGD Group.

## REIT

Real Estate Investment Trust. Comparable to a SIIQ in Italy.

RETAIL PARK

Group of three or more complexes with a combined area of more than 4,500 sqm  and shared parking.

REVERSIONARY POTENTIAL YIELD

The net annual rent that a property would generate if it were fully let at going market rates, as a percentage of the property's value.

SHOPPING CENTER

Real estate complex comprised of a hypermarket and a shopping mall, featuring common areas and services located in a covered area with heating and air conditioning.

SIIQ

Società di Investimento Immobiliare Quotata. Real estate investment model comparable to a REIT. SIIQ rules allow income tax exemptions for publicily held listed compagnie whose prevalent activity is the rental of properties and equivalent, provided they meet a series of earinings and balance sheet requirements.

STORE

Property for the retail sale of non-food consumer goods.

SUPERMARKET

A property with a sales floor of 250 to 2,500 sqm used for the retail sale of food and non-food products.

TENANT MIX

Set of store operators and brands found within a mall.

UNDER-RENTED

Space rented for an amount less than its ERV.

WACC / WEIGHTED AVERAGE COST OF CAPITAL

The weighted average cost of debt and all other sources of capital, used to calculated the expected return on investments.