ANNUAL REPORT AS AT 31 December 2005

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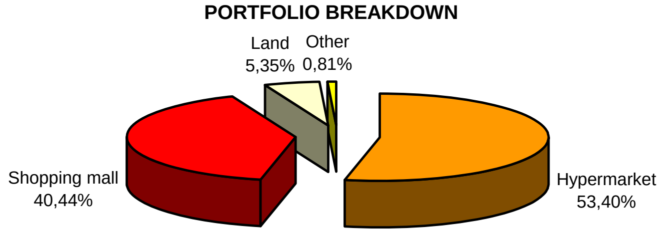
COMPANY OVERVIEW

PORTFOLIO

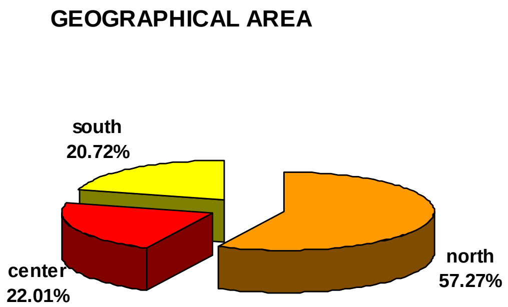
REAL ESTATE PORTFOLIO

Real estate assets belonging to IGD, inline with the Group strategy, are primarily comprised of retail properties whose market value as at 31 December 2005 was estimated at € 646.6 million by an independent expert, CB Richard Ellis.
The properties are:

- 7 shopping malls
- 14 hypermarkets and supermarkets
- 3 pieces of land
- other



exclusively located in Italy, primarily in the north.



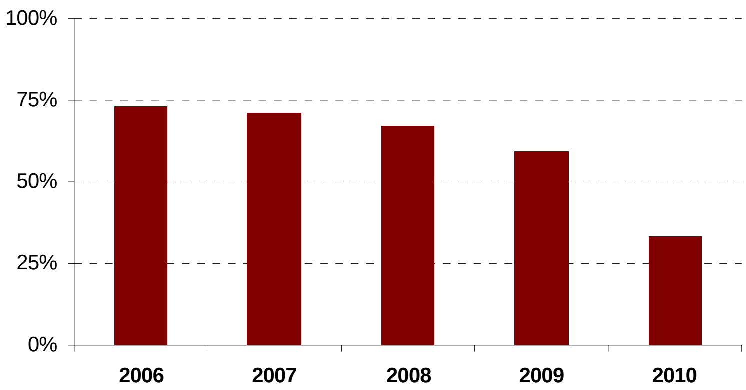
HYPERMARKETS AND SUPERMARKETS

Hypermarkets and supermarkets are the stable component of real estate assets, and are rented to Coop Adriatica and Unicoop Tirreno with long term contracts. Rents are indexed at 75% of the ISTAT index. All ordinary and extraordinary maintenance work to plants and the interior of the buildings is covered by the leaseholders.
The occupancy rate is equal to 100%, with an average yield of 6.8% calculated on the market value the properties, for the same properties during the previous year (excluding Rimini, whose revenue was only registered for 7 days in 2005, while the market value of hypermarkets are taken into account). The market value for this type of property, based on like properties, has increased by 4.59%.

The new **Rimini** hypermarket, with 2 medium sized outlets, was purchased in December 2005, and rented to Coop Adriatica with an 18 year lease contract. The rent guarantees a gross return of 7% for the IGD Group.

SHOPPING MALLS

Shopping malls are the dynamic component of the IGD portfolio. As at 31 December 2005, these had an occupancy rate of 99.6% and a yield, calculated for the same properties (without taking into account the Borgo investment subject to expansion in 2005) of 5.8%, calculated on market values as at December 31. Contracts with retailers – for the most part leases since IGD owns the administrative authorisations as well as the property –have a 5 years in length. This term allows for a renegotiation of contracts, generally with a significant upside, as well as changes to the merchandising mix which is adapted in order to “transform” the shopping centre so offers always conform to the functions of the centre (neighbourhood/services or attraction). A graph depicting contract maturity for owned malls, calculated on overall turnover in 2005, is found below:



During 2005, the market value of the malls grew by 6.23%.

LAND

IGD also owns 3 pieces of land on which shopping centres or extensions will be built. Works, which started during the first half of 2005, are currently underway on one of these to build a multilevel car park and an extension to the existing mall. This land is shown at cost in this financial statement. The land bordering the “Centro Leonardo” shopping centre – currently undergoing extension works on the existing mall (see above) – is entered in inventories for 90% since it is subject to a future sale which has already been contracted, and for 10% in assets under construction/acquisition as part of the multilevel car park will remain property of IGD.

OTHER

Small properties (stores-offices-buildings) close to shopping centre properties are listed under the “other” category. The 2 stores are rented. The first is found in the "Il Miralfiore” shopping mall in Pesaro and is leased to Robintur (company belonging to the Coop Adriatica Group), while the second is close to the supermarket in Ravenna Aquileia and is leased to a private retailer with a long term contract. The building, near the "Porto Grande" shopping mall, is on loan for use free of charge to a number of associations.

THIRD PARTY OWNED REAL ESTATE

Furthermore, the IGD Group owns corporate divisions in malls where it does not own the real estate. It stipulated rental contracts with the owners of these properties, and lets these spaces to individual tenants as corporate rent. This activity has interesting (divisional gross margin 12.5%), yet volatile margins compared to the management of malls owned by the Group.
This activity is not considered strategic by the Group. It is a model which cannot be replicated since, according to the Bersani Law (Law no. 114/98), licence and property ownership may no longer be separated. Therefore, the IGD Group will manage current contracts without further expanding this business area. The Group managed 7 third party owned malls and one hypermarket leased to Coop Adriatica in 2005. The occupancy rate, as at 31 December 2005, for these malls was 99.0%.

NAV

As at 31 December 2005, the Group's real estate assets were valued by an independent expert, CB Richard Ellis. The method used for all property was the *discount cash flow* method; for a 10 year period of future net income deriving from rentals. At the end of the 10 years, the hypothesis is made that the property is to be sold at a value obtained by capitalizing net income for the last year at the market rate for similar investments. Only properties listed under the others category, therefore offices and shops, have been valued using the *comparative method* based on comparing the good in question to other similar goods. For land, income deriving from future rentals or future sales once building works are finalised have been discounted. The lands are entered into the financial statements at book value in NAV calculations, taking potential capital gains generated by these properties into account. The malls in the Tyrrhenian area, and that one such us "Centro Borgo" are entered at head lease, which is lower than the market value since IGD had only purchased the relative corporate divisions at the end of December.

Figures are in million of euro.

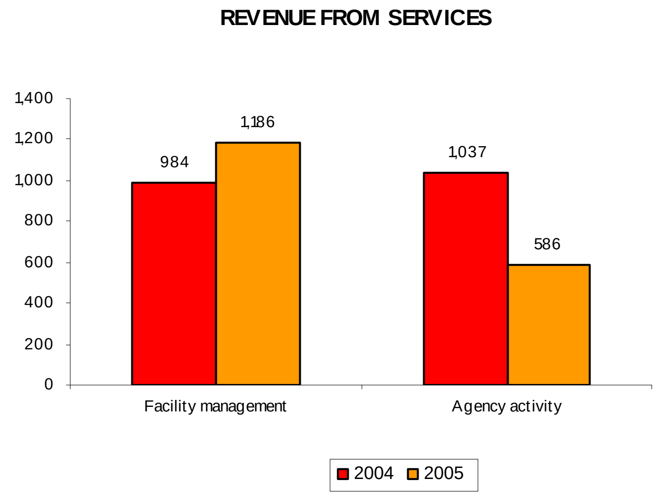
Net asset Value	31-dic-04	31-dic-05
Market value own real estate	568.32	646,60
Real estate investments and land	533.59	609.57
Implicit capital gain	**34.73**	**37.02**
Net equity	304.03	527.23
NAV	**338.76**	**564.26**
number of shares	177.25	282.25
NAV per share	**1.91**	**2.00**
tax rate	37.25%	37.25%
Net capital gain	**21.80**	**23.23**
NNAV	**360.56**	**550.47**
number of shares	177.25	282.25
NNAV per share	**2.03**	**1.95**

In the NAV calculation, potential capital gain refers to lands, registered in the financial statements at book value, and the difference between market value and head lease regarding the 4 malls whose licence was not held by IGD up until the end of December. NAV saw a 53% growth compared to December 2004, while NNAV increased by 50.2%. Please note that in the number of shares in 2005 went from 177,249,261 to 282,249,261 following the increase of share capital for the listing.
NAV, as calculated by us, is net of costs, since market values are already taken into account as diminishing elements in asset generated cash flows. Furthermore, please note that NAV calculated using this method is static, and does not take preliminary contracts signed in 2005 into account. These are entered in the financial statement as assets under construction/acquisition.

SERVICES

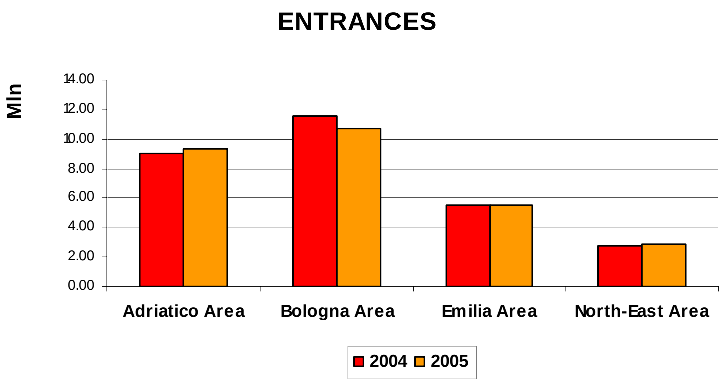
In 2005, the service business unit registered returns for € 1,772,033, equal to 3.36% of total consolidated Group returns. This activity can be broken-down into two sub-areas:

- Facility management
- Agency activity

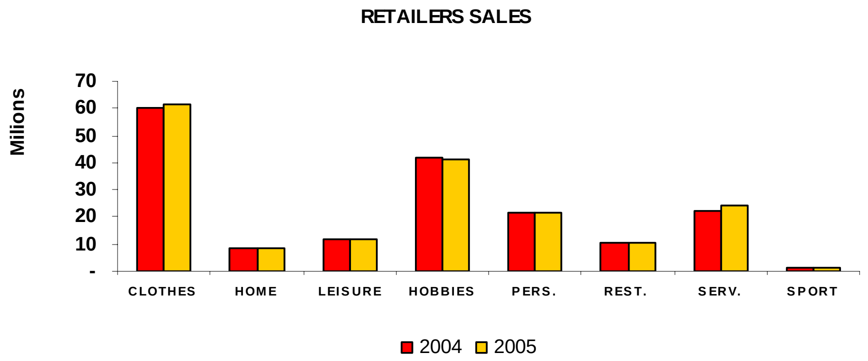


FACILITY

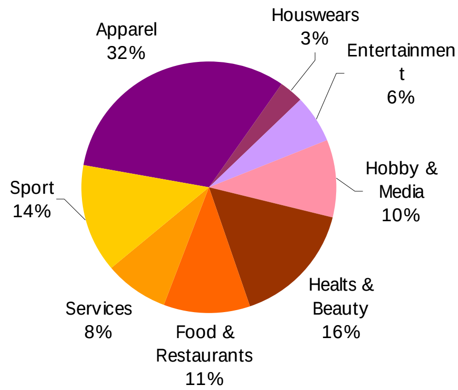
It consists in managing shopping centres (budget preparation and building expense forecasts), preparing and carrying out a marketing plan, and organising security, cleaning, and maintenance services. Although 2005 was a crisis year for consumption, our shopping centres saw a modest growth in entrances in almost all areas in Italy, except for the centres in the Bologna area where restructuring works are currently taking place, as can be seen in the table below:



Sales by individual retailers also saw a slight increase in 2005 in almost all sectors. This figure refers to the whole network of managed shopping centres.



This is why the merchandising mix did not vary substantially in 2005, since the weight of the various sectors compared to the functions that each single shopping centre carries out (neighbourhood-attraction) remained the same. Te table below illustrates the merchandising mix divided by sector based on m².



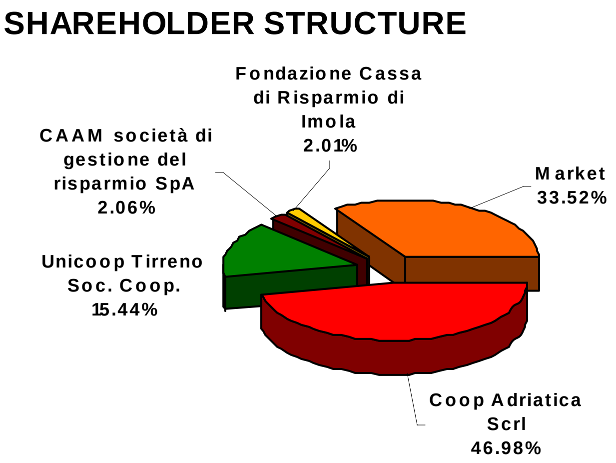
The figure for retailer average receipts in the shopping centres managed by Gescom in 2005 also shows an improvement compared to 2004 in almost all sectors.

AGENCY AND PILOTAGE

Agency activities are marketing and promotional activities for newly build centres, or those undergoing expansions. This activity is non-recurrent, and requires a number of months before it is completed. 3 third party owned malls (Rimini, Spoltore and Lugo) were sold with a margin of 44%. This margin takes costs - primarily personnel costs – faced by the Group for sales which will be concluded in 2006 (i.e. “Officine Minganti” shopping centre in Bologna). The vast majority of contracts for the “ESP” mall in Ravenna were also renegotiated.

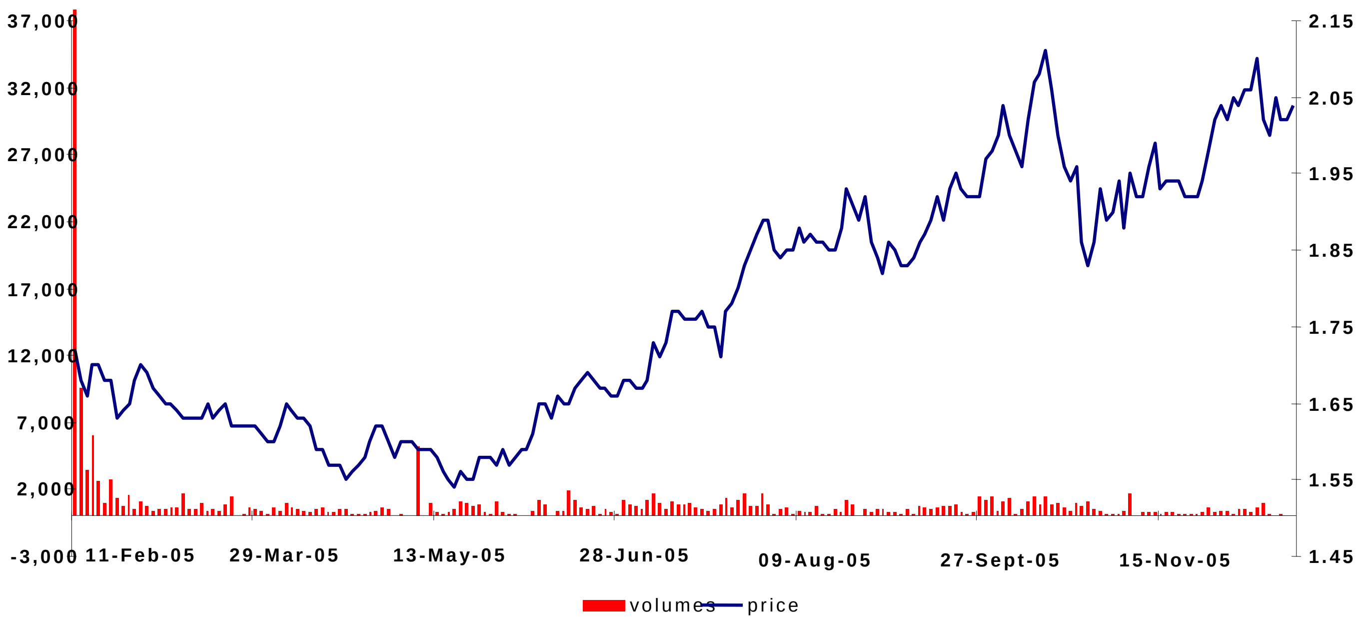
SHAREHOLDINGS

Following the IPO which took place in February, IGD shareholdings changed dramatically. In fact, Coop Adriatica decreased from 74,81% to 46.98%, and Unicoop Tirreno from 24.585% to 15.44%. As published on the Consob website, shareholdings as at 31 December 2005 were:



SHARES

IGD shares were placed with an € 1.45 sale price. Placement was a great success, so much that the opening price on the first day of listing was € 1.66. Performance has always been positive compared to the placement price. After the first period, which saw a slight decrease compared to the first price, the shares started on a positive trend, still currently taking place. In spite of the company's medium-sized capitalisation, daily trading volumes are rather interesting. The graph below might appear difficult to read, since traded volumes on the first day (approximately 38 million) skew the scale:



CBRE ASSESSMENT

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Milano, 28th March 2006

Igd
Immobiliare Grande Distribuzione S.p.A.
Via Villanova, 29/7
40055 – Villanova di Castenaso (BO)

CONTRATTO No. 3079

VALUATION CERTIFICATE OF PROPERTIES OWNED BY IGD S.P.A. AS AT 31/12/2005

INTRODUCTION

In accordance with your instructions, we have determined the following:
- Market Value of owned and currently operating Shopping Galleries;
- Market Value of owned and currently operating property portions used as hypermarkets;
- Market Value of owned currently operating property portions used as supermarkets;
- Market Value of owned property portions used as retail units and offices;
- Market Value of owned land lots.

We outlined herewith the criteria applied in the subject valuation, and the values as at 31st December 2005. Purpose of valuation: the subject property market values are required for company operations. According to the documentation provided in the present valuation we have taken into account the ongoing contracts with Igd holding companies and with Vignale immobiliare.

BASIS OF VALUATION

Market Value (MV) – the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:
- a willing seller;
- that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- that the state of the market, level of value and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest;
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

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:
Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (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's net income at a right market capitalisation rate relating to investments similar to that in question, deducting marketing expenses that are assumed to be 2,00% of the sale price.
Hypermarkets and Supermarkets:
Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (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, deducting marketing expenses that are assumed to be 2,00% of the sale price.

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Sede Secondaria: Via L. Bissolati 20, 00187 Roma Tel.: 06.45441550 Fax: 06.45441231
iscriz. reg. imprese presso c.c.i.a.a. n. 04319600153 - cod. fisc./partita i.v.a. 04319600153 cap. soc. € 500.000
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Property portions used as retail units or offices and the office building:
Comparable or Market method, based on a comparison between the property in question and other, similar properties recently disposed of or acquired on the same or competitive marketplaces
Income method, based on the present value of the future potential income to be generated by the property in question, calculated by capitalising this income stream at a market rate.
Income method:
The final value is the mean value of the figures calculated applying the above-mentioned criteria (market method and income method).

Land sites for new constructions or enlargement of the existing ones:
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 marketing expenses that are assumed to be 2,00% of the sale price and deducting costs required to the enlargement at valuation date.

Land site in Imola:
Transformation method, based on the discount, at the date of valuation, of the cash flows (deriving from rental incomes after completion of works) on the basis of the Agreement drawn up between the Property owner and the buyer, deducting marketing expenses that are assumed to be 2,00% of the sale price and deducting costs required to the enlargement at valuation date.

LIMITATIONS TO THIS VALUATION CERTIFICATE

This valuation certificate has been carried out according to the instructions received and on the basis of the building documentation provided by the owner or its representative. However, there are a number of limitations inherent to this certificate, which we should point out and which can be summarised as follows. No research has been carried out relating to the properties structural analyses, to the cadastral, mortgage or other situations or to their equipment and machineries. We have not verified the presence of asbestos or other any toxic substances and assume that none exist. Therefore we performed the valuation assuming that the subject properties are compliant with in-force urban planning regulations and with their existing use at the date of the valuation.

VALUATION

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 in the report, we are of the opinion that the current market value of the properties owned by IGD as at 31 December 2005 is:

Market value Euro 646.610.000,00
(Six hundred forty six million six hundred ten thousand Euro/00)

Yours sincerely

CB RICHARD ELLIS
PROFESSIONAL SERVICES S.p.A.

P. Angelo Castelnuovo
(President)

CB RICHARD ELLIS
PROFESSIONAL SERVICES

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Milan, 30th May 2006

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CONTRACT No. 3079

VALUATION CERTIFICATE OF PROPERTIES OWNED BY IGD S.P.A. AS AT 31/12/2005

INTRODUCTION

In accordance with your instructions, we have determined the following:

- Market Value of four Shopping Galleries owned by IGD Immobiliare Grande Distribuzione S.p.A. on the basis on the ongoing contracts drawn up with third parties (Head Leases);
- Market Value of three currently operating Shopping Galleries;
- Market Value of currently operating property portions used as hypermarkets;
- Market Value of owned property portions used as retail units and offices.

According to the documentation provided in the present valuation we have taken into account the ongoing contracts with Igd holding companies and with Vignale immobiliare.

BASIS OF VALUATION

Market Value (MV) – the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- a willing seller;
- that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
- that the state of the market, level of value and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- that no account is taken of any additional bid by a prospective purchaser with a special interest;
- that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

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:

Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (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's net income at a right market capitalisation rate relating to investments similar to that in question, deducting marketing expenses that are assumed to be 2,00% of the sale price.

Hypermarkets and Supermarkets:

Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (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, deducting marketing expenses that are assumed to be 2,00% of the sale price.

Property portions used as retail units or offices and the office building:
Comparable or Market method, based on a comparison between the property in question and other, similar properties recently disposed of or acquired on the same or competitive marketplaces

The Income method, based on the present value of the future potential income to be generated by the property in question, calculated by capitalising this income stream at a market rate.
Income method:

The final value is the mean value of the figures calculated applying the above-mentioned criteria (market method and income method).

LIMITATIONS TO THIS VALUATION CERTIFICATE

a) This valuation certificate has been carried out according to the instructions received and on the basis of the building documentation provided by the owner or its representative. However, there are a number of limitations inherent to this certificate, which we should point out and which can be summarised as follows. No research has been carried out relating to the properties structural analyses, to the cadastral, mortgage or other situations or to their equipment and machineries. We have not verified the presence of asbestos or other any toxic substances and assume that none exist. Therefore we performed the valuation assuming that the subject properties are compliant with in-force urban planning regulations and with their existing use at the date of the valuation.

VALUATION

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 in the report, we are of the opinion that the current market value of the properties owned by IGD as at 31 December 2005 is:

Market value Euro 603.110.000,00
(Six hundred three million one hundred ten thousand Euro/00)

Yours sincerely

CB RICHARD ELLIS
PROFESSIONAL SERVICES S.p.A.

P. Angelo Castelnuovo
(President)

CB RICHARD ELLIS
PROFESSIONAL SERVICES

CALL OF SHAREHOLDERS' MEETING

IGD: Immobiliare Grande Distribuzione

Call of Shareholders' Meeting

Shareholders are called to meeting with first call on 28 April 2006 at 9 o'clock in Ravenna, 48100, at Jolly Hotel, Piazza Mameli 1, and, if necessary, with second call on 29 April 2006, at the same time and place, to discuss and deliberate on the following agenda:

Ordinary Part

1. Financial statement for fiscal year ending 31.12.2005; Directors' report on operations; auditing company report; report by the Board of Auditors; consequent deliberations; presentation of consolidated financial statement as of 31.12.2005;
2. Appointment of Directors of the Board following determination of number and determination of compensation;
3. Appointment of Auditors, of the Chairman of the Board of Auditors and determination of compensation
4. Authorisation of purchase and sale of own shares.

Extraordinary Part

1. Examination and approval of the merger project for incorporation of the company Gescom s.r.l. into IGD S.p.A. and consequent deliberations.
2. Amendment of article 11.2 of Articles of Association (newspaper indicated for publication of notice of call).

In accordance with article 12 of the Articles of Association, all shareholders are entitled to address the meeting who have voting rights and who, a minimum of two days prior to the date when first call of the meeting is scheduled, have filed in company offices the certification provided for by article 34 of Consob Deliberation no. 11768 of 23 December 1998, which has been issued in accordance with regulations in force by an intermediary belonging to the Monte Titoli S.p.A. centralised management system. Shareholders may be represented in the meeting in accordance with legislation in force.
The draft financial statement for the period ending 31 December 2005, the consolidated financial statement as of 31 December 2005 and further documentation indicated at the relative point in the agenda shall be made available to the public in accordance and compliance with article 82, paragraph 2, letter b) of Consob Regulation No. 11971 of 14 May 1999 at company offices, Borsa Italiana S.p.A., and on the website www.gruppoigd.it no later than 31 March 2006. Further documentation provided for by article 2429, paragraph 3 of the Italian Civil Code shall be filed within legal limits in the same manner.
Documentation relating to further subjects under discussion, whether from the ordinary or the extraordinary part of the meeting, shall be made available to the public at company offices and Borsa Italiana S.p.A. within the limits set by legislation in force.
Let it be remembered that in accordance with article 16 of the Articles of Association, lists for the appointment of the Board of Directors and the Board of Auditors may be filed by shareholders in possession of shares equal to at least 1% of share capital with voting rights in ordinary meetings at company offices a minimum of 20 days before the date when first call is scheduled along with certification attesting the quantity of shares held.
As far as the Chairman of the Board of Auditors is concerned, article 148, paragraph 2 bis of Italian Legislative Decree no. 58/1998 as amended by Italian

Law no. 262/2005, states that the Chairman of the Board of Auditors shall be appointed by the shareholders' meeting from the auditors elected by the minority, or from regular auditors taken from minority lists. Articles 26.4 and 26.5 of the Articles of Association, which state that the Chair of the Board of Auditors is to be awarded to the first candidate on the list who has obtained the greatest number of votes, shall therefore not be applied.

Bologna, 29 March 2006

Chairman of the Board of Directors
Gilberto Coffari

IGD GROUP CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2005

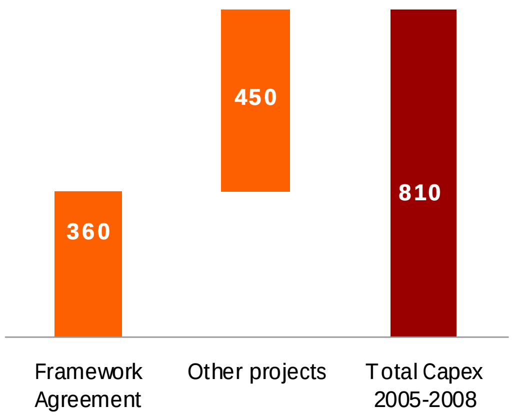
MANAGEMENT REPORT

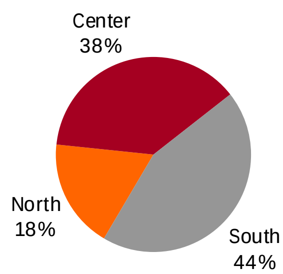
Dear Shareholders,
The aim of the following Directors' report is to unify the reports on the consolidated financial statement and the financial statement of the parent company Immobiliare Grande Distribuzione S.p.A., in order to avoid the repetitions that two separate documents would entail. The consolidated financial statement of Gruppo Immobiliare Grande Distribuzione S.p.A. (referred to as IGD S.p.A or IGD for the sake of brevity) as at 31.12.05, which this report and notes accompany, consolidates both the balance sheets and income statements of IGD S.p.A and Gescom S.r.l., controlled through a shareholding of 100% of share capital.

The IGD Group is one of the main players in the retail segment of the Italian property market. Its mission is to offer large-scale distributors a tool to manage and increase the value of real estate assets using a specialised structure.
The IGD Group is active in property management and leasing, with the aim of increasing the value of its real estate portfolio through the acquisition, construction, and leasing of commercial properties on the one hand, and on the other, through optimising the return on properties which are part of its real estate assets. Through its subsidiary Gescom, the IGD Group also supplies agency and facility management services in properties belonging to the Group as well as properties owned by third parties.

2005 was a particularly significant year for the IGD Group:

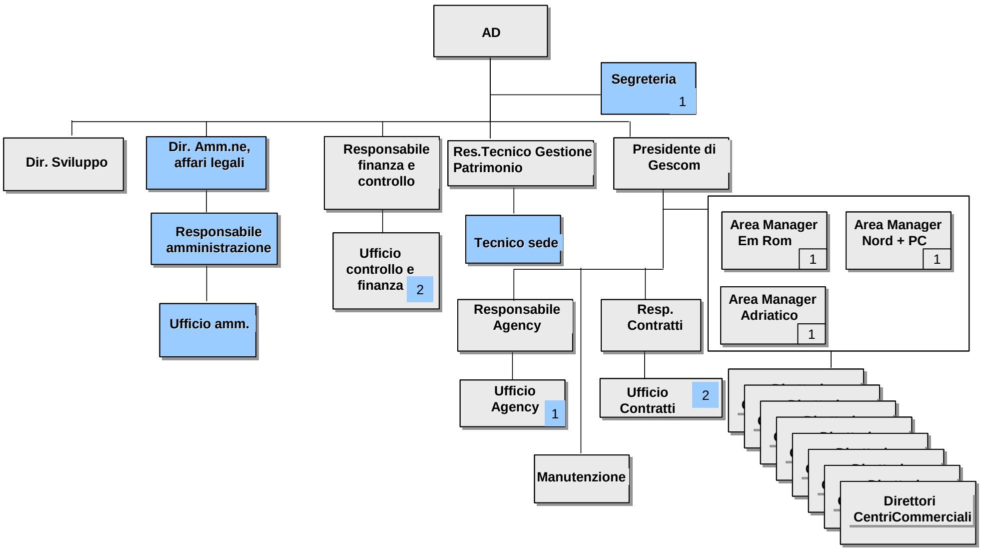
- **Corporate events and strategies**
  - ✓ **February** saw the completion of a project that led to listing of IGD shares on the electronic securities exchange (MTA) of Borsa Italiana S.p.A.. This project had significant strategic ramifications, in that it has permitted IGD S.p.A. to tap financial resources which will allow it to implement an important development programme – brilliantly started during 2005 – and has also bestowed a high degree of visibility on the Group both in Italy and abroad, allowing the optimization of the exclusive skills it has acquired in the shopping centre segment of the real estate market. The listing took place with the issue of 105 million new shares at a nominal value of € 1 each. The capital increase was entirely placed with a float of approximately 37%. The project had considerable success, demonstrating enormous appreciation for the company's equity story, business model and growth prospects. The shares were placed at € 1.45, half-way between the price range (€ 1.30-€ 1.55) specified by the placing banks (Banca Carboto, JP Morgan, Unipol Merchant). Demand from institutional and retail investors thoroughly covered the offer, even at maximum price. Demand was respectively equal to 9 and 5 times the offer. The day the stock debuted, its value increased by 18%.
  - ✓ In **August**, IGD S.p.A. shares were admitted to trading in the STAR division of the Italian Stock Exchange, which is reserved for companies with medium-sized capitalisation. This market division has high entry standards. An increased liquidity on stock was found after admittance.
  - ✓ The new 2005-2008 strategic plan was approved and presented to the financial community in October following the listing. The plan includes € 810 million in investments, both with affiliates – with which a framework agreement was signed in October 2004 – and real estate investors. In geographical terms, approximately 18% of investments shall be destined to areas in the north, approximately





38% in the centre, and the remaining 44% will be used to construct shopping centres in the south - area marked by the highest growth. The market penetration process for shopping centres in the south started in 2004 and continued in 2005. A high degree of development is expected in these areas. The regions with the highest GLA per 1000 inhabitants ratios are Lombardy and Emilia Romagna. The regions with the lowest ratios are Calabria and Basilicata. Density in the north is close to the European average (180m²), while that in the south is only 61 m², and therefore very far from what is found in other European countries. This leads us to believe that the biggest opportunities are found in central-southern Italy, in spite of the lower spending power.

- ✓ **Organisational structure:** A reorganisation of the organisational structure belonging to the Group was deemed necessary following



the listing. In 2005, 11 new resources became part the Group, a number of functions which were previously outsourced to the Parent company Coop Adriatica were also internalised. The implementation of the organisational structure will continue in 2006. As at 31 December 2005, the Group structure was comprised of 38 units, organised as follows *(new functions/resources during the course of the year in blue)*:

❑ The impact of taxes and accounting:

- ✓ **IAS**: Starting in June of 2005, interim accounts as well as this financial statement were prepared in accordance with International Financial Reporting Standards.
- ✓ **Tax reassessment:** IGD also decided to avail itself of the option in Law 266/2005, and reassessed plants and lands in existence as at 31 December 2004, for an overall total of € 170.92 million. With regards to this, the directors state that, following the increase in assets, net figures entered in the financial statements do not exceed the economic limit established by paragraph 2 of Art. 11, Law 342/2000.

❑ Sales

- ✓ **Leonardo:** a preliminary contract with *Eurocommercial Properties*, for works to be carried out by IGD in order to double the surface of the mall belonging to the Centro Leonardo shopping centre in Imola was signed in January. This contract includes the construction of a multi-level car park, and restructuring and extension works on the existing gallery for a total of 15,000 m² of GLA. Work has already begun and will come to an end in mid 2006, with the sale of the new structures to *Eurocommercial Properties* (which already owns the existing mall).

❑ Acquisitions, restructurings, and extensions:

In keeping with the strategic plan presented to the financial community in 2005, the following preliminary contracts/agreements were signed:

- ✓ **Mondovì:** in April 2005 a preliminary purchase agreement was signed for the mall and retail park connected to the Mondovicino shopping centre located in Mondovì, province of Cuneo, for a total GLA of approximately 18,000 m². Building works began during the first months of 2006, and are scheduled for completion at the end of 2007 or the beginning of 2008.

- ✓ **Guidonia:** a preliminary purchase contract was signed in May for a good sized shopping centre (approximately 53,000 m² GLA), which will be built on a heavily trafficked road in the Municipality of Guidonia, near Rome. Construction works will be completed at the end 2007/beginning 2008.
- ✓ **Conegliano:** a contract was signed to purchase a developed area in Conegliano in Veneto of 82,000 m². A medium sized shopping centre will be build there. The operation is conditional, based on the necessary authorisations and permits being obtained.
- ✓ **Palermo:** a preliminary contract to purchase a shopping mall which will be built in Palermo was singed in December. The mall is found within a shopping centre with 14,000 m² of GLA and will house the Ipercoop Sicilia hypermarket.
- ✓ **Rimini:** on December 23 a contract was signed with an affiliate to purchase a hypermarket, two medium sized outlets, an outlet area and a fitness area in the "I Malatesta" shopping centre in Rimini. The hypermarket, which is 19,398 m² in size, and the 2 medium-sized outlets, are leased to Coop Adriatica.
- ✓ **Borgo:** expansion works for the shopping mall Centro Borgo in Bologna came to a close. The expanded area is equal to approximately 2,500 m² of GLA.
- ✓ **Going concerns:** in accordance with the framework agreement dated December 2005, the contracts were signed to purchase the corporate divisions of the shopping malls in Livorno, Afragola, Casilino, and Bologna (Borgo). These contracts come into effect as of 1 January 2006.
- ✓ **Leonardo:** restructuring, expansion and building works continue on the multi-level car park at the Leonardo shopping centre in Imola subject to sale to Eurocommercial Properties (see ref. sales).

- ❑ **Services**
  - ✓ **Rimini:** Agency and pilotage activities regarding the "I Malatesta" shopping mall – which belongs to a third party – has come to an end. Gescom acts as facility manager for this same shopping mall.
  - ✓ **ESP:** The vast majority of contracts (23 out of 44) for the "ESP" mall in Ravenna have been renegotiated.
  - ✓ **Arca:** marketing of the "Arca" shopping centre in Spoltore (Pescara) – owned by a third party – was concluded. Gescom acts as facility manager for this shopping centre.
  - ✓ **Minganti:** marketing activities for the Minganti mall in Bologna continue following the closure of works. The opening is scheduled for the end of March 2006.

The results achieved in 2005 come as a confirmation that the Group has reached the long-term goals it set for itself, especially in terms of profitability and expansion, both in terms of managed assets and innovative areas of business such as services connected to the management of shopping centres.

The consolidated financial statements belonging to the IGD Group show a profit of € 81.67 million, with an increase of € 55.67 million with respect to 2004. This variation was due to an increase in revenues, the reassessment of real estate assets, the improvement of financial management following the change in the net financial position which benefited from resources deriving from the capital increase following the listing, and last but not least, because of the positive tax effect (please see the notes for more details).

REAL ESTATE MARKET

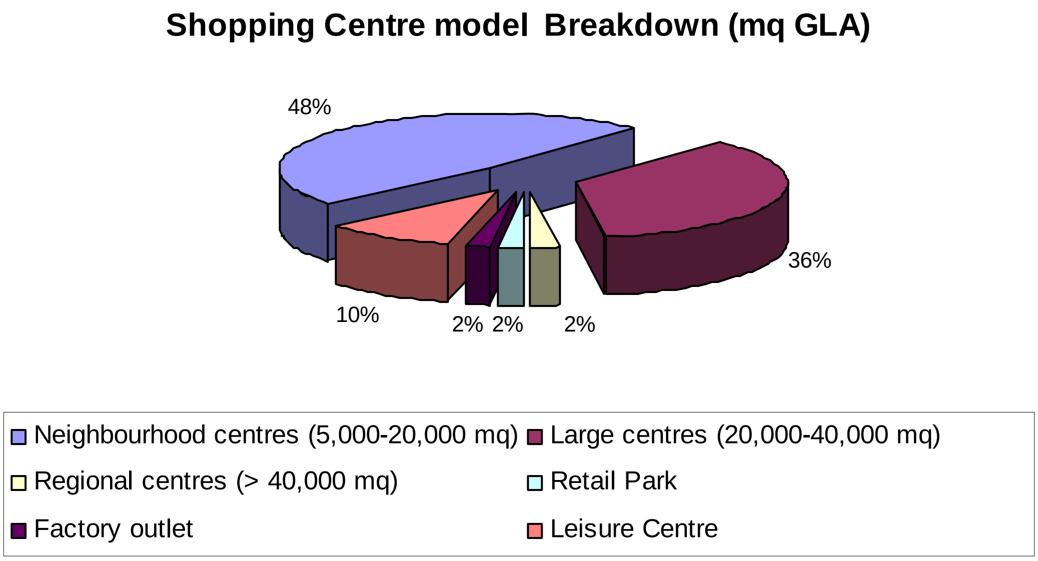
Regardless of the many rumours circulating on the “real estate bubble”, the European real estate market, and the Italian market in particular, continue to grow. 2005 came to a close on a cautiously optimistic state of affairs with significant growth rates for real estate values being confirmed, and with revenues falling slightly, but still above interest rates.
Another sign that the real estate market does not appear to be in decline is that the figure for sales volumes for both houses and other types of real estate appears to be growing, confirming the presence of continuous demand coupled with a lack of quality offers.

Number of transactions in 2005		**% difference 2005-2004**
Residential	835,353	3.90%
Tertiary, Retail, Productive, Logistics	215,753	3%
Total	**1,051,106**	**3.70%**

Within this general context, total returns in real estate investments registered significant returns in 2005, standing on average at 13%, and sometimes even reaching higher figures (14.7% for industrial warehouses and 15.6% for garages and parking spaces)[1].
Obviously, the economic situation, which has been marked by low interest rates, is the major factor behind this trend. In December 2005, a first increase in official discount rates by the ECB was registered, followed by a second increase in March 2006. These changes – indubitably important in terms of the long period of stability – are a sign of the ECB’s concern with inflation issues. These increases, however, were not unexpected since they were widely heralded by financial markets and were nevertheless in line with IRS curves, which contain the implicit expectation of a gradual increase in interest rates. At the same time, new monetary policy cannot but take into account the fact that the overall economic situation remains rather weak and that inflation, although just slightly above the ECB objective of 2%, is to be deemed to be under control.
Within this context and following the recent increases, interest rates remain in close to zero real terms, keeping spreads with real estate revenues interesting.
In line with this trend, 2005 also registered a strong growth in real estate financial operations, with a growth of 44% in signed real estate leases and 11.4% in terms of new loans issued[2].
Specifically, with reference to the shopping centre sector, a constant growth rate in terms of m² per 1,000 inhabitants was registered in Italy. Average figures in Italy for this indicator went from 136 in 2003 to 141 in 2005. The increase in this figure is due to the strong differences which persist compared to other European countries (European average 180) and specifically with countries such as France and the United Kingdom which register figures close to 250 m². The strong difference in Italy between north and the centre-south was also confirmed by the high number of investors interested in the market in southern Italy, and especially by the fact that 36% of new spaces for 2006 are to be found in the south (Calabria, Campania, Puglia and Sicily) which will probably continue to increase in the next few years.

[1] Source: Nomisma
[2] Source: Nomisma

In terms of forecasts, sector studies reveal a tendency for the growth trend in Italy in terms of GLA (gross leasable area) m² to remain constant, which has been a feature of the market over the past 10 years. This phenomenon does not just take place through new structures being build, but through the expansion of existing structures as well, in order to adapt older shopping centres to new investor and consumer market needs. An increase of GLA by approximately 2 million m² with 70 new structures being built[3] is foreseen for 2006 – each structure generally having more than 12,000 m² of GLA and therefore being more inline with the overall European context. In terms of openings, the vast majority have taken place in the north of Italy. However, taking average development times for a new shopping centre into account, the openings in 2006 are a result of projects conceived between 2002 and 2004. New openings will soon start taking place in southern Italy, given the number of new projects which will be implemented in the 2005-2006 two year period.
In terms of revenue, the continued difference between available capital and offered stocks generated a trend towards the reduction of revenues and therefore a significant reassessment in fair values for existing assets. As mentioned above, average returns nevertheless remain very interesting in Italy when compared to current trends in interest rates. Furthermore, please note that the difference between lease costs per m² for sales areas in Italy and in other European countries remains high, allowing for a recovery should the general economic cycle enter a positive phase.
2005 confirmed the increasing attractiveness of revenues in sectors complementary to Shopping Centres, such as Retail Parks, Factory Outlets, and Leisure Centres. These are, in fact, sectors which are still undergoing a start-up phase in Italy. Therefore, the increased risk and the decrease in the gap between supply and demand allow for revenues above those of ordinary shopping centres. For thoroughness of analysis, the current breakdown by centre type is as follows[4]:



REPORT ON OPERATIONS

IGD Group operating performances in 2005 and the period used for comparison have been calculated using the IAS/IFRS standards issued by the IASB and approved by the European Union, as required by art. 81 of CONSOB Issuers'

[3] Source: CBRE
[4] Source: CBRE

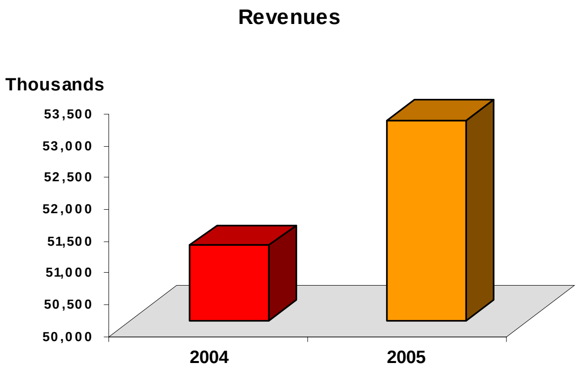
Regulation no. 11971 of 14 May 1999 and subsequent additions and amendments.

CONSOLIDATED INCOME STATEMENT

	2004	2005	□	%
Revenues	48,690,345	51,246,782	2,556,437	5.25%
Other revenues	2,497,880	1,917,771	-580,109	-23.22%
TOTAL REVENUES	**51,188,225**	**53,164,553**	**1,976,328**	**3.86%**
Purchase of external services and materials	15,288,858	25,154,575	9,865,717	64.53%
Personnel costs	1,236,023	1,870,786	634,763	51.36%
Other operative costs	2,297,316	2,411,153	113,837	4.96%
Variations in inventories	-266.862	-9,517,641	-9,250,779	3466.50%
EBITDA	**32,632,890**	**33,245,680**	**612,790**	**1.88%**
Amortisations	368,097	321,061	-47,036	-12.78%
Capital gains/capital losses from dismissal of non current assets	0	0	0	0.00%
Variazione Fair Value	16,439,556	33,429,418	16,989,862	103.35%
EBIT	**48,704,349**	**66,354,037**	**17,649,688**	**36.24%**
Financial activities:	**-6,280,081**	**-3,883,912**	**2,396,169**	**-38.16%**
Financial income	1,907,737	5,263,062	3,355,325	175.88%
Financial expenses	8,187,818	9,146,974	959,156	11.71%
PROFIT BEFORE TAX	**42,424,268**	**62,470,125**	**20,045,857**	**47.25%**
Income tax for the period	16,426,426	-19,195,722	-35,622,148	-216.86%
NET PROFIT	**25,997,842**	**81,665,847**	**55,668,005**	**214.13%**
Due to:				
Parent company profit for the period	25,765,307			
Profit for minority interest for the period	232,535			

Net result as at 31 December 2005, amounted to € 81.67 million, up by 214.13% compared to the same period of 2004.
A number of different factors have contributed to this result.

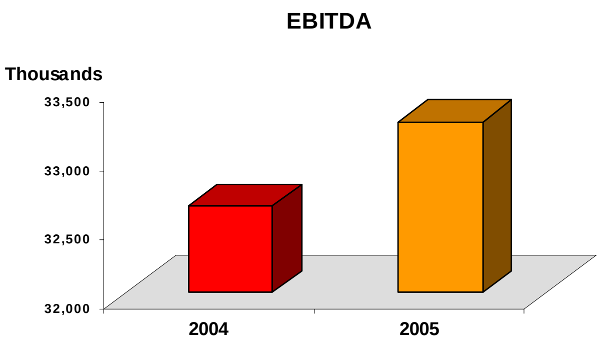
- **Revenues:** increased by 3.86%. The increase is primarily due to the Livorno property, which was entered into accounts for the entire year in 2005 as opposed to only 9 months in 2004.



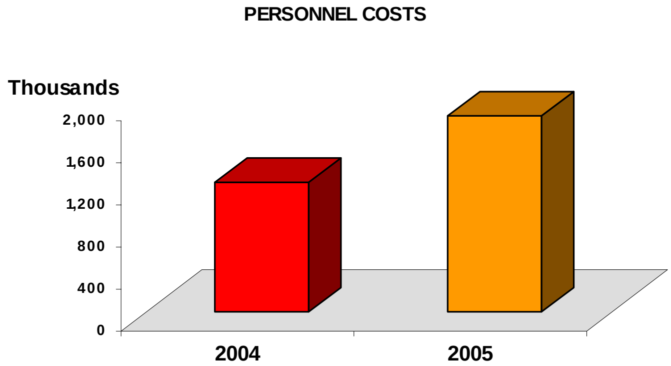
In 2005, capital gains from sales were not registered for properties nor for corporate divisions (compared to 2004, for approximately € 274,000). Nevertheless, total revenue registered an increase of approximately € 1.98 million.

- ✓ Revenues from leases increased by 5.33% for the whole network, with growth equal to 3.36% for like properties compared to the same period in the previous year. This is primarily due to:
  - An increase in rent for the Borgo hypermarket following the end of part of the works on the multi level car park.
  - An increase in rental fees for the ESP mall following the renegotiation, average increase of 23%.
  - An increase in rental fees for a number of retailers at the Centro Nova.
  - A decrease in the vacancy rate in the Città delle Stelle mall.
- ✓ In terms of revenue from services, these have diminished in 2005 because an entrance fee was entered into accounts in 2004. The reduction is in fact found in agency activity (-47.74%) – which is typically a one-off activity – and not in facility management which is marked by stable contracts (+17.02%).

❑ **EBITDA**:

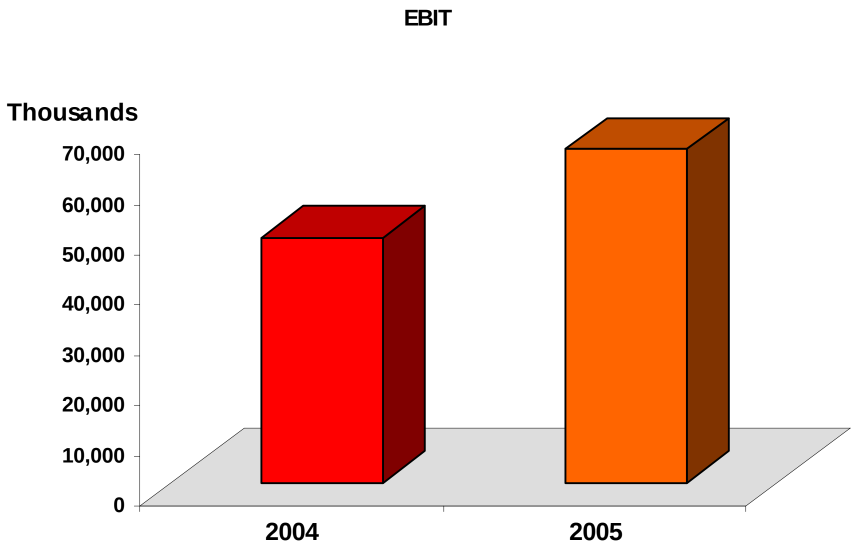


A smaller difference was seen at the EBITDA level, which nevertheless registered an increase of € 612,790, equal to 1.88%. In 2005, the IGD Group saw an increase in costs, coherent with new operations.

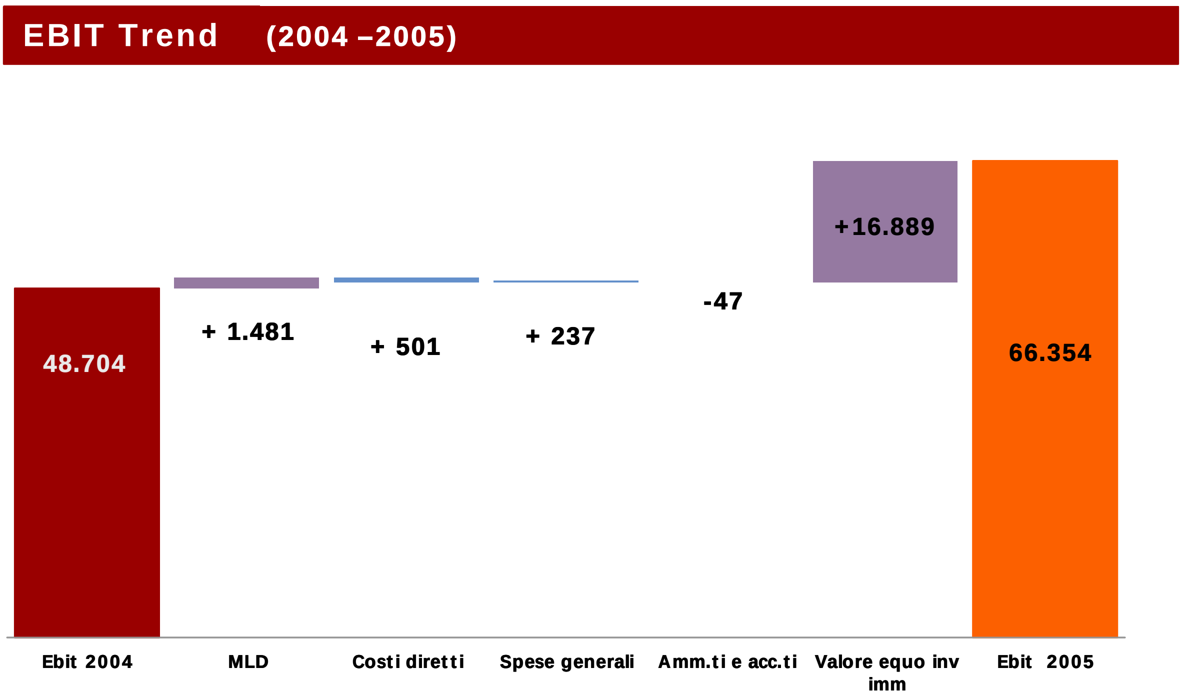


The greatest increase was registered in **staff costs**. In fact, in 2005, 11 new resources were entered to support the complex investment plan. Administrative functions, which had been in service with Coop Adriatica up until October, were internalised at the end of 2005.
The purchase of external materials and services are included in the building costs for the Centro Leonardo in Imola, and were compensated by the change in inventories. The allocation to the doubtful debt provision of € 335,898 (+31.95% compared to the previous year) was included in operating costs, thereby justifying the 4.96% increase. The **EBITDA MARGIN**, amounted to 62.53%, slightly down – the performance is justified by the nature of the business and by the type of real estate: An organisational structure begins operations 18-24 months before each new investment. This is when investment starts generating returns. In 2005-2006, the Group expects costs for future development.

❑ **EBIT:** showed an increase of € 17.65 million, equal to 36.24%.
This increase is generated by a growth in the value of the real estate portfolio, as calculated by the independent expert CB Richard Ellis. The difference in real estate fair values during 2005 was equal to € 33.43 million.

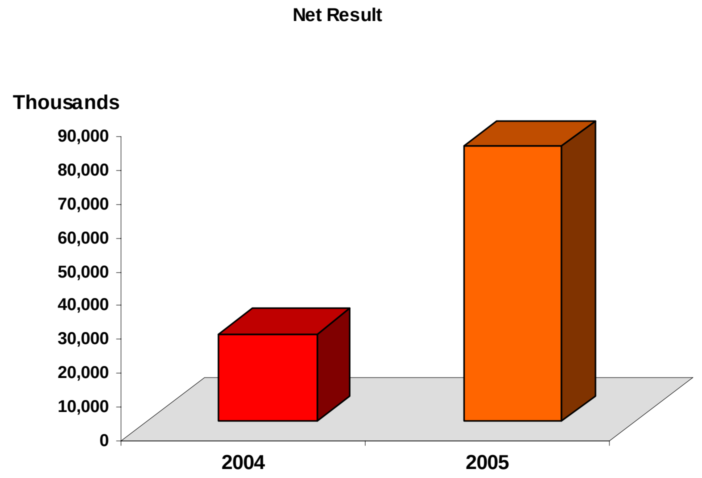


The EBIT difference between 2004 and 2005 is well represented by the underlying slide, please note that the figure:



- **Financial operations:** the negative balance of financial operations saw a significant improvement following a reduction of the net financial position due to the capital increase resulting from the listing. Financial operations went from a negative balance of € 6.28 million in 2004, to a negative balance of € 3.88 million. Income increased by € 3.35 million, while charges on the loan for the purchase of the “Le Fonti del Corallo” shopping centre which took place at the beginning of 2004 generated payable interest for all of 2005 with an increase in financial charges of € 0,96 million. The increase in negative interest rate swap differentials for total fixed cover as opposed to variable rates for the whole debt over the long term which took place in the first few months of 2005. Last but not least, the positive difference in the balance for financial management of -38.16% is due to an improvement in the Group’s treasury management.

- The **NET RESULT** as at 31 December 2005, amounted to € 81.67 million, up by 214.13% compared to € 55.67 million for the same period of 2004.

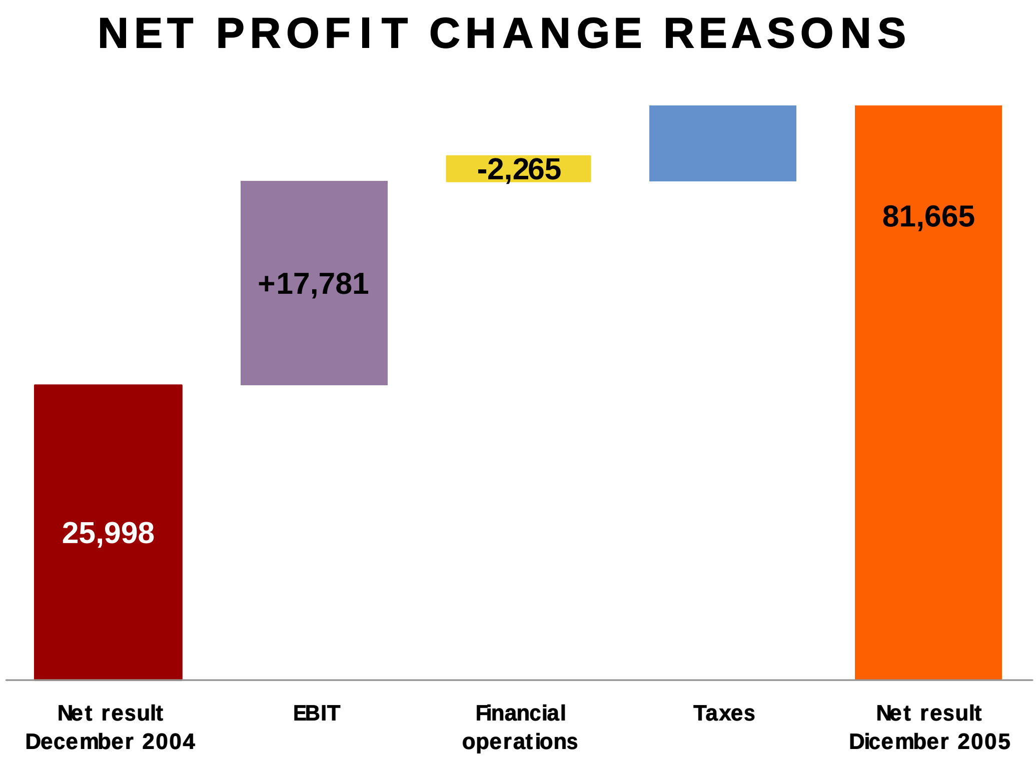


Income taxes for 2005 totalled -€ 19.19 million, the company having availed itself of tax benefits deriving from Law 266/2005, which are broken down as follows:

- ✓ Current taxes for € 22.93 million
- ✓ Deferred/pre-paid taxes for € -42.129 million

ANALYSIS OF THE BALANCE SHEET

The figures in the IGD Group balance sheet as at 31 December 2005, compared with figures as at 31 December 2004, can be summarised as follows:



SOURCES - OUTFLOW

	2004	2005	□	%
Fixed assets	546,090,414	664,371,380	118,280,966	21.66%
NWC	14,833,722	-1,724,715	-16,558,437	-111.63%
- Other long-term assets and liabilities	-65,195,138	-18,778,074	46,417,064	-71.20%
TOTAL OUTFLOW	**495,728,998**	**643,868,591**	**148,139,593**	**29.88%**
NET EQUITY	304,030,868	527,234,035	223,203,167	73.41%
NFP	191,698,130	116,634,556	-75,063,574	-39.16%
TOTAL SOURCES	**495,728,998**	**643,868,591**	**148,139,593**	**29.88%**

Primary differences may be summarised as follows:

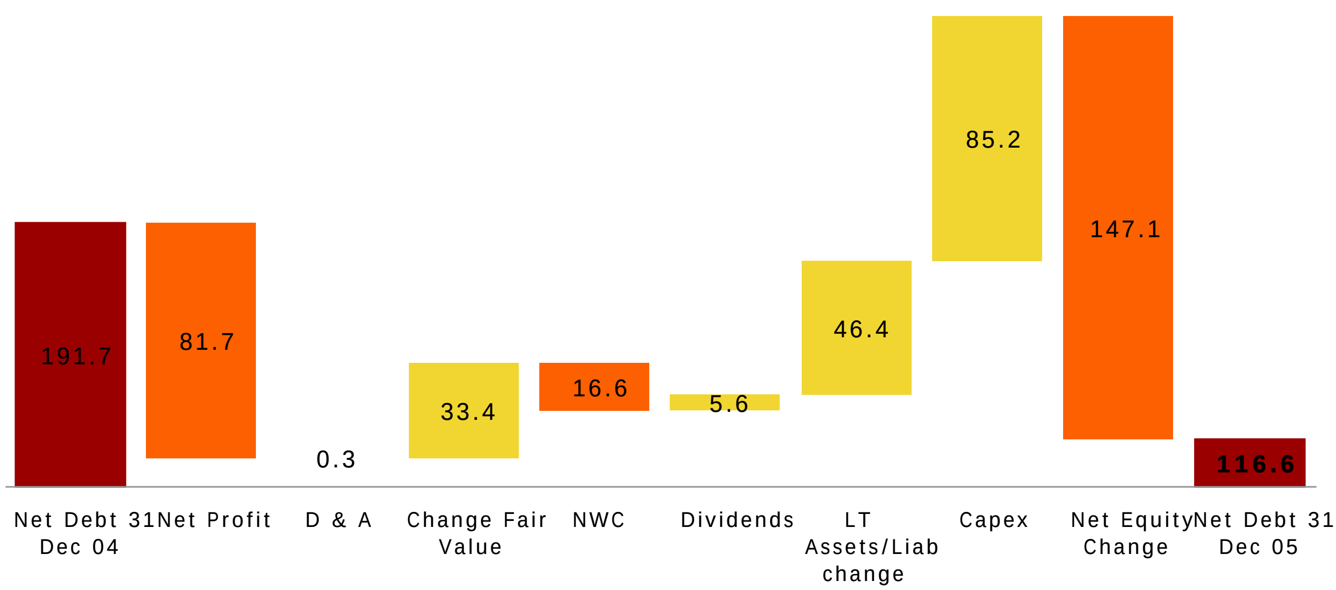
- **Fixed assets** went from € 546.09 million in 2004 to € 664.37 million in 2005. The € 118.28 million can be explained as follows:
  - ✓ real estate investments with an increase of € 73.77 million primarily due to 2 main factors:
    - an increase in fair value for the properties
    - The purchase of the hypermarket and the 2 medium-sized outlets in Rimini
  - ✓ Assets under construction/acquisition the € 44.72 million increase is due to:
    - advance payments for preliminary contracts singed in 2005
    - Investments as yet to be completed for existing assets
- **NWC:** the difference in net working capital was - € 16.56 million and was due to:
  - ✓ **Assets:** increased by € 16.12 million:
    - Inventories for the building works at Centro Leonardo saw an increase of € 9.54 million for the works, which will be concluded at the end of 2006.
    - The decrease in trade receivables was a significant € 5.02 million, primarily due to the payment of the VAT credit which the Group had to the parent company (for further details please se the notes).
    - The € 12.57 million increase in other current assets is also important, and is primarily due to VAT credits held and to the restricted deposit of an irrevocable proposal to purchase which will be formalized in January 2006 (please see the notes for further details).
  - ✓ **Liabilities:** increased by € 12.20 million:
    - Trade payables were subject to a positive variation of € 7.9 million since these were linked to building works such as those at Leonardo (currently taking place) and Borgo (came to an end in December); (please see the notes for further details).
    - Current tax liabilities increased by € 21.43 million due to the increase in taxes to be paid by IGD in 2006, for further details please see the notes.
    - The change in other current liabilities, which increased by € 3.33 million, is due to the down payment for the rental contract with Vignale Immobiliare which was paid back during the first days of 2006.
- **Other long-term assets and liabilities:** went from € 65.19 in 2004 to € 18.78 million in 2005. The € 46.42 million difference is due to:
  - ✓ **Assets:** the € 6.27 million difference:

  - in prepaid tax assets, the € 2.21 million increase is due to the tax calculation for IAS adjustments (for further details please see the notes).
  - Miscellaneous receivables for non current assets increased by € 4.06 million for the deposit for purchase of the shareholding of the company which owns the Mondovì mall currently being constructed. The retail park will be a real estate purchase, the relative advance payment is included in current tangible assets.

- ✓ **Liabilities:** the decrease in long term liabilities was of € 39.52 as is primarily due to:
  - deferred taxes calculated based on the fair value of the properties, please see the notes for further details.
  - Miscellaneous payables, whose difference is primarily due to the advance Eurocommercial payment for the purchase of the expansion of the Centro Leonardo mall.

- ❑ **Net equity** as at 31 December 2005 was equal to € 527.23 million. The difference – please see the notes for further detail - is primarily due to the increase in share capital, which took place in February 2005 following the listing.
- ❑ **NFP:** the noteworthy change in the net financial position which took place during 2005 – in fact, following the capital increase – of approximately € 145,92 million in new financial resources destined to the development programme were tapped by IGD. These have already been partly used for preliminary contracts during 2005.

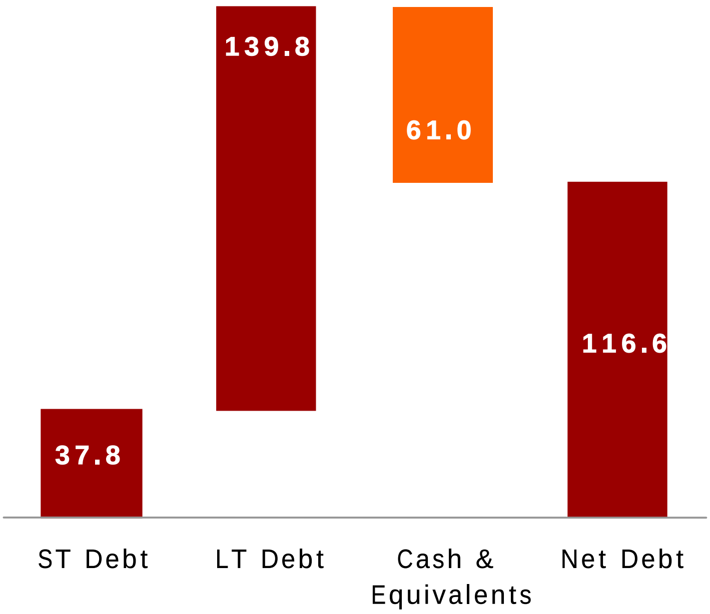
NFP CHANGES REASONS



Because of the combined effect of the new financial resources, and current loan repayment, the gearing ratio went from 0.63x in 2004 to 0.22x in 2005. The interest cover has also improved, going from 5.14x in 2004 to 8.16x in 2005. Financial expenses on the average net financial position went down from 3.96% in 2004 to 2.66% in 2005, which, net of the tax effect (FE*(i-t)/NFP average) is equal to 1.78%.

The following graph depicts the composition of the NFP as at 31 December 2005:

NFP AS AT DECEMBER 31ST 2005 (€/M)



Medium to long-term loans (including short-term loans and the cash flow hedge) amounted to € 139.9 million. These loans, granted at a floating rate, are entirely hedged by interest rate swaps intended to immunise the Company against the risk of future interest rate fluctuations. For more information, please refer to the Notes to the Financial Statements.

SEGMENT INFORMATION

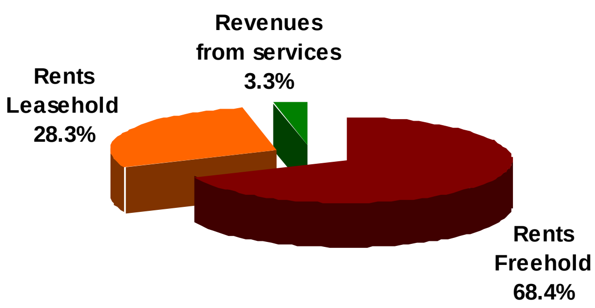
The IGD Group's activity can be divided into two strategic areas of business:

- Property leasing
- Services

INCOME STATEMENT	31-dic-05	31-dic-04	31-dic-05	31-dic-04	31-dic-05	31-dic-04
	RENTALS		SERVICES		TOTAL	
REVENUES	**51,392,519**	**49,166,707**	**1,772,034**	**2,021,518**	**53,164,553**	**51,188,225**
DIRECT COSTS	15,302,456	14,614,467	1,106,809	639,471	16,409,265	15,253,938
DIVISIONAL GROSS MARGIN	**36,090,063**	**34,552,240**	**665,225**	**1,382,047**	**36,755,288**	**35,934,287**
UNDIVIDED COSTS					3,509,608	3,301,397
EBITDA	**36,090,063**	**34,552,240**	**665,225**	**1,382,047**	**33,245,680**	**32,632,890**
REVALUATION AND DEPRECIATION	33,108,357	16,071,459			33,108,357	16,071,459
EBIT	**69,198,420**	**50,623,699**	**665,225**	**1,382,047**	**66,354,037**	**48,704,349**
NET PROFIT					**81,665,847**	**25,997,842**

Analysing each business area contribution, what can be noted is that revenues for services are equal to 3.4% of total revenues as depicted below. Property leases are comprised of two sub-areas, the first – and largest – being freeholds, while the second instead is leaseholds.

Revenues Breakdown



Property leases saw an increase of approximately 36.7%, due to the combined effect of the increase in revenues, and the positive difference in fair value for the properties.
Services saw a decrease of 51.9% as a result of fewer revenues, since a one-fee was cashed in for the rental of a large outlet in 2005, as well as because of the increase in costs – paid 18-24 months in advance with respect to revenues. One such example is agency activities which are carried out 12-18 months before a shopping mall is opened. In 2005, Gescom worked on a number of projects, a few of which will be finalized in 2006, while the rest will be concluded in 2007.

BALANCE SHEET	31-dic-05	31-dic-04	31-dic-05	31-dic-04	31-dic-05	31-dic-04	31-dic-05	31-dic-04
	RENTALS		SERVICES		UNDIVIDED		TOTAL	
NON CURRENT ASSETS	604,006,646	530,443,666	0	0	10,747,043	3,848,354	614,753,689	534,292,020
INVESTMENTS	57,458,899	12,740,358	0	0	0		57,458,899	12,740,358
NWC	19,439,565	15,193,270	475,548	501,092	-21,639,828	960,670	-1,724,715	16,655,032
- OTHER LONG TERM LIABILITIES	-26,527,196	-66,074,722	-92,086	-62,380	0		-26,619,282	-66,137,102
TOTAL OUTFLOW	**654,377,914**	**492,302,572**	**383,462**	**438,712**	**- 10,892,785**	**4,809,024**	**643,868,591**	**497,550,308**
NFP	129,780,049	184,374,772	-2,252,708	-473,380	-10,892,785	4,809,024	116,634,556	188,710,416
EQUITY	524,597,865	307,927,799	2,636,170	912,093			527,234,035	308,839,892
TOTAL SOURCES	**654,377,914**	**492,302,571**	**383,462**	**438,712**	**10,892,785**	**4,809,024**	**643,868,591**	**497,550,308**

An analysis of the balance sheet confirms the capital-intensive nature of rental activities compared to service activities. This characteristic makes profit margins for service activities even more attractive.

IGD ECONOMIC SITUATION

As of 31 December 2005, IGD S.p.A. profit stood at € 7.184 million. The components which lead to the results of 2005 are summarized in the synthetic summary of the income statement below:

	31.12.2005	31.12.2004
INCOME FROM SALES	36,820,357	34,996,637
Other income	123,794	134,719
VALUE OF PRODUCTION	**36,944,151**	**35,131,356**
Cost of outside services	3,253,956	3,313,944
Other operating costs	1,847,552	1,649,836
	5,101,508	4,963,780
ADDED VALUES	**31,842,643**	**30,167,576**
Personnel costs	726,296	193,664
GROSS OPERATING MARGIN	**31,116,347**	**29,973,912**
Total amortisation and depreciation	16,202,567	14,096,730
OPERATING PROFIT	**14,913,780**	**15,877,182**
Net financial expenses	(2,790,524)	(5,586,756)
PROFIT (LOSS) BEFORE EXTRAORDINARY COMPONENTS AND TAXES	**12,123,256**	**10,290,426**
Extraordinary costs	0	0
PROFIT (LOSS) BEFORE TAXES	**12,123,256**	**10,290,426**
Income taxes for the year	4,939,331	4,239,231
PROFIT (LOSS) FOR THE YEAR	**7,183,925**	**6,051,195**

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR

The purchase of the corporate divisions of the malls “Le Fonti del Corallo” (Livorno), “Casilino” (Rome), “Le Porte di Napoli" (Afragola), and “Centro Borgo” (Bologna) have become effective as at 1 January 2006. In this way, real estate holdings were combined with the ownership of local administrative authorisations. Still on January 1, Gescom started its facility management activities - managing the Livorno and Afragola shopping centres.

On 12 January 2006, a preliminary agreement was signed for the purchase of a shopping mall in Gravinia, Catania. The mall will have a surface of 14,919 m² of GLA and will house 57 medium sized shops and 6 medium outlets, as well as a 13,591 m² hypermarket belonging to Ipercoop Sicilia. Works will start in 2006, and in the completion is expected in 2008.

Agency activity for the “Miniganti” shopping centre – opened the 26 March – ended in March.

FORESEEABLE TREND IN OPERATIONS

The development plan presented to the financial community will continue to be pursued in 2006. Approximately € 210 million in investments were forecast for 2006. Of these, one was brought forward to 2005 - the purchase of a mall in Palermo for € 45 million – and one has already been signed – Catania – for € 53 million.

Development will continue both in terms of real estate investments, with many initiatives currently being analysed, and in terms of services.

INTRAGROUP TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES

All operations carried out with the parent company (Coop Adriatica S.c.r.l.) and with affiliates fall into the scope of ordinary Group operations, and take place at normal market conditions. Specifically, operations for the management of real estate assets (generally acquisitions or leases) which could potentially generate conflict of interest, in that they involve Coop Adriatica S.c. a r.l. e Unicoop Tirreno S.c. a r.l., are governed by market conditions through a special framework agreement signed in October 2004.

Lastly, in accordance with corporate governance regulations, the Internal Oversight Committee, made up of three non-executive members of the Board of Directors, two of them with independent status, prepares two sets of notes – one of them to be published as part of the report issued by the Board of Directors upon approval of the draft financial statement, and the other upon approval of the half-yearly statement – regarding operations the company has carried out with affiliates during the period of reference, containing the Committee’s observations on the manner in which these operations reflect company interests, the means of determining prices, and the congruence of these prices with market values for similar transactions; it primarily examines and formulates non-binding opinions for the Board of Directors regarding transactions with affiliates that fall under the authority of the Board itself.

For more details on dealings with affiliates during 2005, please refer to the relevant paragraph in the notes to the financial statement.

Pursuant to CONSOB ruling no. 11971 of 14 May 1999, the following list shows the shares of IGD S.p.A. owned by Directors, Statutory Auditors, and the General Director.

Surname Name		Company	No. of shares 31/03/05	Purchases	Sales	No. of shares 31/12/2005
Bini Mauro		IGD	0	0	0	0
Canosani Aristide		IGD	0	0	0	0
Carbonari Filippo-Maria		IGD	0	0	0	0
Carpanelli Fabio		IGD	0	0	0	0
Coffari Gilberto		IGD	10,000	0	9,000	1,000
Costalli Sergio		IGD	0		0	0
Filippini Maurizio		IGD	2,000	5,000	0	7,000
Franzoni Massimo		IGD	0	0	0	0
Gentili Francesco		IGD	0	0	0	0
Pellegrini Fernando		IGD	0	0	0	0
Pozzoli Stefano		IGD	0	0	0	0
Roffinella Lorenzo		IGD	0	0	0	0
Sabadini Riccardo		IGD	5,000	0	0	5,000
Santi Sergio		IGD	0	0	0	0
Zamboni Roberto		IGD	3,000	0	0	3,000
Campo Mariella	Coniuge: Gargani Franco	IGD	12,000	0	0	12,000
Conti Romano		IGD	0	0	0	0
Lazzari Massimo		IGD	0	0	0	0

CORPORATE GOVERNANCE

With a Shareholders' Meeting resolution of 26 March 2003, IGD S.p.A. (hereafter referred to as the "Company") decided to adopt the provisions of the Corporate Governance Code, granting the Board of Directors the powers to implement the guidelines contained therein.
Subsequently, the provisions of the Code were adopted (i) by the Board of Directors of the Issuer at meetings held on 13 November 2003, 22 January 2004, and 30 August 2004, and (ii) by the EGM on 16 September 2004, through amendments to the Articles of Association (hereafter referred to as the "Articles") which will come into force at the date that IGD shares begin to be traded on the MTA electronic securities market.

The corporate governance rules adopted are summarised below:

Members of the Board of Directors and Board of Statutory Auditors

	Function	Surname Name	
BOARD OF DIRECTORS	Chairman	**Coffari Gilberto**	Non-executive
	Vice Chairman	**Costalli Sergio**	Non-executive
	Managing Director	**Carbonari Filippo-Maria**	Executive
		Bini Mauro	Indipendent
		Canosani Aristide	Indipendent
		Carpanelli Fabio	Indipendent
		Filippini Maurizio	
		Franzoni Massimo	Indipendent
		Gentili Francesco	Indipendent
		Pellegrini Fernando	
		Pozzoli Stefano	Indipendent
		Roffinella Lorenzo	Indipendent
		Sabadini Riccardo	Indipendent
		Santi Sergio	Indipendent
		Zamboni Roberto	
BOARD OF STATUTORY AUDITORS			
	Chairman	**Conti Romano**	
	Statutory Auditor	**Gargani Franco**	
	Statutory Auditor	**Lazzari Massimo**	

At a meeting on 12 May 2005, the Board of Directors accepted the resignation of the director Grazia-Margherita Piolanti. At the same session, the Board of Directors designated a new director, Sergio Santi, coopted until approval of the 2005 financial statement. Mr. Santi, Chairman of Fondazione Cassa di Risparmio di Imola, joined the Board of Directors as an independent director, bringing the number of independent directors to 9 out of a total of 14 non-executive directors.

Role of the Board of Directors

The Shareholders' Meeting of 16 September increased the number of members of the Board from 9 to 15, appointing 6 directors. All the aforementioned directors will remain in office until the approval of the company financial statement as at 31 December 2005.

The Articles of Association do not expressly provides for a minimum frequency for holding meetings of the Board of Directors. Following listing, Board meetings will take place on at least a quarterly basis in order to approve the quarterly report, as per art. 82 of CONSOB Regulation no. 11971 of 14 May 1999.

In accordance with the provisions of art. 1.1 of the Code and with common corporate governance practice, art. 18 of the Articles require that meetings of the Board of Directors be called by the Chairman, or the person standing in for him, whenever he deems it advisable.

A Board meeting must also be called when the majority of the directors request it, or at the request of the executive committee, should one be established. In addition, Board meetings can be called by the Board of Statutory Auditors, or by at least two of its members, in the circumstances provided for by law.

Pursuant to art. 22 of the Articles of Association, company management falls exclusively under the authority of the Board of Directors, which is invested with the broadest powers for ordinary and extraordinary administration.

In accordance with the provisions of art. 23 of the Articles of Association, the Board of Directors may delegate—within the limits set by art. 2381 of the Italian Civil Code, and establishing the limits to these powers—its functions to an Executive Committee made up of several of its members and/or to one or more of its members who take on the office of Managing Director or Directors. Pursuant to art. 24 of the Articles of Association, the Chairman, or, should he be unable or absent, the Vice Chairman, when appointed, is entitled to legally represent and sign on behalf of the company.

Unless there are differing provisions in the resolution conferring his/her powers, each Managing Director is also entitled to legally represent the company.

Representation of the Company for individual acts or categories of acts can be granted to company employees, and also to third parties, by those entrusted with legal representation.

In consideration of the type of business and the role played by the Board of Directors, the Company has not appointed an executive committee.

On 30 August 2004, the Board of Directors appointed Mr. Filippo-Maria Carbonari to the post of managing Director, granting him the following powers, among others:

- ✓ to prepare and propose financial strategies and policies for the company and the Group with regard to growth, profitability, and risk objectives set by the Board of Directors, by granting responsibilities for their implementation;
- ✓ to ensure that the implementation of these objectives takes place in compliance with the guidelines set by the Board of Directors on this regard;

- ✓ to optimise instruments and procedures for financial management, and to supervise and maintain contacts with the financial system;
- ✓ to prepare and propose strategies for organisational development and policies for hiring, managing, and training personnel;
- ✓ propose accounting and management principles for the Group to the Board of Directors, the correct preparation of the financial statements (Statutory – Administrative – Consolidated);
- ✓ ascertain compliance with Group directives as well as administrative, legal, and tax regulations and laws;
- ✓ to coordinate the preparation and the reporting of the annual budget forecast;
- ✓ to oversee and coordinate activities regarding: general services, legal and tax problems of the company;
- ✓ to assume responsibility for prompt and correct realisation of work on property directly carried out by the company, in compliance with the plans, budgets, and timeframes approved by the Board of Directors for realisation
- ✓ to assume responsibility for operational supervision of the progress of key-in-hand projects outsourced to third parties;
- ✓ to assume responsibility for the proper maintenance of real estate assets according to rental contracts entered into by IGD with third parties, the budgets approved by the Board of Directors, and in compliance with current legal provisions;
- ✓ to assume responsibility for the preparation of the annual plan for work on property, as well as the respective budget forecasts, both with regard to new construction and for maintenance, subject to the approval of the Board of Directors.

Mr. Filippo-Maria Carbonari also holds the office of General Manager, for which remuneration is partly linked to the company's achievement of certain targets.

Composition of the Board of Directors

As illustrated above, the Board of Directors currently has fifteen members.
The majority of them are non-executive directors (in that they do not have operating powers and/or executive roles in the company). The sole exception is the Managing Director; the other 14 members of the Board are non-executive directors.

Independent directors

On 25 October 2004, the Board of Directors, in compliance with the indications of art. 3.2 of the Code, carried out an assessment of the independent status of its directors. Based on the results of this evaluation, the directors with independent status are Massimo Franzoni, Aristide Canosani, Riccardo Sabadini, Fabio Carpanelli, Mauro Bini, Lorenzo Roffinella, Francesco Gentili, and Stefano Pozzoli. At the meeting of 12 May 2005, Sergio Santi was coopted to replace resigning director Grazia-Margherita Piolanti. At the same session, the Board of Directors ascertained that Mr. Santi is independent, bringing the number of independent directors to 9.
In accordance with the provisions of art. 3.1 of the Code, independent directors:
(a) do not have any monetary dealings (direct, indirect, or on behalf of third parties), nor have they recently had such dealings with the company, its subsidiary Gescom S.r.l., its executive directors, or with its controlling shareholder which would be so substantial as to influence their independent judgement;
(b) do not possess any shareholdings, whether directly, indirectly, or on behalf of third parties, which would be so substantial as to allow them to exercise control or considerable influence over the company, directly or through participation in shareholder agreements;

c) are not close relatives of any executive director of the company, or of individuals falling into the categories indicated under letters a and b above.

Chairman of the Board of Directors
Activities of the Board of Directors are coordinated by the Chairman. Pursuant to article 17 of the Articles of Association, the Chairman calls Board meetings and presides over them, directs, coordinates, and moderates the discussion and proceedings, and announces voting results. According to article 18 of the Articles of Association, as a rule notice is given at least five days prior to the scheduled date of the meeting. In cases of urgency, this time limit is reduced to two days.

Reporting to the Board of Directors
Pursuant to art. 23 of the Articles of Association, at least once per quarter delegated bodies report to the Board of Directors and the Board of Statutory Auditors on general management operations and on their foreseeable evolution, as well as on transactions of particular significance, due to their scope or characteristics, carried out by the company or its subsidiaries.
Each director may ask the delegated bodies to provide information on company operations at the Board meeting.

Reporting to the Board of Statutory Auditors
Members of the Board of Statutory Auditors attend Shareholders' Meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at meetings of the Board of Directors ensures that the Board of Statutory Auditors is kept informed of activities carried out by the company and of transactions with a particular impact on the company's economic, financial, and equity situation carried out by the company itself or by subsidiaries, and specifically transactions in which directors have an interest, on their own behalf or that of third parties, which are influenced by the subject exercising coordination and control, or which were the subject of deliberation, discussion, or interchange during the sessions themselves.
Should none of the members of the Board of Statutory Auditors be present at meetings of the Board of Directors, or should the procedures described above not ensure information on at least a quarterly basis, the Chairman and/or Managing Director will provide for a written report on the activities falling under their authority to the Chairman of the Board of Statutory Auditors, in a maximum of three months. Mention of this report must be made in the minutes of the first effective meeting of the Board of Statutory Auditors.

Handling of confidential information
On 30 August 2004, the Board of Directors approved the internal Regulations for the circulation of price sensitive documents and information, in compliance with the provisions of art. 6 of the Code. These regulations govern the handling and processing of confidential documents and information regarding IGD and its subsidiary Gescom S.r.l, as well as the procedures to be observed for their circulation outside the companies.

Appointment of Directors
Article 16 of the Articles of Association states that directors shall be appointed by the Shareholders' Meeting using a list vote system. Lists are presented by shareholders who jointly or individually represent at least 11% of shares with voting rights at the Ordinary General Meeting.
According to the Articles of Association, along with the lists, it is the responsibility of shareholders presenting them to file the candidates' binding statement that they will accept the office (on the condition of their appointment) and the certification that there are no causes for their ineligibility and/or forfeiture; as well as a curriculum vitae of each candidate.

As no difficulties are foreseen for the shareholders in preparing suitable nominations for corporate positions, at the moment no special nominations committee has been established.

Remuneration of Directors

In accordance with art. 25 of the Articles of Association, members of the Board of Directors and of the Executive Committee are entitled to compensation to be determined by the Ordinary Shareholders' Meeting. Once such a resolution has been passed, it shall be valid for subsequent financial years until the Shareholders’ Meeting shall resolve otherwise.

The Board of Directors, after hearing the opinion of the Board of Statutory Auditors, sets compensation for directors invested with special offices, including the Chairman.

As no difficulties are foreseen in determining remuneration, at the moment it has been decided not to establish a special remuneration committee.

Committee for internal oversight

With a resolution of 13 November 2003, the Board of Directors established an Internal Oversight Committee made up of 3 non-executive directors, 2 of them with independent status.

Subsequently, on 22 January 2004, the Board of Directors appointed the non-executive independent directors Massimo Franzoni and Aristide Canosani and the non-executive director Maurizio Filippini to this committee. Specifically, the Committee for internal oversight:

1. assesses the suitability of the Internal oversight system;
2. evaluates the proposal which the external auditing firm has formulated to obtain engagement for the audit, as well as the operating plan drawn up for the audit and the results described in the letter of comments;
3. reports to the Board of Directors on at least a half-yearly basis, at the approval of the draft financial statement and the half-yearly report, on the activities carried out and the suitability of the system of internal oversight
4. prepares two notes—one of which is to be published in the memorandum issued by the Board of Directors upon approval of the draft financial statement, and the other in the memorandum regarding approval of the half-yearly statement-on transactions the company has carried out with affiliates in the financial period of reference, containing the Committee's observations regarding the degree to which these transactions reflect company interests, the means of determining prices, and the congruence of these prices with market values for similar transactions;
5. examines in advance any transactions with affiliates which fall under the authority of the Board itself, and formulates non-binding opinions for the Board of Directors;
6. examines the suitability of the accounting principles employed and their uniformity for the purposes of drafting the consolidated financial statement;
7. carries out any other tasks assigned to it by the Board of Directors, specifically with regard to relations with the external auditing firm.

The Chairman of the Board of Statutory Auditors may participate in Committee meetings, as well as the other regular auditors, should it be deemed appropriate. In addition, the Managing Directors may take part in meetings, as a party entitled to address the issues under examination and determine appropriate measures to handle situations that may be potentially critical.

Relations with institutional investors and other shareholders

A Board resolution of 30 August 2004 appointed Filippo-Maria Carbonari as Investor Relator, responsible for relations with institutional investors and other shareholders.

Shareholders' Meetings

The Code's recommendation that the Shareholders' Meeting be considered a preferred occasion for establishing profitable dialogue between shareholders and the Board of Directors (though there is a wide range of means by which listed companies may communicate with their shareholders, institutional investors, and the market) is entirely shared by the company, which deems it advisable—in addition to ensuring regular participation by its directors in Shareholders' Meeting proceedings—to adopt specific measures aimed at granting due importance to the Shareholders' Meeting.

With a Shareholders' Meeting resolution of 26 March 2003, the Company adopted special regulations aimed at ensuring orderly and effective proceedings at Shareholders' Meetings through detailed regulation of their various phases, respecting the fundamental right of each shareholder to request clarification on all the issues under discussion, to express their opinions, and to formulate proposals.

Statutory Auditors

The Board of Statutory Auditors, made up of three regular auditors and two alternates, will remain in office until approval of the annual financial statement as at 31 December 2005.

Pursuant to article 26 of the Articles of Association, the appointment of members of the Board of Statutory Auditors is to take place using a list vote system.

For the presentation, filing, and publication of lists, the applicable procedures are those set forth by article 16 of the Articles of Association for the appointment of members of the Board of Directors.

Election of statutory auditors takes place as follows:

1. Two regular auditors and one alternate will be selected in the order in which they are listed from the list which obtains the greatest number of votes cast by the shareholders.
2. The third regular auditor and the second alternate will be chosen from the list which comes in second, in the order they are listed.
3. In the event that more than one list obtains the same number of votes, a new vote will be held choosing between these lists by all shareholders present at the meeting, and the candidates will be elected from the list that obtains a simple majority of votes.
4. In accordance with the provisions of the articles of association the person first on the list shall be Chairman of the Board of Statutory Auditors; law 262/2005 states that such nomination is take place at the meeting between auditors elected by the minorities. The Company has conformed to said regulations.

Candidates for the office of statutory auditor must be in possession of the attributes required by law. Candidates for the office of statutory auditor must be in possession of the requisites established by law.

(a) professional activities or tenured university teaching, in legal, economic, financial, and technical/scientific fields closely related to the company's area of business;

(b) management positions with public agencies or administrations operating in sectors closely related to the company's area of business: the following is set forth:

- all fields in the previous letter a) are considered to be closely related to the company's area of business if connected to real estate activity and activities in economic sectors related to real estate;
- economic sectors related to real estate are those in which the parent companies operate, or which can be controlled subsidiaries or affiliates of businesses operating in the real estate sector.

All the individuals who are incompatible as set forth by law, or not in possession of the requisite integrity or professionalism required, or holding the office of regular auditor in more than five Italian companies listed on regulated Italian markets, cannot be appointed as statutory auditors, and if elected forfeit shall the office. Offices held in parent companies, subsidiaries, or companies subject to the control of the same parent company are not to be considered in this calculation.
Statutory auditors remain in office for three years and can be re-elected.

Internal Dealing
On 30 August 2004, the Board of Directors adopted the code of behaviour for internal dealing, as laid out by articles 2.6.3 and 2.6.4 of the Regulations for Markets Organised and Managed by Borsa Italiana S.p.A. This code of behaviour sets out requirements for notification and procedure regarding transactions carried out on their own behalf, in accordance with the regulatory provisions regarding their sum and the frequency of reporting, by Directors, Statutory Auditors, the General Manager, and by all individuals who, due to the position they hold at IGD or its subsidiaries, have access and information to facts which could cause significant variations in the economic, financial, and equity prospects of IGD and the companies in the Group which it heads, and which would, if made public, considerably influence the price of the listed financial instruments issued by the company.

Auditing Firm
On 16 September 2004, the Shareholders' Meeting of IGD engaged Reconta Ernst&Young S.p.A. for the auditing of accounts.

OWN SHARES

As at 31.12.05, the Company did not hold any of its own shares.

RESEARCH AND DEVELOPMENT

In consideration of the type of business they are involved in, the companies in the Group do not carry out research and development activities in the strict sense of the term.
In terms of activities carried out by Gescom s.r.l during the year, among other things, the company obtained ISO 9001 quality certification. The company had its second monitoring visit in the first few months of 2006, with a positive outcome.
In November 2005, the company participated for the third consecutive year in the most important specialised trade show for the promotion of shopping centres: MAPIC in Cannes (France). Its presence at the trade show, with a special exhibition space, made it possible to increase contacts with important companies promoting shopping centres and with retailers at the European level.

PROPOSAL FOR THE ALLOCATION OF PROFIT

Dear Shareholders,
we submit for your approval the financial statement of IGD S.p.A as at 31 December 2004, which was closed with a statutory profit of € 7,183,925. The Board of Directors proposes that the profit of IGD S.p.A be allocated as follows:

- € 359,197 to the legal reserve;

- € 6,209,484 dividend to the shareholders, the equivalent of € 0.022 per share.
- € 615,244 to be carried forward

NOTES TO THE FINANCIAL STATEMENT

INCOME STATEMENT

The Group presents comparative consolidated income statement schedules for the periods as at 31 December 2005 and 31 December 2004, with costs being listed based on their nature.

CONSOLIDATED INCOME STATEMENT

	notes	31-dic-05 (a)	31-dic-04	Differences (a-b)
Revenue	**21)**	51,246,782	48,599,689	2,647,093
Other income	**22)**	1,917,771	2,588,536	(670,765)
Total revenues and operating income		**53,164,553**	**51,188,225**	**1,976,328**
Purchase of materials and outside services	**23)**	25,154,575	15,288,858	9,865,717
Staff costs	**24)**	1,870,786	1,236,023	634,763
Other operating costs	**25)**	2,411,153	2,297,316	113,837
Changes in inventories		9,517,641	266,862	9,250,779
OPERATING RESULT BEFORE AMORTISATION AND DEPRECIATION, CAPITAL GAIN/LOSSES AND REVALUATIONS/WRITEDOWNS OF NON CURRENT ASSETS		**33,245,680**	**32,632,890**	**612,790**
Amortisation and depreciation		321,061	368,097	(47,036)
Fair value change	**26)**	33,429,418	16,439,556	16,989,862
OPERATING RESULT		**66,354,037**	**48,704,349**	**17,649,688**
Financial income	**27)**	5,263,062	1,907,737	3,355,325
Financial charges	**27)**	9,146,974	8,187,818	959,156
PRE-TAX RESULT		**62,470,125**	**42,424,268**	**20,045,857**
Income taxes for the period	**28)**	-19,195,722	16,426,426	(35,622,148)
PROFIT FOR THE PERIOD		**81,665,847**	**25,997,842**	**55,668,005**
Attributable to:				
* Parent company profit for the period		81,665,847	25,765,307	
* Profit for minority interest for the period		0	232,535	
Profit per share:				
- base for profit for the year	**29)**	0.328	0.145	
- diluted for profit for the year	**29)**	0.328	0.145	

BALANCE SHEET

Consolidated Balance Sheet Schedule as at 31 December 2005 compared with the balance sheet schedule as at 31 December 2004

CONSOLIDATED BALANCE SHEET

	notes	31-dic-05 (a)	31-dic-04 (b)	Differences (a-b)
NON CURRENT ASSETS:			0	
Intangible assets				
- Intangible assets with a finite life	**2)**	9,444	9,999	(555)
- Goodwill	**2)**	2,896,391	2,896,391	0
		2,905,835	2,906,390	(555)
Tangible assets				
- Real estate investments	**3)**	603,110,000	529,343,500	73,766,500
- Plant and machinery	**4)**	405,481	474,062	(68,581)
- Equipment	**4)**	144,724	189,077	(44,353)
- Leasehold improvements	**4)**	346,441	437,027	(90,586)
- Assets under construction/acquisition	**4)**	57,458,899	12,740,358	44,718,541
		661,465,545	543,184,024	118,281,521
Other non current assets				
- Prepaid taxes	**5)**	3,760,287	1,877,228	1,883,059
- Miscellaneous receivables and other non current assets	**6)**	4,080,921	25,406	4,055,515
		7,841,208	1,902,634	5,938,574
TOTAL NON CURRENT ASSETS (A)		**672,212,588**	**547,993,048**	**124,219,540**
CURRENT ASSETS:				
Inventories	**7)**	14,018,640	4,479,757	9,538,883
Trade and other receivables	**8)**	7,663,904	12,688,493	(5,024,589)
Other current assets	**9)**	13,148,209	581,144	12,567,065
Financial receivables and other current financial assets	**10)**	35,605,659	8,955	35,596,704
Cash and cash equivalents	**11)**	25,434,209	848,591	24,585,618
TOTAL CURRENT ASSETS (B)		**95,870,621**	**18,606,940**	**77,263,681**
TOTAL ASSETS (A+B+C)		**768,083,209**	**566,599,988**	**201,483,221**
NET EQUITY:				
Parent Company interest	**12)**	527,234,035	304,030,868	223,203,167
minority interest	**12)**	0	0	0
TOTAL NET EQUITY (C)		**527,234,035**	**304,030,868**	**223,203,167**
NON CURRENT LIABILITIES:				
Non current financial liabilities	**13)**	123,046,189	139,408,938	(16,362,749)
Provision for severance indemnity	**14)**	209,145	195,845	13,300
Deferred tax liabilities	**5)**	8,803,607	51,877,375	(43,073,768)
Provisions for future risks and charges	**15)**	431,467	338,223	93,244
Miscellaneous payables and other non current liabilities	**16)**	17,175,063	13,725,659	3,449,404
TOTAL NON CURRENT LIABILITIES (D)		**149,665,471**	**205,546,040**	**(55,880,569)**
CURRENT LIABILITIES:				
Current financial liabilities	**17)**	54,628,235	53,146,738	1,481,497
Trade and other payables	**18)**	9,963,443	2,055,032	7,908,411
Current liabilities	**19)**	21,639,828	205,241	21,434,587
Other current liabilities	**20)**	4,952,197	1,616,069	3,336,128
TOTAL CURRENT LIABILITIES (E)		**91,183,703**	**57,023,080**	**34,160,623**
TOTAL LIABILITIES (F=D + E)		**240,849,174**	**262,569,120**	**(21,719,946)**
TOTAL NET EQUITY AND LIABILITIES (C+F)		**768,083,209**	**566,599,988**	**201,483,221**

CHANGES IN NET EQUITY

NET EQUITY MOVEMENTS IN 2004

	Share capital	Share premium reserve	Legal reserve	Other reserves	Accrued profits (losses), excluding result for the period	Result for the period	Total	Net equity for minority interest	Total net equity
Balance as at 31.12.03 according to Italian p	177,249,261	28,930,288	252,072	13,758,723	574,833	8,558,449	229,323,626	1,692,953	231,016,579
Adoption of IAS/IFRS principles				57,995,687	0	0	57,995,687	(9,412)	57,986,275
Balance as at 31.12.03 - IAS/IFRS	177,249,261	28,930,288	252,072	71,754,410	574,833	8,558,449	287,319,313	1,683,541	289,002,854
Allocation of 2003 profit			444,088	6,531,049	1,583,312	(8,558,449)	0		0
Profit reserves distribution				(6,531,049)	(2,481,450)		(9,012,499)		(9,012,499)
Profits (losses) for the period					(41,253)	25,765,307	25,724,054	(1,683,541)	24,040,513
Rounding-off							0		0
Balance as at 31.12.04 - IAS/IFRS	177,249,261	28,930,288	696,160	71,754,410	(364,558)	25,765,307	304,030,868	0	304,030,868

NET EQUITY MOVEMENTS IN 2005

	Share capital	Share premium reserve	Legal reserve	Other reserves *Note 12*	Accrued profits (losses)	Result for the period	Total net equity
Balance as at 31 December 2004 according to Italian principles	177,249,261	28,930,288	696,160	13,758,723	(323,305)	6,273,587	226,584,714
Adoption of IAS/IFRS principles				57,995,687	(41,253)	19,491,720	77,446,154
Balance as at 31.12.04 - IAS/IFRS	177,249,261	28,930,288	696,160	71,754,410	(364,558)	25,765,307	304,030,868
Allocation of 2004 profit			302,560	16,439,556	3,378,205	(20,120,321)	0
Dividends paid						(5,644,986)	(5,644,986)
Capital increase	105,000,000	47,250,000					152,250,000
Capital increase expenses				(7,591,095)			(7,591,095)
Unrealised profits (losses) from adjustment to fair value of derivative hedging instruments				(390,352)	86,070		(304,282)
Income taxes				2,827,683			2,827,683
Profits (losses) for the period					0	81,665,847	81,665,847
Balance as at 31.12.05 - IAS/IFRS	282,249,261	76,180,288	998,720	83,040,202	3,099,717	81,665,847	527,234,035

FINANCIAL REPORT

CASH FLOW STATEMENT FOR THE YEAR CLOSED ON	31/12/2005	31/12/2004
(In Euros)		
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit for the year	81,665,847	25,765,307
Adjustments to reconcile profits for the period to cash flow generated (absorbed) by activity for the period:		
Amortisation and depreciation	321,061	368,097
Net difference in (assets) (prepaid) deferred tax provisions	(42,129,144)	15,297,199
Change in real estate investment fair value	(33,429,418)	(16,439,556)
(Capital gains)/capital losses from dismissal of non current assets	0	(274,980)
Changes in inventories	(9,538,883)	0
Net difference in current assets and liabilities for the year	25,136,650	(4,970,160)
Net difference in non current assets and liabilities for the year	(499,567)	2,960,863
CASH FLOW FROM OPERATING ACTIVITIES (a)	**21,526,546**	**22,706,770**
Investments in tangible fixed assets	85,172,391	71,980,432
Investments in intangible fixed assets	218	1,844,125
Amount collected from the sale of tangible and intangible assets	0	(347,503)
CASH FLOW USED IN INVESTMENT ACTIVITIES (b)	**85,172,609**	**73,477,054**
Acquisition of financial assets	(35,630,319)	0
Payments to shareholders and increase in net equity	152,250,000	0
Change in third-party equity	0	(1,692,953)
Change in equity further to listing charges	(7,591,095)	0
Distribution of dividends	(5,644,986)	(9,012,499)
Adjustment of financial receivables and other financial assets to fair value	33,615	0
Change in current financial indebtedness	370,944	5,432,085
Change in non current financial indebtedness	(16,667,031)	43,361,822
CASH FLOW FROM FINANCING ACTIVITIES (c)	**87,121,128**	**38,088,455**
NET CASH FLOW FOR THE PERIOD A - B + C	**23,475,065**	**(12,681,829)**
BALANCE OF INITIAL NET CASH AND CASH EQUIVALENTS (CURRENT INDEBTEDNESS)	(38,160,620)	(25,478,791)
TOTAL NET CASH FLOW FOR THE PERIOD	23,475,065	(12,681,829)
BALANCE OF FINAL NET CASH AND CASH EQUIVALENTS (CURRENT INDEBTEDNESS)	(14,685,555)	(38,160,620)
ADDITIONAL INFORMATION ON CASH FLOW STATEMENT:		
income taxes paid	1,259,060	270,703
interest paid	8,339,327	6,305,134
interest collected	5,305,424	223,180

Balance of cash and cash equivalents with banks, financial and postal institutions	31/12/2005	31/12/2004	Difference
Balance of cash and cash equivalents with banks, financial and postal institutions	848,591	2,706,260	(1,857,669)
Payables to banks (c/a and hot money)	(39,009,211)	0	(39,009,211)
Clearing account net financial debt	0	(28,185,051)	28,185,051
Total Balance of initial cash and cash equivalents (current indebtedness)	**(38,160,620)**	**(25,478,791)**	**(12,681,829)**

Balance of cash and cash equivalents with banks, financial and postal institutions	31/12/2005	31/12/2004	Difference
Balance of cash and cash equivalents with banks, financial and postal institutions	25,434,209	848,591	24,585,618
Payables to banks (c/a and hot money)	(33,152,808)	(39,009,211)	5,856,403
Clearing account net financial debt	(6,966,956)	0	(6,966,956)
Total Balance of final cash and cash equivalents (current indebtedness)	**(14,685,555)**	**(38,160,620)**	**23,475,065**

ACCOUNTING POLICIES

The consolidated financial statement as at 31 December 2005, was approved by Parent company Board of Directors on 23 March 2006.

Immobiliare Grande Distribuzione S.p.A. (IGD S.p.A.) is a company with a status of legal entity organised in accordance with the legal system of the Italian Republic. IGD S.p.A. and its subsidiaries operate exclusively in Italy.
The IGD Group (made up of the parent company IGD S.p.A. and its 100%-owned subsidiary Gescom S.r.l.) is active in property management and leasing, with the aim of increasing the value of its real estate portfolio through the acquisition, construction, and leasing of commercial properties (shopping centres, hypermarkets, supermarkets, and malls) on the one hand, and on the other, through optimising the return on properties which are part of its real estate assets, or through sale of malls. The IGD Group also provides a wide range of services, primarily consisting in agency and facility management for properties belonging to the Group and to third parties.
The parent company IGD S.p.A. is owned by Gruppo Coop Adriatica Società Cooperativa a.r.l.

- ***Conformity to IFRS***

The IGD Group consolidated financial statement as at 31 December 2005 was prepared in compliance with International Financial Reporting Standards ("IFRS" or "international accounting standards" in future) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission in accordance with the procedure provided by (EC) Regulation No. 1606/2002 of the European Parliament and European Council dated 19 July 2002.
The primary indicators used in preparing the consolidated financial statement as at 31 December 2005 and the comparative figures presented are as illustrated bellow:

Accounting Principle	Name
Ias 1	Presentation of financial statements
Ias 2	Inventories
Ias 7	Financial report
Ias 8	Accounting standards, changes in estimates and errors
Ias 10	Events occurring after the date of the financial statement
Ias 12	Income taxes
Ias 14	Sector disclosure
Ias 16	Real estate, plant and machinery
Ias 18	Revenue
Ias 19	Employees benefits
Ias 23	Financial charges
Ias 24	Related-Party Disclosures
Ias 27	Consolidated and separate financial statement
Ias 32	Financial instruments: Financial statement exposure and additional information
Ias 33	Profit per share
Ias 36	Lasting impairment of asset
Ias 37	Accrual of contingent assets and liabilities
Ias 38	Intangible assets
Ias 39	Financial instruments: recognition and measurement
Ias 40	Investment property
Ifrs 1	Before adoption of the international accounting principles
Ifrs 3	Company combinations

No exceptions to the application of International Accounting Standards were applied when preparing this consolidated financial statement.

- ***Evaluation criteria***

The consolidated financial statement was prepared based on the cost principle, with the exception of real estate investments, of derivative financial instruments and financial assets held for trading whose assessment was carried out based on the "market value principle”. Accounts for the assets and liabilities entered – which are subject to hedging operations – were adjusted in order to take the variation in market values into account, especially in terms of risks covered. The consolidated financial statement is presented in euros.

- **Variations in Accounting Principles, estimates and errors.**

The Accounting Principles adopted are identical to those used the previous year. Furthermore, no errors were found which need to be corrected during the review period. Changes in estimates are shown in perspective.

- ***Consolidation principles***

The consolidated financial statement is comprised of the IGD S.p.A. financial statement as well as those of the subsidiary Gescom S.r.l prepared as at 31 December 2005. The financial statements belonging to the subsidiary are prepared adopting the same accounting principles used by the parent company for each accounting period. The following primary consolidation principles were adopted in drafting the consolidated financial statement:

- Subsidiaries are consolidated starting at the date in which their control was effectively transferred to the Group, and cease to be consolidated starting at the date in which their control is transferred outside the Group.

- The subsidiary Gescom S.r.l. was consolidated on a full line-by-line basis; this technique consists in aggregating all financial items at their total sum, regardless of the Group’s percentage of ownership; Only when determining net equity and operating profit for the Group are any minority interests reported on a special line of the balance sheet and the income statement.

- The book value of the shareholding in Gescom S.r.l. was eliminated in consideration of assets and liabilities being reported for the shareholding itself; Any positive difference between book value and corresponding net equity has been posted to the “goodwill” item under assets.

- All intra-group balances and transactions, including any uncollected profits from dealings between companies in the Group are completely eliminated.

- Referring the 40% Gescom srl business combination operation, which took place at the end of 2004, IFRS 3 does not specify which accounting practice must be used at the date of the transition in terms of the purchase of residual minority interests in the subsidiary. Therefore, the "Parent entity extension method" criterion was adopted. This method consists in attributing the difference between the cost of the purchase of the minority interest to the subsidiary company and the value of assets and liabilities for participation in the same under the “goodwill" item.

- ***Intangible assets***

Intangible assets are entered as current assets at purchase cost since using the assets will probably generate future economic benefits and since the cost of the asset can be accurately calculated. Intangible assets purchased with business combinations are entered at an equal value set on the acquisition date, if such value can be accurately calculated.
The cost criterion is applied following the first entry into the category. The useful life of intangible assets may be described as limited or unlimited. Intangible assets with unlimited

lives are not amortised but annually – or more frequently, each time activity might have suffered from a loss in value – analysed to identify any eventual reduction in values. Intangible assets undergo an adequacy analysis on a yearly basis in order to ascertain whether any decline in value has taken place. Should the recoverable intangible asset value be below book value, the latter is reduced to the recoverable value. Said reduction results in an impairment, which is immediately entered in the income statement. The recoverable value of an asset is whichever is greater, its net selling price or its value in use. Value in use is equal to the current expected cash flow value generated by the activity. In order to calculate losses in value, activities are aggregated at the lowest level at which separate independent cash flows can be identified (cash generating unit). Intangible assets not subject to amortisation, as well as those not yet available for use, must be subjected to impairment tests on a yearly basis. In cases where an indicator for the restoration of lost value is present, the recoverable value for the activity is recalculated based on book values being increased up until this new value. The increase in book value may nevertheless not be above the net accounting value the asset would have had should the impairment not have taken place. Impairment for goodwill may not be restored.

- ***Goodwill***

Goodwill deriving from the purchase of subsidiary companies is initially entered cost, and shows the difference in purchase cost compared to the net fair value of the share purchased in identifiable values for the assets, liabilities, and potential assets of the purchased companies. Any eventual negative difference (“negative goodwill”) is instead entered in the income statement when the purchase takes place.

After initial reporting, goodwill is not subject to amortisation, and is reduced for any decreases in value, based on the methods described below.

Goodwill undergoes recoverability analysis on a yearly basis, or even more frequently should events or circumstances change leading to eventual losses in value. At the date of acquisition, any eventually emerging goodwill is allocated to each of the cash generating units which are expected to benefit from the synergic effects of the purchase. The eventual loss in value is identified using assessments which take the capacity of each unit to produce cash flows capable of covering the part allocated to the unit into account, with the methods described in the section on tangible assets. Should the recoverable value for the cash generating units be below the attributed book value, a loss of a value is entered. These losses are not reversed should the motives which generated them cease to exist.

When part of a previously acquired business, or the entire business, is sold generating goodwill, when calculating capital gains and losses from the sales, the corresponding residual goodwill value must be taken into account.

During this first application of IFRS, the Group has chosen to not retroactively apply IFRS 3 – business combinations – to purchases which took place before 1 January 2004. As such, goodwill generated by purchases before the date of transition to IFRS were maintained at the previous value calculated according to Italian accounting principles, following controls and calculations for any eventual losses in value.

- ***Real estate investments***

As at 31/12/2005 the IGD Group held seven shopping centres (each of which contained a hypermarket and a mall), six hypermarkets, two supermarkets, two shops, two pieces of land, and outlet area, a fitness area, and two office buildings. The hypermarkets owned by IGD are rented to the companies Coop Adriatica and Unicoop Tirreno. Management activities and leaseholds for malls in shopping centres and agency and facility management for the same are carried out by the subsidiary Gescom S.r.l. (the malls are leased from IGD by Gescom, which then leases corporate divisions or retail areas to third parties). Gescom holds administrative authorisations to manage company leases at the shopping centres. Administrative authorisations are allocated free of charge to the competent administration and may not be sold. As such, no values are expressed for such authorisations in the Gescom financial statements. Furthermore, such licenses/authorisations, basically representing corporate divisions, have no active reference market.

When converting to IFRS, IGD Group Directors decided to assess real estate investments belonging to the Group using the fair value method provided by IAS 40. Specifically, the fair value of a real estate investment is the price at which the property can be exchanged in a free transaction between conscious and willing individuals and must reflect market conditions at the reference date for the financial statements. Specifically, IGD real estate investment fair value, among other things, reflects revenues from current rentals and from reasonable and sustainable hypotheses which represent contracting party calculations in terms of rental fee flows in the future given current conditions. Furthermore, it also reflects – on a similar basis – any cash outflows (including rental fees and other payments) which could exist with reference to the property. Fair value differs from value in use, as defined by IAS 36 Reduction of asset value. Fair value reflects the knowledge and the estimates made by conscious and willing sellers and buyers. On the contrary, value in use refers to entity estimates, including the impact of factors which may be specific to the entity, and therefore cannot be applied to all entities.

As such, IGD S.p.A. entrusted CB Richard Ellis Professional Serivces S.p.A. – which offers specialised assessments for real estate investments – with preparing an appraisal of market values for the following currently operative property portions at the date of transition to IAS/IFRS: shopping centres, malls, hypermarkets, supermarkets, outlets, fitness areas, shops, offices and land.

Market value refers to the best price at which the sale of a property may reasonably be taken to be as unconditionally closed, with a money sum, at the date of assessment, supposing that:

- the seller really does intend to part with the goods;
- that a reasonable period of time (taking the type of good and the market situation into account) is available to carry out an adequate sale, and agree to price and sales conditions in order to conclude the transaction;
- that the market trend, value level and other economic conditions at the date the preliminary sales contract was signed are equal to those in existence at the date of the assessment;
- that any eventual offers from purchasers for whom the property has features such as for it to be considered as being "outside the market" not be taken into account;

The fair value of the real estate investment does not reflect future capital investments which would improve or add value to the property nor does it reflect future benefits originating from or linked to such expenditure.

The assessment criteria applied to different types of goods are as follows:

- market value for owned currently operative shopping malls;
- market value for owned currently operative hypermarket areas;
- market value for owned, currently operative supermarket areas;
- market value for owned shops, offices, outlet areas, fitness areas and office buildings.

The following method was applied for **shopping centres**:

- the discounted cash flow analysis method based on a discount factor (for a ten year period) for future net income deriving from renting the property. At the end of the 10 years, the hypothesis is made the property shall be sold at a value obtained by capitalizing net income for the last year at a market rate for similar investments, subtracting sales expenditures calculated at 2.00% of the sales price.

The following method was applied for **Hypermarkets and Supermarkets**:

- the discounted cash flow analysis method based on a discount factor (for a ten year period) for future net income deriving from renting the property. At the end of the 10 years, the hypothesis is made the property shall be sold at a value obtained by capitalizing net income for the last year at a market rate for similar investments, subtracting sales expenditures calculated at 2.00% of the sales price.

The following methods were applied to **shops, offices, outlet areas, fitness areas and office buildings**.

- comparative or market method analysis based on comparing the goods and other similar goods subject to sales or currently on offer in the same market or in competing markets.
- Income method based on the current value of potential market income for a property, obtained by capitalising income at a market rate.

The results obtained using the methods described above are then averaged out.

The consolidated financial statement as at 31.12.05 reports the assessed values of real estate investments as follows:

- Shopping centres where the Group owns both the property (hypermarket and malls) and holds administrative authorisations and licenses establishing corporate divisions for managing the malls and shopping centres are valued in accordance with IAS 40, that is using the fair value method.
- Shopping centres where the Group owns the property (hypermarket and malls) but where administrative authorisations and licenses establishing corporate divisions for managing the malls and shopping centres are owned by third parties are valued in accordance with IAS 40, that is using the fair value method. In this case, the abovementioned rights, which make up the market value of the property, do not belong to the IGD Group at the date of the financial statements.
- Hypermarkets, supermarkets, and shops owned by the Group are entered as real estate investments and assessed using the fair value method.
- The market value of the properties includes the value of plants and machinery belonging to the same properties.

- ***Assets under construction/acquisition***

Assets under construction or acquisition are valued at cost. Lands where works are currently being carried out in order to build shopping centres are valued at cost. Once building works or the development of a real estate investment is completed, the latter is reclassified under the item “real estate investments” and valued at fair value; the difference between fair value on the reclassification date and its previous accounting value is charged to the income statement for the year in which the reclassification takes place.

- ***Plants, machinery and equipment***

Plants, machinery and equipment owned by the Group and not attributable to real estate investments are registered at purchase cost less trade discounts and bonuses, and considering the costs to be directly attributable, as well as an initial estimate of the costs for dismantling and removing the goods and clearing the site at which they are found. Costs sustained after purchase are only capitalised if they lead to and increase in future economic benefits for the same good. All other costs (including financial charges directly attributable to the purchase, construction, or production of the same good) are entered in the income statement at the moment of payment. Income statement calculations for capitalised charges occur during the useful life of the relative material assets through an amortisation process of the same. Amortisations are calculated based on the constant rate criteria for the estimated useful life of an asset, as follows:

Category	Rate	
Electrical, fire prevention, compressed air systems	10	%
Heating/air conditioning system	15	%
Decor	20	%
Computers for plant management	20	%
Special communications systems - telephone system	25	%
Special system	25	%
Burglar / alarm system	30	%
Miscellaneous and minor equipment	15	%
Office decor and furnishings	12	%
Tax meters, electronics	20	%
Personal computers, network accessories	40	%
Personal computers, network accessories - used	42	%

Tangible asset book value is subjected to analysis in order to identify any eventual losses in value when events or changes in a situation are such as to reveal that the book value may not be recuperated. Should such events take place, or should book values be above recoverable values, assets are devalued up until they reflect the lower value. The recoverable value for a tangible asset is whichever is greater, its net selling price or its value in use.

For the value in use, estimated future cash flows expected to derive from the asset are discounted using a pre-tax rate which reflects the current market value of interest in relation to the time and specific risks inherent to the asset. For assets which do not generate adequately independent cash inflows, recoverable value is determined in relation to the cash generating unit to which the assets belong. Impairments are reported in the income statement under depreciation and write-downs. These losses in value are not reversed should the motives which generated them cease to exist.

At the moment of sale, or when future economic benefits for using the good no longer subsist, these are removed from the financial statements, and eventual losses or profits (calculated as the difference between the sales value and the book value) are entered into the income statement for the year in which they were removed.

- ***Inventories***

Inventories are made up of building and mall expansion works and of the Centro Leonardo car park for the part destined for sale. Inventories are valued at the lesser of cost and net realisation value. The cost of inventories therefore includes purchase costs, conversion costs and other costs sustained to bring inventories to their current place and condition. The method used is the specific cost method.

- ***Financial instruments***

During this first application of IAS/IFRS the IGD Group has chosen to apply (as authorised) IAS 32 and IAS 39 in advance, starting 1 January 2004. Furthermore, as authorised by IFRS 1, the designation of a financial instrument as a financial asset valued at “fair value via the income statement” or “available for sales” that is a financial liability valued at “fair value via the income statement” was carried out on 1 January 2004 – the transition date as opposed to the date when it was first measured.

- ***Trade and other receivables***

Trade receivables are measured based on the nominal figure printed on the invoice net of the provision for bad debts. An estimate of receivables at risk of irrecoverability is carried out when the collection of the entire sum is no longer probable. Irrecoverable receivables are devalued at the moment in which they are identified. Receivables with maturities of over a year, interest-free receivables, or those maturing interest under market rates, are updated using market rates.

- ***Cash and cash equivalents***

Cash and cash equivalents are entered, according to their nature, at nominal value, that is, at amortised cost.
Cash equivalents are short term or high liquidity financial outflows which are readily convertible with known cash values and are subject to an irrelevant risk of variation for their value with an original expiry date – that is at the moment of purchase – not above 3 months.

- ***Financial receivables and other current financial assets***

Primarily include financial assets held for trading with the aim of achieving a profit from short term fluctuations in prices or margins. These assets are valued at fair value, without any deductions for transaction costs which may be paid during sales.

- ***Financial liabilities***

Financial liabilities are made up of financial debts, financial liabilities for derivative instruments, and trade payables.
Financial liabilities – different from derivative financial instruments – are initially registered at market value (fair value) plus operation costs. These are later valued at amortised cost, that is, with the initial value, net of capital refunds already carried out, adjusted (increased or decreased) based on the amortisation (using the effective interest method) of eventual difference between the initial value and the value at expiry.

- ***Provision for liabilities and charges***

Provisions for liabilities and charges concern specific costs and charges and those which are certain or probable and whose amounts are as yet to be determined at the closing date for the period. Provisions are registered when current (legal or implicit) obligations deriving from a past event are present, in cases where fulfilment is likely to necessitate the use of resources whose sum can be reliably estimated.

Provisions are registered at a value representative of the best estimate of the amount the business would pay to discharge the obligation, that is, to transfer it onto a third party at the closing date for the period. If the interest rate discount effect is significant, allocations are determined by discounting future expected cash flows at a pre-tax discount rate that reflects the current market interest rates in relation to the passage of time. When the sum is discounted, the increase in the allocation due to the passage of time is shown as a financial expense.

- ***Employees benefits***

In accordance with Law no. 297/1982, the Provision for Severance Pay - mandatory for all Italian companies – is considered to be a defined benefit plan and is based on, among other things, the working life of employees and the wages earned by the employee during a predetermined period of work. Calculations are based on current regulations and work contracts for all employees. The Group has not arranged for any type of remuneration for liquidations based on shares since employees do not work in exchange for shares nor options on shares. Furthermore, the Group has provided for no incentive plans for employees as instruments to participate in capital.

- ***Revenue***

Revenues are registered in the measure in which economic benefits may be achieved by the group and their relative sum may be accurately calculated. The following specific criteria to identify revenue must always be followed before these are entered into the income statement.
- Services rendered
Revenues for services rendered are entered into the income statement with reference to the stage of completion for the operation and only when the result of the service can be accurately estimated.
- Interest
Is registered as financial income following controls on relative receivable interests (carried out using the effective interest method which accurately discounts back expected future flows based on the expected life of the financial instrument), which are added to the net value of the relative financial assets entered in the financial statements.
- Dividends
Dividends are shown at the time shareholders become entitled to receive payment.

- ***Income taxes***

Income taxes include all taxes calculated on taxable income for companies belonging to the Group. Income taxes are registered in the income statement, except for those relative to items directly credited or debited to a net equity reserve, in which case the tax effect is directly attributed to the net equity reserve. Provisions for taxes which could arise from non-distributed profit transfers from subsidiary companies are carried out only when such profits are really intended for transfer. Other taxes not correlated to income, such as property taxes and taxes on capital, are included in operative costs. Deferred/prepaid taxes are provided for according to the balance sheet liability method. These are calculated on all temporary differences which emerge between the asset and liabilities tax base and the relative accounting values in the consolidated financial statements. Receivable deferred taxes on tax losses and unused tax credits which may be carried forward are entered in the measure with which future tax revenues will be available where they may be recovered. Current and deferred tax assets and liabilities are offset when income taxes are applied by the tax authority and where there is a legal right for them to be offset. Deferred tax assets and liabilities are calculated using expected tax rates in the years when temporary differences cancel out. When financial statements are prepared, income tax for the period for single consolidated businesses are classified under the item "Current liabilities", while deferred/prepaid taxes are conventionally classified as "deferred tax liabilities". Should such a total be comprised of an asset, this is entered under “Prepaid tax assets”. Income tax for the year for each consolidated business is calculated based on the best possible estimate made on the information available and on a reasonable forecast of trends for the year until the end of the tax period.

- ***Profit per share***

In compliance with IAS 33 (paragraph 66) basic profit and diluted profit per share for the financial result for ordinary activities attributable to ordinary equity holders of the parent entity are entered into the income statement. The information is presented based only on consolidated figures as provided for by the abovementioned IAS.

Basic profit per share is calculated by dividing the financial result which is attributable to ordinary equity holders of the parent entity, by the weighed number of ordinary shares in circulation during the year. The number of ordinary shares was increased during the year following the increase in capital resulting from the listing.

- ***Cancellation of financial instruments***

Financial instruments are annulled when the Group no longer has control on contractual rights for financial instruments. This normally takes place when the instrument is sold, or when the financial flows generated by the instrument pass through a third, independent, party.

- ***Derivative financial instruments***

Derivatives in force as at 31 December 2005 are disclosed at fair value, and are designated as hedging instruments since the hedging relationship is formally documented, and periodic verification shows the hedge to be highly effective. When hedging derivatives cover the risk of changes in fair value of the hedged instruments (fair value hedges), they are shown at fair value with the effects posted to the income statement; in the same way, the hedged instruments are sufficient to reflect fair value changes associated with the hedged risk. When derivatives hedge the risk of changes in the cash inflows of the hedged instruments (cash flow hedges), changes in fair value are initially recognised in net equity, and subsequently posted to the income statement, in accordance with the economic effects produced by the hedged item. Changes in the fair value of derivatives which do not meet the conditions to be designated hedging instruments are shown on the income statement.

- ***Use of estimates***

The preparation of the consolidated accounts and related notes according to IFRS requires the Management to use estimates and assumptions that have an effect on the values of the assets and liabilities in the accounts and on the reporting of potential assets and liabilities at the date of the financial statement. Final results could differ from these estimates. Estimates and assumptions are subject to periodic review, and the effects of all changes are immediately reflected in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Note 1) <u>Information per sector</u>

Please see the Director's Report for information required by IAS 14.

Note 2) <u>Intangible assets with a finite life and goodwill</u>

	31/12/2004	increases	decreases	revaluations	31/12/05
Intangible assets with a finite life	9,999	218	(773)		9,444
Goodwill	2,896,391	0	0	0	2,896,391
Total	**2,906,390**	**218**	**(773)**	**0**	**2,905,835**

Intangible assets with a finite life are represented by costs incurred for designing and registering company brands used by the Group, the amortisation period is fixed at 10 years. The decrease is attributable to amortisation for the period.

No losses or restorations of value for intangible assets were registered in equity or the income statement during the course of the year.

Goodwill, generated by the consolidation of the subsidiary Gescom s.r.l., was attributed to the single units which generated the flows (Cash Generating Units or CGU). The latter consist in management activities carried out by the subsidiary Gescom in commercial malls not belonging to the Group, as well as service activities (managing centres and selling spaces) by Gescom in both centres belonging to the Group and those belonging to third parties.

Goodwill broken down by CGU as at 31 December 2005 is found below.

Goodwill	
Centro Leonardo	147,030
Centro Nova	545,625
Città delle Stelle	270,005
Lungo Savio	416,625
San Donà	448,444
San Ruffillo	62,636
Gescom Service	1,006,026
Total	2,896,391

The total figure attributed to each cash generating unit was calculated based on value in use. A projection of cash flows from the financial plan approved by the heads of the company – which covers a three year period – was used for the calculation. The discount rate applied to expected cash flows for the last year of evaluation is equal to 13.01%.

Note 3) <u>Real estate investments</u>

As required by IAS 40, please find a reconciliation of values at the beginning and at the end of the period with a separate reference made to increases and decreases for sales and fair value assessments.

	31/12/2004	increases	decreases	adjustment to fair value	31/12/05
Investment property	529,343,500	40,337,082	0	33,429,418	603,110,000
Total	**529,343,500**	**40,337,082**	**0**	**33,429,418**	**603,110,000**

Increases are primarily due to the purchase of the Hypermarket and 2 medium-sized outlets at the "I Malatesta" shopping centre in Rimini, investments related to the Borgo shopping centre (Bologna) and other minor investments.
No sales are noted for the financial year.

Note 4) <u>Plants and machinery, equipment, improvements to goods belonging to third parties and current assets</u>

	31/12/2005	31/12/2004	difference
Plants and machinery:	405,481	474,062	-68,581
Equipment	144,724	189,077	-44,353
Leasehold improvements	346,441	437,027	-90,586
Assets under construction/acquisiti	57,458,899	12,740,358	44,718,541
Total	**58,355,545**	**13,840,524**	**44,515,021**

The increase in the current assets item is primarily due to advance payments for new investments (see note 35 commitments) and works on shopping centres already owned by the Group.

The decrease in the others item is exclusively made up of amortisation for the year.

Improvements to third party goods are comprised of building works on properties not belonging to the Group and are amortised based on the length of payable lease contracts.

<u>Note 5) Assets for prepaid taxes and liabilities for deferred taxes</u>

PREPAID-DEFERRED TAXES	31/12/2005	31/12/2004	Difference
Assets for prepaid taxes	3,760,287	1,877,228	1,883,059
Deferred tax liabilities	(8,803,607)	(51,877,375)	43,073,768

Please find further details on the items listed above

	31/12/2005	31/12/2004	Difference
Effect on reversal of intangible assets	846,724	834,182	12,542
Tax effect on other items	67,448	37,561	29,887
Effect on measurement of IRS hedges	210,526	44,815	165,711
Effect on shareholders' equity of IPO costs	1,696,609	0	1,696,609
Effect on tax amortisation of goodwill	47,496	0	47,496
Taxable provisions	260,386	214,969	45,417
Available losses to offset future taxable profits	0	745,701	(745,701)
Effect on allocations of variable salary	65,561	0	65,561
Effect on shareholders' equity of IPO costs	565,537	0	565,537
TOTAL PREPAID TAXES	**3,760,287**	**1,877,228**	**1,883,059**

Prepaid tax receivables primarily contain the tax effect of IAS accounts. During the course of the year, the Group made use of approximately € 746 thousands for prepaid taxes on previous tax losses. The abovementioned taxes are listed under the item "Assets for non-current prepaid taxes" as they will be paid during the coming financial years.

DEFERRED TAXES	31/12/2005	31/12/2004	Difference
Accelerated depreciation for tax purposes	2,836,199	2,715,034	121,165
Depreciation of land for tax purposes	4,742,225	2,203,938	2,538,287
Apportioned capital gain	36,297	72,595	(36,298)
Tax effect on real estate fair value of 01.01.04	35,291,425	35,291,425	0
Tax effect on real estate fair value of 31.12.04	6,123,735	6,123,735	0
Tax effect on real estate fair value of 31.12.05	12,452,458	0	12,452,458
Tax effect of reversal of depreciation of real estate investmen	5,145,178	5,145,178	0
Tax effect of reversal of depreciation of real estate investmen	5,333,099	0	5,333,099
Tax effect on other items	0	134,744	(134,744)
Effect on reversal of amortisation of intangible assets	482,305	190,727	291,578
Effect on fair value measurement of asset management	11,093	0	11,093
Tax effect on civil revaluation Law 266/2005	(63,668,556)	0	(63,668,556)
Apportioned capital gain	18,149	0	18,149
Total deferred taxes	**8,803,607**	**51,877,375**	**(43,073,768)**

The Deferred Tax Provision contains both the tax effect for adjustments from Italian accounting principles (used to calculate the tax base subject to tax) to International ones (IAS), both for taxes calculated on prepaid amortisation and on amortisation for lands calculated only when compiling income tax returns. Increases for the year are due to the abovementioned effects. The consistent decrease is due to the reversal of the tax effect on the reassessment which the Parent company, exercising the right as per Law no. 266/2005, carried out in the statutory financial statement prepared according to Italian accounting principles for the item lands and buildings (please see note 28).

Note 6) __Miscellaneous receivables and other non current assets__

	31/12/05	31/12/04	Differences
Advance payment for interest acquisition	4,000,000	0	4,000,000
Taxes receivable	22,438	25,406	(2,968)
From others	55,483	0	55,483
Guarantee deposits	3,000	0	3,000
Total	**4,080,921**	**25,406**	**4,055,515**

The figure primarily refers to the advance payment made to purchase MV S.r.l as part of the undertaking to purchase the Mondovi shopping centre in note 35.

Note 7) __Inventories__

	31/12/2005	31/12/2004	Difference
Inventories	14,018,640	4,479,757	9,538,883

The increase in inventories is due to continuing works at the Centro Leonardo to expand the car park and mall for the share destined for sale (see note 35).

No circumstances which lead to either a devaluation of inventories, or to a reversal of a previously carried out devaluation took place during the course of the year.

Note 8) __Trade and other payables__

Trade payables are interest-free and usually expire within the following month. For terms and conditions on payables to affiliates please see note 31.

	31/12/05	31/12/04	Differences
From customers	5,542,511	5,834,918	(292,407)
provision for bad debts	(2,043,085)	(1,748,726)	(294,359)
Total trade	**3,499,426**	**4,086,192**	**(586,766)**
Parent company	2,225,874	7,426,972	(5,201,098)
Total parent company	**2,225,874**	**7,426,972**	**(5,201,098)**
Associated companies			
Robintur spa	68,458	11,694	56,764
Total associated companies	**68,458**	**11,694**	**56,764**
From others			
Other receivables	8,330	0	8,330
Advances to suppliers	1,861,816	1,163,635	698,181
Total to others	**1,870,146**	**1,163,635**	**706,511**
	7,663,904	**12,688,493**	**(5,024,589)**

The decrease in payables to subsidiaries is primarily due to the decrease in VAT credit to Coop Adriatica società Coperativa a.r.l.
The increase in payables to others refers to invoices which have already been paid for leases for the first quarter of 2006.

A detailed account of movements in the Provision for Doubtful Debts is found below:

CATEGORY	Value as at 31.12.04	Use	Allocations	Value as at 31.12.05
Provision for bad debts Article 7.1 of the Consolidated	21,883	(19,937)	0	1,946
Provision for doubtful debt	25,949	0	0	25,949
Risk provision for default interest	89,994	(41,539)	0	48,455
Provision for Bad Debts	1,610,900	(31,538)	387,373	1,966,735
TOTAL PROVISION FOR BAD DEBTS	**1,748,726**	**(93,014)**	**387,373**	**2,043,085**

Note 9) <u>Other current assets</u>

	31/12/05	31/12/04	Differences
Taxes receivable			
VAT receivable	7,571,066	0	7,571,066
State treasury - IRES	0	1,223	(1,223)
State treasury - IRAP	203	74,384	(74,181)
Total tax credits	**7,571,269**	**75,607**	**7,495,662**
From others			
monthly advances	0	13,858	(13,858)
insurance	4,950	11,090	(6,140)
Gester	0	340,660	(340,660)
Accruals and deferrals	19,270	130,743	(111,473)
Others	5,552,719	9,186	5,543,533
Total others	**5,576,939**	**505,537**	**5,071,402**
Total other current assets	**13,148,208**	**581,144**	**12,567,064**

Current tax assets essentially refer to VAT credit generated by the Group VAT account, while assets to others are for the most part due to the payment of a security deposit for an irrevocable purchase proposal (see note 35).

Note 10) <u>Financial receivables and other current financial assets</u>

As at 31 December 2005 these are for the most part made up as described in the following table.

	31/12/05	31/12/04	Differences
Current financial assets other than fixed assets	35,380,194	0	35,380,194
Associated companies	2,980	0	2,980
Accrued income on financial assets	222,485	0	222,485
Other financial assets	0	8,955	(8,955)
Total other financial assets	**35,605,659**	**8,955**	**35,596,704**

Financial assets held for trading consist in liquidity and similar, short-term monetary instruments, fixed rate investments and alternative investments primarily comprised of fixed rate bonds and securities. All assets are issued in euros and belong to Eurozone (Euro area) counties. Leading ratings agencies rate the Group's portfolio as at 31 December 2005, with ratings no lower than A.

Note 11) <u>Cash and cash equivalents</u>

	31/12/2005	31/12/2004	Difference
Cash and cash equivalents with banks, financial and postal instituti	25,430,267	848,439	24,581,828
Cash	3,942	152	3,790
Total cash and cash equivalents	**25,434,209**	**848,591**	**24,585,618**

The significant increase compared to 31 December 2004 is due to the liquidity tapped by the parent company following the listing which took place on 11 February 2005. Part of this liquidity was used as an equity management investment as discussed in note 10.
Lastly, please note that a Time Deposit contract which will expire within three months is present at the close of the year.

Note 12) <u>Net equity</u>

The Share Capital as at 31.12.05 was composed of no. 282,249,261 shares of € 1 each. The € 105 million increase was the result of the decision made by the Board of Directors on 27 December 2004 to increase share capital with the aim of gaining admittance to listing in the Stock Exchange. The shares are entirely paid up and no options, privileges or limitations to distribute dividends or refund capital exist on these. The Group does not hold any own shares as at the date of the consolidated financial statement.

BREAKDOWN OTHER RESERVES	Reserve before IAS/IFRS adoption	Euro conversion reserve	Merger advance reserve	Profits (losses) entered directly to net assets	Fair Value Reserve	Total other reserves
Balance as at 31.12.04	(36,696,658)	23,113	13,735,610	(49,735)	94,742,080	71,754,410
Capital increase expenses				(7,591,095)		(7,591,095)
Assessment at fair value of real estate investments					16,439,556	16,439,556
Unrealised profits (losses) from adjustment to fair value of derivative hedging instruments				(390,352)		(390,352)
Contracts entered directly to net assets						0
Income taxes				2,827,683		2,827,683
Total profits (losses) for the period entered directly to net assets	0	0	0	(5,153,764)	16,439,556	11,285,792
Profit (losses) for the period						
Balance as at 31.12.05	(36,696,658)	23,113	13,735,610	(5,203,499)	111,181,636	83,040,202

The “*Reserve before IAS/IFRS adoption*” offset the accounts to convert the statutory financial statements to those as per IAS/IFRS accounting standards as at 1 January 2004.
The “*Fair Value Reserve*" is comprised of the fair value assessment for real estate investments.

Note 13) Non current financial liabilities

The item includes fair value as at 31 December 2005 for derivative hedging contracts for € 637,957 and the long term share of variable rate loan contracts with banking system for € 122,408,233. Please see below for further details:

Non current financial liabilities	Interest rate	Deadline	balance at 31.12.05	balance at 31.12.04	Difference
To banks for loans					
Banca Pop.di Verona scarl	Euribor 6 months + 0.49	31/5/2001 - 31/5/2011	12,653,720	15,254,587	(2,600,867)
Intesa BCI spa	Euribor 6 months +0.43	31/5/2001 - 31/5/2011	13,197,811	15,754,481	(2,556,670)
Unicredit Banca Impresa spa/Mediocredito	Euribor 6 months +0.50	5/4/2001 - 5/4/2011	11,620,280	14,202,565	(2,582,285)
Banca Toscana spa Casilino	Euribor + 0.30	31/12/01 - 31/12/2015	25,677,856	27,888,673	(2,210,817)
Banca Toscana spa Casalino	Euribor + 0.30	31/12/01 - 31/12/2013	12,393,948	13,840,069	(1,446,121)
Banca Toscana spa Livorno	Euribor 6 months +0.43	5/4/2001 - 5/4/2011	25,175,208	28,112,640	(2,937,432)
Banca Toscana spa Livorno	Euribor 6 months +0.43	5/4/2001 - 5/4/2011	21,689,410	24,220,120	(2,530,710)
Total			**122,408,233**	**139,273,135**	**(16,864,902)**

The decrease in non-current liabilities compared to 31 December 2004 is due to the payment of instalments in 2005.

They are covered by mortgages taken out on properties as collateral on the loans, subject to the rates shown above.

Note 14) Severance indemnity provision

DESCRIPTION	Balance as at 31.12.04	Use	Allocation	Balance as at 31.12.05
Employee seve	195,845	-66,767	80,067	209,145

The provision increased by approximately € 13 thousand essentially because of the balance between allocations to the income statement – equal to approximately € 80 thousand – and indemnities chiefly paid to a manager who was transferred from the subsidiary Gescom S.r.l to IGD S.p.A. in January 2005.

Note 15) <u>Provision for liabilities and charges</u>

CATEGORY	Value as at 31.12.04	Use	Allocations	Value as at 31.12.05
PROVISIONS FOR FUTURE RISKS AND CHARGES				
Risk provision for legal proceedings - ex Laterizi	64,721	0	0	64,721
Tax provision	151,146	-58,930	0	92,216
Merit pay provision	46,495	-46,495	198,669	198,669
Provision for miscellaneous risks and charges	75,861	0	0	75,861
TOTAL	**338,223**	**-105,425**	**198,669**	**431,467**

Provision for legal proceedings ex Laterizi

The risk provision for legal proceedings ex Laterizi refers to allocations during previous years for risks connected to legal controversies with clients of the Centro Leonardo S.p.A., company merged into IGD in 2001. The money was set aside for eventual liabilities deriving from rulings which are still pending.

Tax provision

The Provision was established to cover tax assessment risks. Its use was due to a payment for an ICI (municipal property tax) assessment in 2001-2002 and was also partly due to an assessment on 2002 income.

One should note that on 25 July 2002, the parent company was informed of a citation (“PVC”) by the Regional Command Nucleus of the Abruzzo Tax Police. The findings gleaned from the report relate to the merged company Did Immobiliare for the years 1999 – 2000 – 2001. According to the Group, these findings are deemed to be unfounded from both a juridical and fiscal point of view, and rejoinders have been prepared and filed to this regard so that the offices involved will not follow up on this report. According to the Directors’ decision, no allocations have been made in that it is reasonable to believe, based in part on assessments carried out by the tax advisors of the parent company, that the citation will have no consequences, and it is quite unlikely that there will be any related liabilities.

Merit pay provision

The Merit pay provision refers to the variable provision due to employees in 2005 based on an estimate of Group results; its use refers to the payment which took place in 2005.

Provision for liabilities and charges

The sum was set aside during previous years for any eventual liabilities deriving from rulings which are still pending with suppliers of the Group.

Note 16) <u>Miscellaneous payables and other non current liabilities</u>

	31/12/05	31/12/04	Differences
Miscellaneous payables and other non current liabilities			
Security deposits to Coop Adriatica	8,207,241	7,058,275	1,148,966
Accruals and deferrals	216,083	236,027	(19,944)
Security deposits to associated parties	3,036,717	6,415,605	(3,378,888)
Advance payment	5,700,000	0	5,700,000
Other liabilities	15,022	15,752	(730)
Total	**17,175,063**	**13,725,659**	**3,449,404**

Security deposits are comprised of sums paid for hypermarket and mall leases. The advance payment refers to a preliminary sales agreement with an unaffiliated company, for current new expansion works for the Mall at the Leonardo shopping centre (see note 35).

Note 17) <u>Current financial liabilities</u>

The item as at 31 December 2005 includes the transfer of the balance of the TCA S.r.l - company which manages the treasury of the Coop Adriatica Group as at 1 January 2005 – clearing account for € 6,966,956 and for the short term share of variable rate loans undertaking with the banking system, which is described in detail below:

	Interest rate	Deadline	balance at 31.12.05	balance at 31.12.04	Difference
Payables to associated company					
TCA's clearing account	3.188		6,966,956	0	6,966,956
Total			***6,966,956***	***-***	***6,966,956***
Payables to Banks					
Unicredit Banca d'impresa - Hot Money				5,000,000	(5,000,000)
Intesa BCI - Ag. Fiera Bologna				122,130	(122,130)
Banca Toscana - Hot money	2.434 360 basis points	9/12/05 - 9/01/06	15,022,312	-	15,022,312
Cassa Risparmio PD RO - Hot Money	2.49 365 basis points	23/12/05 - 23/01/06	10,005,458	-	10,005,458
Banca Pop. Emilia Romagna - Hot Money				10,000,000	(10,000,000)
Banca Pop. Emilia Romagna - Bologna Offices	Euribor 3 months +1.10	until recall	4,124,543	3,018,595	1,105,948
Banca Toscana				13,744,983	(13,744,983)
Carisbo - Agency in Castenaso	Euribor 1 month + 0.925 365 basis points	until recall	4,000,295	7,123,503	(3,123,208)
Total			***33,152,608***	***39,009,211***	***(5,856,603)***
To banks for loans					
Banca Pop.di Verona scarl	Euribor 6 months + 0.49	31/5/2001 - 31/5/11	2,640,747	2,540,244	100,503
Intesa BCI spa	Euribor 6 months +0.43	31/5/2001 - 31/5/11	2,597,627	2,433,903	163,724
Unicredit Banca Impresa/Mediocredito	Euribor 6 months +0.50	5/4/2001 - 5/4/11	2,675,928	2,582,285	93,643
Banca Toscana spa Casalino 2	Euribor 6 months +0.30	31/12/01 - 31/12/13	2,210,817	1,376,438	834,379
Banca Toscana spa Livorno 1	Euribor 6 months +0.43	5/4/2001 - 5/4/11	1,446,120	2,795,890	- 1,349,770
Banca Toscana spa Livorno 2	Euribor 6 months +0.43	5/4/2001 - 5/4/11	2,937,432	2,408,767	528,665
Total			***14,508,671***	***14,137,527***	***371,144***
TOTAL CURRENT FINANCIAL LIABILITIES			***54,628,235***	***53,146,738***	***1,481,497***

The decrease in short term debt is due to the closure of a number of Hot Money loans, while the increase in debts to banks for mortgages is due to the Banca Toscana Livorno loans 1 and 2 for all of 2005, in contrast with what happened in 2004 – the year in which the property was purchased with its relative loan.

Note 18) Trade and other payables

	31/12/05	31/12/04	Differences
Trade	7,867,500	713,890	7,153,610
Total trade	**7,867,500**	**713,890**	**7,153,610**
Parent company	2,089,992	1,335,370	754,622
Total parent company	**2,089,992**	**1,335,370**	**754,622**
Associated companies			
Robintur spa	5,951	5,772	179
Total associated comp	**5,951**	**5,772**	**179**
of which financial		*0*	*0*
Total	**9,963,443**	**2,055,032**	**7,908,411**

Trade payables which do not produce interest are normally paid within the following two month period. "Debts to subsidiaries" are due to the existence of normal invoicing activities for leases.

Note 19) Current tax liabilities

Current liabilities	31/12/05	31/12/04	Differences
Irpef	134,957	71,963	62,994
Additional regional and municipal taxes	14,837	10,209	4,628
IRAP	26,490	118,952	(92,462)
Ires	923,859	0	923,859
Lieu tax related to reassessment - Law 266/2005	20,510,676		20,510,676
City of Bologna concession	29,009	4,117	24,892
Total current liabilities	**21,639,828**	**205,241**	**21,434,587**

The item primarily refers to the lieu tax for assessment Law 266/2005 (please see note 28 as well) and to the IRES payable, deducted from the advance paid.

Note 20) Other current liabilities

Other current liabilities	31/12/05	31/12/04	Differences
Social security and insurance	91,659	56,248	35,411
Accruals and deferrals	52,863	499,452	(446,589)
insurance	57,446	92,638	(35,192)
employees	185,244	120,732	64,512
Guarantee deposits	709,998	842,442	(132,444)
Guarantee deposits	3,533,838	0	3,533,838
Other liabilities	321,149	4,557	316,592
Total other liabilities	**4,952,197**	**1,616,069**	**3,336,128**

The sum refers, for the most part, to security deposits and guarantee deposits paid by retailers to guarantee lease contracts.
Please note that both receivable and payable security deposits produce interest in line with market rates.

Note 21) <u>Revenue</u>

Please find details on revenue from hypermarkets, supermarkets, and malls bellow.

BUILDING	CONTRACT TERMS	EXPIRY DATE	VALUE AS AT 31.12.05	VALUE AS AT 31.12.04	Difference
Owned hypermarkets					
Hypermarket in the Lame Shopping Centre	15	30/06/2018	2,651,218	2,580,907	70,311
Hypermarket in the Borgo Shopping Centre	8	30/06/2011	2,107,659	2,013,983	93,676
Hypermarket in the Esp Shopping Centre	16	30/06/2019	2,163,326	2,132,162	31,164
Hypermarket in the d'Abruzzo Shopping Centre	9	30/06/2012	1,169,280	1,152,436	16,844
Hypermarket in the Porto Grande Shopping Centre	8	30/06/2011	1,153,856	1,137,234	16,622
Hypermarket in the Leonardo Shopping Centre	14	30/06/2017	1,789,168	1,763,394	25,774
Lugo Hypermarket	18	30/06/2021	887,518	874,733	12,785
Hypermarket in the Miralfiore Shopping Centre	18	30/06/2021	1,749,230	1,724,032	25,198
Hypermarket in the Maestrale Shopping Centre	6	30/06/2009	1,196,650	1,179,411	17,239
Hypermarket in the Casilino Shopping Centre in Rom	18	30/06/2021	1,927,599	1,900,551	27,048
Hypermarket in the Le Porte Shopping Centre in Napl	18	25/03/2021	1,913,010	1,889,345	23,665
Hypermarket in the Fonti del Corallo Shopping Centre	18	28/02/2022	1,992,775	1,365,000	627,775
Hypermarket in the I Malatesta Shopping Centre	18	22/12/2023	48,162	0	48,162
Third party hypermarkets				0	
Hypermarket in the Centronova Shopping Centre	6	11/05/2007	3,102,432	3,029,155	73,277
Hypermarket in the S. Donà Shopping Centre	9	30/04/2013	98,586	64,987	33,599
Owned supermarket				0	
Aquileia Supermarket	6	22/07/2008	342,506	337,527	4,979
TOTAL HYPERMARKETS			**24,292,975**	**23,144,857**	**1,148,118**
Owned shopping malls					
Shopping Mall in the Esp Shopping Centre	6	06/11/2006	2,895,658	2,593,573	302,085
Shopping mall in the d'Abruzzo Shopping Centre	6	28/02/2007	2,014,053	1,991,638	22,415
Shopping mall in the Porto Grande Shopping Centre	6	31/12/2010	1,457,847	1,424,734	33,113
Shopping Mall in the Borgo Shopping Centre	6	06/11/2006	2,327,115	2,249,179	77,936
Shopping Mall in the Casilino Shopping Centre	6	30/06/2009	1,579,915	1,557,746	22,169
Shopping Mall in the Le Porte Shopping Centre in Na	6	25/03/2009	3,210,868	3,171,148	39,720
Shopping Mall in the Fonti del Corallo Shopping Cent	6	28/03/2010	2,668,805	1,983,750	685,055
Miralfiore Shop	6	31/12/2006	32,474	32,089	385
Aquileia Shop	6	31/12/2007	27,150	26,828	322
Third party shopping malls					
Shopping Mall in the Centropiave Shopping Centre	6	30/06/2010	2,506,719	2,378,343	128,376
Shopping Mall in the Centronova Shopping Centre	12	11/05/2007	3,171,490	3,056,669	114,821
Shopping Mall in the Centrolame Shopping Centre	2	31/12/2005	29,099	52,105	(23,006)
Shopping Mall in the Centroleonardo Shopping Centre	6	31/12/2006	1,543,567	1,589,066	(45,499)
Shopping Mall in the S. Ruffillo Shopping Centre	6	28/02/2008	389,027	381,143	7,884
Shopping Mall in the Lungo Savio Shopping Centre	6	30/09/2008	1,061,255	1,006,709	54,546
Shopping mall in the Città delle Stelle Shopping Cent	6	31/12/2010	2,008,385	1,910,199	98,186
Shopping Mall in the Le Torri Rodigine Shopping Centre			0	24,980	(24,980)
Shopping Mall in the Occhiobello Shopping Centre			0	24,933	(24,933)
Shopping Mall in the Mediterraneo Shopping Centre	3	31/12/2007	30,380	0	30,380
TOTAL SHOPPING MALLS			**26,953,807**	**25,454,832**	**1,498,975**
OVERALL TOTAL			**51,246,782**	**48,599,689**	**2,647,093**

The most significant increase regards revenues from the Fonti del Corallo shopping centre, since this was purchased during the 2nd quarter of 2004, and therefore was added to revenues for a shorter period of time. Other increases primarily refer to normal contract renegotiation activities.

Note 22) Other income

OTHER INCOME	31/12/05	31/12/04	Differences
Reimbursement of condominium expenses	93,986	178,774	(84,788)
Insurance compensation	0	7,058	(7,058)
Non-operating income	57,215	67,291	(10,076)
Capital gains	0	274,980	(274,980)
Use of Esp shutter fund	18,936	32,537	(13,601)
Revenues from shopping centre administra	1,152,586	970,586	182,000
Revenues from pre-openings and promotio	538,599	980,289	(441,690)
Other misc. revenues	56,449	65,410	(8,961)
TOTAL	**1,917,771**	**2,576,925**	**(659,154)**

The item is primarily comprised of revenue for trade and administrative management for shopping centres belonging both to the Group and third parties.

Note 23) Purchase of materials and outside services

PURCHASE OF MATERIALS AND OUTSIDE SE	31/12/05	31/12/04	Differences
Rental costs	13,136,924	12,537,848	599,076
Restructuring works - Imola	9,517,645	266,862	9,250,783
Utilities	94,082	144,708	(50,626)
Advertisement	19,178	0	19,178
Administration service	267,626	172,755	94,871
Condominium expenses	79,113	57,624	21,489
Insurance	294,912	294,562	350
Honorariums and compensation	1,077,500	599,995	477,505
Maintenance and repair	59,771	70,229	(10,458)
Others	607,824	1,144,275	(536,451)
TOTAL	**25,154,575**	**15,288,858**	**9,865,717**

This item primarily includes rent on properties managed by the Group, and work costs for expanding the car park and mall at the Leonardo shopping centre in Imola.

Note 24) Personnel costs

Please find a detailed breakdown of personnel costs below:

PERSONNEL COSTS	BALANCE AS AT 31.12.05	BALANCE AS AT 31.12.04	DIFFERENCE
Wages and salaries	1,361,053	866,853	494,200
Social security charges	361,386	257,913	103,473
Employee severance pay	80,577	62,226	18,351
Other costs	67,770	49,031	18,739
TOTAL	**1,870,786**	**1,236,023**	**634,763**

The increase is linked to the items “wages and salaries" and "social security charges" and is due to the increase in the average size of the workforce.

The breakdown of personnel per category is as follows:

	31/12/2005	31/12/2004
Managers	4	2
Middle management	4	4
White-collar personnel	29	21
TOTAL	**37**	**27**

Details on Director and Auditor wages for work for the parent company and its subsidiary are found below.

First name and surname	Office held	Period in which office was held	Expiration of term	Payment for office in the company preparing the financial statement
BOARD OF DIRECTORS				
Gilberto Coffari	Chairman	01/01/05-31/12/05	Appr. 2005 statement	25,000
Sergio Costalli	Vice President	01/01/05-31/12/05	Appr. 2005 statement	25,000
Filippo Maria Carbonari	CEO	01/01/05-31/12/05	Appr. 2005 statement	25,000
	General Manager	01/01/05-31/12/05		81,218
	GESCOM SRL Director	01/01/05-31/12/05	Appr. 2007 statement	5,165
Roberto Zamboni	Director	01/01/05-31/12/05	Appr. 2005 statement	20,000
Grazia Margherita Piolanti	Director	01/01/05-12/05/05	Appr. 2005 statement	10,000
	GESCOM SRL Director	01/01/05-31/12/05	Appr. 2007 statement	5,165
Maurizio Filippini	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Fernando Pellegrini	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Massimo Franzoni	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Aristide Canosani	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Riccardo Sabadini	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Fabio Carpanelli	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Mauro Bini	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Lorenzo Roffinella	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Francesco Gentili	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Stefano Pozzoli	Director	01/01/05-31/12/05	Appr. 2005 statement	10,000
Sergio Santi	Director	12/05/05-31/12/05	Appr. 2005 statement	10,000
BOARD OF STATUTORY AUDITORS				
Romano Conti	Chairman, Board of Statutory	01/01/05-31/12/05	Appr. 2005 statement	12,000
Franco Gargani	Regular Auditor	01/01/05-31/12/05	Appr. 2005 statement	8,000
Massimo Lazzari	Regular Auditor	01/01/05-31/12/05	Appr. 2005 statement	8,000
INTERNAL OVERSIGHT COMMITTEE				
Aristide Canosani	Director	01/01/05-31/12/05	Appr. 2005 statement	8,000
Massimo Franzoni	Director	01/01/05-31/12/05	Appr. 2005 statement	8,000
Maurizio Filippini	Director	01/01/05-31/12/05	Appr. 2005 statement	8,000

Note 25) Other operating costs

OTHER OPERATING COSTS	31/12/05	31/12/04	Differences
Taxes	1,709,705	1,613,117	96,588
Contract registration	44,286	38,858	5,428
Capital losses	0	37,436	(37,436)
ordinary contingent liabilities	93,378	110,241	(16,863)
Bad debts provision	335,898	254,570	81,328
Other operating costs	227,886	243,093	(15,207)
TOTAL	**2,411,153**	**2,297,315**	**113,838**

The item is primarily comprised of municipal real estate taxes and the provision for doubtful debts.

Note 26) Fair value change

The item includes fair value adjustments to the real estate investments described in note 3).

Note 27) Financial income and charges

Financial income	31/12/05	31/12/04	Differences
Banking interest earned	1,256,232	4,526	1,251,706
Miscellaneous interest earned	58,628	98,987	(40,359)
Positive IRS spreads	2,810,601	1,804,224	1,006,377
TCA Interest receivable	8,573	0	8,573
Income from securities entered as current assets	994,684	0	994,684
Interest receivable	100,729	0	100,729
Fair value assessment of asset management	33,615	0	33,615
TOTAL	**5,263,062**	**1,907,737**	**3,355,325**

The item primarily consists of IRS differentials, whose increase was due to new derivative hedging contracts for the financial year and fair value assessments as at 31 December 2005 for equity management discussed in note 10).

FINANCIAL EXPENSES	31/12/05	31/12/04	Differences
interest paid on security deposits	332,115	317,249	14,866
Interest payable on Finad/Tca curre	11,025	50,524	(39,499)
Banking interest paid	314,519	564,158	(249,639)
Sundry interest	293	0	293
interest on loans	3,833,173	3,770,935	62,238
Expenses for floating stock securitie	245,241	0	245,241
Negative IRS spreads	4,410,608	3,484,952	925,656
TOTAL	**9,146,974**	**8,187,818**	**959,156**

The item primarily includes interest payable on loans described in Notes 13 and 17, and differences payable on derivative hedging contracts.

Note 28) Income taxes

The main components of income tax for the periods ended as at 31 December 2005 are:

INCOME TAXES	31/12/2005	31/12/2004	Difference
Current taxes	2,422,745	1,129,227	1,293,518
Statutory deferred/prepaid taxes	3,228,530	3,740,377	- 511,847
IAS deferred/prepaid taxes	- 24,846,997	11,556,822	- 36,403,819
TOTAL	**- 19,195,722**	**16,426,426**	**- 35,622,148**

the Parent company decided to avail itself of the faculty provided by Law no. 266/2005 to revalue buildings and lands in the statutory financial statements.
The reassessments lead to fair value adjustments on lands and buildings in the Parent company financial statements for the year, which were drafted in accordance with Italian accounting principles. Specifically, lands and buildings were reassessed at € 170,922,298. The relative lieu tax debt as per law (12%) was paid based on this figure, and totalled € 20,510,676, offset in the tax item in the income statement. At the same time, deferred taxes were also entered under the tax item in the income statement for € 63,668,556, paid on the fair value valuation on real estate investments.

For deferred/prepaid tax calculations please see note 5).

The reconciliation of income taxes applicable on the Group's pre-tax profit, using the current rate, as opposed to actual rates for the periods closed as at 31 December 2005 and 31 December 2004 is found below:

	31/12/05	**31/12/04**
Pre-tax result from individual financial statements	**13,994,974**	**12,515,924**
Theoretical tax liabilities (33% rate)	*4,618,341*	*4,130,255*
Profit shown on Income Statement	13,994,974	12,515,924
Increases:		
2005 financial statement certification expenses	29,840	33,090
goodwill amortisation	162,328	0
bad debts	179,577	261,884
variable salary	198,669	39,213
apportioned capital gain	54,996	54,996
prepaid tax reversal	160,351	0
ICI (municipal property tax)	1,688,189	1,598,393
miscellaneous contingent liabilities	74,212	49,889
other miscellaneous differences	40,977	19,180
Decreases:		
temporary differences:		
2004 financial statement certification expenses	(33,090)	(31,910)
variable salary	(46,495)	(56,053)
apportioned capital gain	0	(274,980)
accelerated depreciation	(485,625)	(1,160,201)
Gescom dividend	(1,007,286)	(950,000)
increase in amortisation	(461,612)	(757,633)
depreciation on land	(6,352,584)	(5,916,612)
Use of deferred taxes for deferred capital gains	(18,149)	0
permanent differences:		
use of taxable risk provision	(50,474)	(44,355)
prepaid taxes	(91,732)	0
use of previous losses	(2,259,702)	(3,439,364)
other miscellaneous differences	(2,501)	(21,716)
Taxable base	**5,774,863**	**1,919,745**
Current taxes for the year	**1,905,704**	**633,516**
Difference between value and cost of production from individual financial statements	**18,082,106**	**17,763,792**
Theoretic IRAP (4.25%)	*768,490*	*756,655*
Difference between value and cost of production	**18,082,106**	**17,763,792**
Costs not relevant for IRAP purposes	726,296	1,536,754
Taxed income	0	0
Untaxed income	(61,198)	(43,106)
Capital allowances	(7,299,821)	(6,674,245)
Deductible costs	(35,591)	(1,193,175)
Non-deductible costs	713,184	284,258
Deductions	(22,058)	-74,966
Income subject to IRAP	**12,102,918**	**11,599,312**
Current IRAP	517,041	495,711

The reconciliation between the nominal tax rate provided for by Italian legislation and the actual rate in the consolidated financial statements is the following:

	2005
Nominal tax rate according to Italian tax regulations	**37.25%**
Non-deductible expenses for IRES purposes	1.01%
Non-deductible expenses for IRAP purposes	0.10%
Tax effect on reassessment - Law 266/2005	-69.09%
Actual consolidated tax rate	**-30.73%**

Note 29) <u>Profit per share</u>

As required by IAS 33, information on figures used to calculated profit and diluted profit per share is provided below.

Please note that the numerator used to calculate basic profit per share was the economic result for the period less the share attributable to third parties. Please also note that no privileged dividends exist, nor does a conversion of privileged shares or other similar effects which would lead to an adjustment of the economic results for holders of ordinary instruments. The weighted average for ordinary shares in circulation, which takes into account the € 105 million capital increase (equal to 105,000,000 shares at a par value of € 1) cashed in on 11 February 2005 was used as the denominator.

Diluted profit per share is equal to profit per share since no ordinary shares exist which might have a diluting effect, and no actions or warrants will be exercised – which could also have the same effect.

	31/12/2005	31/12/2004
Net profit attributable to the parent company's shareholders	81,665,847	25,765,307
Weighted average number of ordinary shares for basic profit per share purposes	249,224,603	177,249,261
Basic profit per share	0.328	0.145
Diluted profit per share	0.328	0.145

No other operations on ordinary shares took place between the date of the financial statement and its preparation.

Note 30) <u>Proposed and paid dividends</u>

The company will propose the distribution of dividends based on the statutory financial statements belonging to the subsidiary which were closed 31 December 2005. The parent company, during the year, provided for the distribution of a dividend of € 0.02 per share for each of the 282,249,261 shares in circulation, for a total value of € 5,644,986, as per the meeting to approve the financial statements as at 31 December 2004, held on 28 April 2005.

Note 31) <u>Information on affiliates</u>

IGD S.p.A., the parent company, owns 100% of Gescom S.r.l. Please find the information required by IAS 24 paragraph 17 below.

	Coop Adriatica	FIN.AD BOLOGNA	Robintur	Sageco	Tca	Unicoop Tirreno	Vignale Imm.	Unicoop Tirreno	Total
ACCOUNTS RECEIVABLE	9,542,347	0	68,458	0	2,980	0	0	0	9,613,785
ACCOUNTS PAYABLE	10,297,233	0	5,884	0	6,967,022	0	3,533,838	3,036,717	23,840,694
REVENUES	19,635,718	15,495	258,743	342,506	25,827	0	7,459,588	5,833,384	33,571,261
COSTS	4,503,022	0	45,936	0	33,968	53,000	83,338	81,943	4,801,206
FIXED ASSETS	35,500,400	0	0	0	0	0	0	0	35,500,400

The IGD Group has financial and economic dealings with its parent company Coop Adriatica, with other companies belonging to the Coop Adriatica Group (Fin.Ad. Bologna S.p.A., Sageco S.p.A., Robintur S.p.A. and TCA S.r.l.), and with several companies belonging to the Unicoop Tirreno Group (Vignale Immobiliare and Ipercoop Tirreno). These transactions are carried out at normal market conditions and assessed at nominal value.
Economic dealings with the parent company Coop Adriatica regard:

- receivable financial and economic dealings to lease properties to used as hypermarkets as well as 1 to be used as a mall;
- payable financial and economic dealings for payable leases of malls invoiced to the parent company;
- payable financial and economic dealings to supply of services in the following fields by the parent company; accounting and financial statements (for the first nine months, legal – tax – insurance, equity, salaries, EDP.
- costs capitalised for the purchase of the hypermarket and medium-sized outlets at the "I Malatesta" shopping centre.

Dealings with TCA s.r.l. exclusively concern financial inflow and outflow operations. TCA s.r.l acts as treasurer for the Coop Adriatica Group.
Dealings with Sageco S.p.A. regard receivable economic and financial dealings for the lease of a supermarket.
Dealings with Robintur S.p.A refer to the lease of a shop which belongs to the company in the Miralfiore shopping centre.
Dealings with Fin.Ad. regard:

- debts for security deposits on lease contracts;
- receivable financial and economic dealings for mall rentals.

Dealings with Ipercoop Tirreno regard:

- debts for security deposits on lease contracts;
- receivable financial and economic dealings for supermarket rentals.

Note 32) Financial risk management

Financial instruments owned by the Group, different from derivatives, include banking loans and on demand and short term bank deposits. These instruments are aimed at funding the Group's operating activities. The Group holds a number of other financial instruments, such as trade assets and liabilities deriving from operations. The Group also carried out derivatives transactions on interest rates. The aim is to manage the interest rate risk created by Group operations and by its funding sources. The main risks generated by financial instruments belonging to the Group are the interest rate risk, the liquidity risk, and the credit risk. The Board of Directors re-examines and agrees to policies to manage said risks, as summarized below. The Group also controls the market price risk created by financial instruments. The accounting criteria used by the Group for hedging derivatives are described in the following note.

Interest rate risk
The Group’s exposure to market risks for variations in the interest rate concerns long term loans with the banking system, whose conditions and expiry dates are registered in Note 17. To manage this risk efficiently, the Group purchases IRS on interest rates, agreeing to an exchange, at specific periodic intervals, of the difference between fixed rate interest

and variable rate interest calculated based on a predefined notional capital. The swaps are designed to cover the underlying securities.

Exchange risks
The Group uses the euro as book money for all its purchase and sales activities.

Price risk
The Group's exposure to price risk is minimal considering that revenue and costs are covered by long term contracts.

Credit risk
The Group only works with well-known, trustworthy clients, and approximately 65% of its revenue derives from transactions with affiliates.

Note 33) Derivative instruments

The Group has entered into derivative contracts for the use of structured products termed interest rate swaps; such contracts fall into the scope of company interest rate risk management and have been entered into to reduce interest rate risks on outstanding loans. Under such contracts, the parties agree to pay or collect, at preset dates, sums determined on the basis of the difference between different interest rates.

Details on such contracts are listed below:

Contract UBM 4°	
Face value	14,202,565.00
Opening date	05/10/2004
Expiry date	05/04/2011
IRS contract length	Every 6 months
Bank rate	6-month Euribor
Client rate	Fixed 3.35%

Contract UBM 5°	
Face value	15,754,482
Opening date	31-mag-05
Expiry date	31-mag-11
IRS contract length	Every 6 months
Bank rate	6-month Euribor
Client rate	3.10%

Contract UBM 6°	
Face value	15,254,587
Opening date	31-mag-05
Expiry date	31-mag-11
IRS contract length	Every 6 months
Bank rate	6-month Euribor
Client rate	3.10%

Contract Monte Paschi Finance 1	
Face value	52,332,760
Opening date	31/12/2004
Expiry date	31/12/2013
IRS contract length	Every 6 months
Bank rate	6-month Euribor
Client rate	3.20%

Contract Monte Paschi Finance 3	
Face value	13,840,069
Opening date	31/12/2004
Expiry date	31/12/2013
IRS contract length	Every 6 months
Bank rate	6-month Euribor
Client rate	3.23%

Contract Monte Paschi Finance 2	
Face value	27,888,673
Opening date	31/12/2004
Expiry date	31/12/2013
IRS contract length	Every 6 months
Bank rate	6-month Euribor
Client rate	3.39%

Note 34) <u>Events after the closing date of the financial statements</u>

At the date of approval, no events took place following the date of the financial statements such as to cause the company to adjust the figures registered in the financial statements or enter elements which were not previously entered.

Note 35) Commitments and risks

The Group has the following commitments to purchase and sell as at 31 December 2005:

- on 23.12.2005 two purchase contracts were signed by affiliates for corporate divisions comprised of company assets and malls in the Le Porte di Napoli, Casilino, Le Fonti del Corallo and Borgo shopping centres. The transfer of the corporate division property and ownership from the seller to purchaser is scheduled starting from 1 January 2006. The purchase cost for the corporate divisions was equal to € 4.4 million.
- preliminary sales agreement, with an unaffiliated company, of the current new expansion works for the Mall at the Leonardo Shopping Centre for a total of approximately € 38 million;
- purchase agreement with an unaffiliated company for the retail park of the “Parco commerciale e per il tempo libero Mondovicino" in Mondovì. Specifically the acquisition, for a total of € 39.5 million, refers to the building which houses the retail park and the company MV s.r.l who will build the mall connected to the retail park;
- preliminary purchase agreement with an unaffiliated company for a shopping centre of approximately 53 thousand m² of SUL in Guidonia. Overall investment will be for approximately € 101,5 million;
- preliminary purchase agreement with an unaffiliated company for an area of approximately 82,000m² in Conegliano (Treviso) to carry out future development projects for € 43 million;
- preliminary purchase agreement with an unaffiliated company for a shopping centre with approximately 14,000 m² GLA in Palermo for approximately € 45.5 million.
- Purchase agreement with an unaffiliated company for a shopping centre with approximately 14,900 m² GLA in Gravinia di Catania for approximately € 53 million.

Furthermore, the Group has also contracted liens as collateral on loans from the banking system for approximately € 322 million and has issued sureties to third parities for various works currently taking place and as payment for real estate leases. As required by IAS 38, please note that no limits exist on using the rights registered under intangible assets. Furthermore, the Group holds no leased goods.

MANAGEMENT AND COORDINATION

One should note that the company is a controlled subsidiary of Coop Adriatica scarl of Villanova di Castenaso (Bologna), and is subject to its management and coordination.
Pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, below is an overview of key figures from the most recent financial statement approved by Coop Adriatica scarl:

	2004	2003
BALANCE SHEET (as per Article 2424 of the Italian Civil Code)		
ASSETS		
A) - ACCOUNTS RECEIVABLE FROM SHAREHOLDERS FOR PAYMENTS STILL OWE	0	0
B) FIXED ASSETS	803,687,264	737,180,287
C) - CURRENT ASSETS	1,986,948,213	1,918,205,009
D) - ACCRUED INCOME AND PREPAID EXPENSES	9,410,582	12,680,663
TOTAL ASSETS	**2,800,046,059**	**2,668,065,959**
LIABILITIES		
A) NET EQUITY	604,373,379	580,938,555
B) - PROVISIONS FOR LIABILITIES AND CHARGES	20,158,261	22,777,121
c) - PROVISION FOR EMPLOYEE SEVERANCE PAY	68,914,350	65,456,748
D) - ACCOUNTS PAYABLE	2,099,038,289	1,992,677,190
E) - ACCRUED LIABILITIES AND DEFERRED INCOME	7,561,780	6,216,345
TOTAL LIABILITIES AND NET EQUITY	**2,800,046,059**	**2,668,065,959**
MEMORANDUM ACCOUNTS	**227,111,622**	**281,944,401**
PROFIT AND LOSS ACCOUNT (as per Article 2425 of the Italian Civil Code)		
A) - VALUE OF PRODUCTION	1,655,628,249	1,577,435,166
B) - COST OF PRODUCTION	-1,650,418,235	-1,577,023,490
C) - FINANCIAL INCOME AND EXPENSES	29,430,121	23,255,739
D) ADJUSTMENTS TO FINANCIAL ASSETS	-1,421,507	-3,039,500
E) EXTRAORDINARY INCOME AND EXPENSES	-2,703,331	-1,002,391
Income taxes for the year	-9,572,853	-9,224,243
PROFIT (LOSS) FOR THE YEAR	**20,942,444**	**10,401,281**

ADJUSTMENT SCHEDULES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS AT 1 JANUARY 2004, AS AT 31 DECEMBER 2004

TRANSITION TO IAS/IFRS STANDARDS

Starting from the first quarter of 2005, Immobiliare Grande Distribuzione (IGD) S.p.A. prepared the consolidated financial statements and other periodic information (quarterly and half-yearly reports) according to Italian accounting principles.

Starting from the quarterly report as at 30 June 2005, IGD began preparing its consolidated reports in accordance with IAS/IFRS.

Having said this, and taking into account the CESR (Committee of European Securities Regulators) Recommendation published on 30 December 2003 with guidelines for the transition to IAS/IFRS for companies listed in the EU, as well as the Issuers' Regulations as modified by CONSOB with Decision no. 14990 dated 14 April 2005, following, among other things, the adoption of International Accounting Standards in interim financial reports, the information required by IFRS 1 is described below. Specifically, said information regards the impact that the conversion to International Accounting Standards (IAS/IFRS) has had on the 2004 financial year, on the equity and the consolidated financial situation, on the consolidated profit and loss account and on the consolidated cash flows presented.

To this purpose we prepared the notes regarding the rules for first-time application of IAS/IFRS (IFRS 1) and the other IAS/IFRS standards selected, including the assumptions of the directors regarding the IAS/IFRS standards and interpretations that will be in force and the accounting policies that will be adopted at the time of drafting the first complete annual financial statement prepared using IAS/IFRS as at 31 December 2005.

As analysed in greater detail further on, IAS/IFRS consolidated balance sheets were obtained by applying the appropriate adjustments and reclassifications to final consolidated figures prepared according to Italian regulations, in order to reflect the changes in presentation, calculation and assessment criteria as required by IAS/IFRS.

Accounting schedules and reconciliations were prepared only as a means to drafting the first complete consolidated financial statement according IAS/IFRS and approved by the European Commission. The adoption of the approved version of IAS 39 did not lead to the application of criteria which is not admitted in the complete version of IAS 39 published by IASB (International Accounting Standards Board). The aforementioned schedules, therefore, do not have comparative figures nor do they have the necessary explanatory notes which are required to truthfully and correctly represent the consolidated balance sheet and income statements belonging to the IGD Group according IAS/IFRS principles.

Adjustments were carried out in conformity to current IAS/IFRS accounting principles. The standardisation process by the Commission and the adjustment and interpretative activities of the official bodies predisposed for this is still currently under way. At the time when the first complete IAS/IFRS consolidated financial statement as at 31 December 2005 is prepared, new IAS/IFRS principles and new IFRIC interpretations may have entered into force, for which an early application is allowed.

For these reasons, the figures presented in the accounting schedules and reconciliations could be subject to changes in order to be used as comparative figures in the first complete consolidated financial statement prepared according to IAS/IFRS.

In order to present the impact of the transition to IAS/IFRS and to conform to the information regulations in paragraphs 39) a) and b) and 40 of IFRS 1 on the impact deriving from the first adoption of IAS/IFRS, the IGD Group followed the example found in the IFRS 1 international accounting principle, and, specifically, in paragraph IG 63.

The impact of the transition to IAS/IFRS derives for the change in accounting principles, and as a result, as required by IFRS 1 these are reflected in initial net equity at the date of transition (1 January 2004). The change to IAS/IFRS lead to estimates previously calculated using Italian accounting principles being maintained, except in cases where the adoption of IAS/IFRS accounting principles required estimates to be calculated using a different method.

STANDARDS OF FIRST-TIME APPLICATION, ACCOUNTING OPTIONS ADOPTED IN THE PHASE OF FIRST APPLICATION OF IAS/IFRS

The calculations of the consolidated balance sheet as at 1 January 2004 and the accounting schedules for the consolidated financial statements as at 31 December 2004 and 20 June 2004 required that the IGD Group make the following choices between the different options provided by IAS/IFRS:

- accounting structure presentation method: the "current/non current" criteria was adopted for the accounting structure of the balance sheet (which is generally applied by trade and industry) while the structure employed for the income statement was used to classify costs given their nature. This lead to a reclassification of historical financial statements prepared according to the structure provided by Legislative Decree 127/1991;
- optional exemptions provided by IFRS 1 for first-time application of IAS/IFRS (1 January 2004):
    - Measurement of property, plant, and equipment, real estate investments and intangible assets at fair value, or alternatively, at revalued cost as a surrogate for cost: real estate investments were assessed at fair value, while intangible assets, plants and machinery and equipment were entered at cost;
    - Business combinations: for the first-time application of IAS/IFRS on all business aggregate applications, the acquisition method provided by IFRS 3 was applied starting 1 January 2004, according to the perspective method. Furthermore, this lead to an interruption of the amortisation process for goodwill and the consolidation differences registered as at 1 January 2004.
    - Recognition and measurement of financial instruments: IAS 32 (financial instruments: disclosing further information in the financial statements) and 39 (Financial instruments: calculation and measurement) are adopted as permitted, in advance starting 1 January 2004 (instead of starting from the financial statement for the years starting from 1 January 2005);
    - Designation date of financial instruments as instruments measured at fair value, through the income statement, or as available for sale: as permitted by IFRS 1, the designation of a financial instrument as a financial activity “measured at fair value in the income statement" or "available for sale" was carried out at the date of the transaction (1 January 2004) instead of the date of the initial measurement as provided for by IAS 39 for the years in question;
    - reversal of financial assets and liabilities: according to IFRS 1, should some financial assets and/or liabilities different from derivatives for transactions which took place prior to 1 January 2004 be reversed according to previous accounting principles, such assets and/or liabilities must not be recognised (and therefore recovered in the financial statements) according to IAS 39 with the exception of cases where information necessary to apply IAS 39 to assets and/or liabilities reversed based on past transactions is already available at the date in which the initial accounting for such transactions took place. The IGD Group did not avail itself of such faculty, and as such, applies the "principle of reversing financial assets/liabilities different from derivatives” in accordance with the perspective method starting 1 January 2004;

- Previously used accounting practices in accounting options as per IAS/IFRS:
  - Measuring tangible and intangible assets: following initial entry at cost, such assets may be measured at cost (and amortised) or at fair value in accordance with IAS 16 and IAS 38. The IGD Group chose to adopt the cost method;
  - Measuring real estate investments: according to IAS 40, a property owned as an investment must be initially entered at cost, including directly attributable accessory charges. Following their purchase, such properties may be assessed at fair value, that is, at cost. The IGD Group decided to adopt the fair value criterion;
  - Financial charges: in order to enter financial charges directly attributable to the purchase, construction or production of a good which can be capitalised into accounts, IAS 23 allows for businesses to apply the appropriate accounting practice, or an alternative accounting practice, which allows for the mandatory capitalisation of financial charges under certain conditions. The IGD Group decided to measure such financial charges in the income statement.

IAS/IFRS ACCOUNTING PRINCIPLES ADOPTED BY THE IGD GROUP

The accounting principles used in preparing the consolidated equity situation as at 1 January 2004 and the accounting schedules in the consolidated financial statements as at 31 December 2004 are the same ones used to draft the consolidated financial statement as at 31 December 2005. For more information please refer to the financial statement.

PRIMARY IMPACT OF IAS/IFRS ON THE OPENING CONSOLIDATED BALANCE SHEET AS AT 1 JANUARY 2004 AND CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2004

The differences which emerged from the application of IAS/IFRS as opposed to Italian accounting principles, as well as the choices made by IGD in terms of accounting options provided by IAS/IFRS as described above lead to a recalculation of accounting figures which had been prepared according to previous Italian regulations on financial statements with a significant impact, in some cases, on net equity and net borrowing for the Group, which may be summarised as follows:

- ***Opening equity situation as at 01.01.04:***

	Italian principles	Adjustments	IAS/IFRS
Net equity:			
- Parent company interest	229,323,626	57,995,687	287,319,313
- minority interest	1,692,953	(9,412)	1,683,541
Total	231,016,579	57,986,275	289,002,854
Net financial indebtedness	130,026,375	88,279	130,114,654

- ***Consolidated financial statement as at 31 December, 2004***

	Italian principles	Adjustments	IAS/IFRS
Net equity:			
- Parent company interest	226,584,714	77,446,154	304,030,868
- minority interest	0	0	0
Total	226,584,714	77,446,154	304,030,868
Net financial indebtedness	191,562,327	135,803	191,698,130
Net profit for the period:			
- Parent company interest	6,273,587	19,491,720	25,765,307
- minority interest	232,535	0	232,535
Total	6,506,122	19,491,720	25,997,842

Specifically, the principle adjustments made to net equity as at 1 January 2004 and 31 December 2004 and on net profits for 2004 may be summarised as follows:

The impact of IAS/IFRS adjustments on net borrowing as at 1 January 2004 and 31 December 2004 may be summarised as follows:

	Net equity as at 01.01.04	Net equity as of 31.12.04
Total amounts (parent company and minority interest) according to Italian principles	231,016,579	226,584,714
less: minority interest	(1,692,953)	0
Parent company interest according to Italian principles	**229,323,626**	**226,584,714**
Adjustments to items according to IAS/IFRS:		
1. Reversal of start-up and capital increase costs	(245,497)	(220,745)
2. goodwill	(1,993,918)	(1,516,832)
3. real estate investments assessment	94,742,080	125,082,630
4. derivative instruments	(88,279)	70,351
Tax effects of reconciliation items	(34,428,111)	(45,969,250)
Minority interest of reconciliation items	9,412	0
Parent company interest according to IAS/IFRS	**287,319,313**	**304,030,868**

	at 1st January 2004:	At 31.12.04
Net financial indebtedness according to Italian principles	130,035,586	191,571,282
Adjustments to items according to IAS/IFRS:		
1. Reversal of start-up and capital increase costs	0	0
2. goodwill	0	0
3. real estate investments assessment	0	0
4. derivative instruments	88,279	135,803
Net financial indebtedness according to IAS/IFRS	130,123,865	191,707,085

Please find comments on the main IAS/IFRS adjustments (whose content was previously outlined) to figures measured according Italian accounting principles below:

1. **Reversal of start-up and capital increase costs:** according to IAS/IFRS start-up and capital increase costs sustained for operations on capital are directly subtracted from net equity reserves at the date of the operation. Other start-up and capital increase costs present no requirements to be entered in intangible assets, and are debited to the income statement. Such accounting practices had the following impact:
   - at 1st January 2004: an € 245,497 deduction in total net assets (€ 236,085 of which belonging to the parent company) gross of a positive tax effect for € 91,448 (to enter assets for prepaid taxes) calculated by the reduction in assets which cannot be capitalised.
   - at 31st December 2004: a decrease in total net equity of € 220,745 gross of a positive tax effect for € 82,228 (to enter assets for prepaid taxes) calculated based on the reduction of assets which may no longer be capitalised. Total pre-tax profit for the year registered an increase of € 24,752 due to lower amortisation (net of the removal of increases for 2004), gross of the relative negative tax effect for € 9,220.

2. **goodwill:** this item is no longer systematically amortised in the income statement, but is subject to controls, carried out on an annual basis at least, in order to identify any

eventual losses in value (impairment test). As such, Cash Generating Units have been identified with the relative goodwill being attributed to them. These have been subjected to the tests.

Specifically, two different types of goodwill were measured separately and entered in the IGD Group financial statements.

- goodwill (as opposed to consolidation) regarding participation in Gescom S.r.l., for which an impairment test was carried out on each single Cash Generating Unit, later assigned a value for the difference in consolidation. The test essentially confirmed the figure obtained according to Italian accounting principles. Applying IFRS 3 on this item therefore had the following impact:
  - at 31st December 2004: an increase in total net pre-tax profit for 2004 (and therefore total equity as at 31 December 2004) of € 190,198 gross of a negative tax effect for € 70,849 (to enter liabilities for deferred taxes).

- goodwill for the purchase of corporate divisions aimed at opening the Centro d'Abruzzo and Porto Grande shopping centres, for which the impairment test was carried out and whose value was calculated together with the value in use for the properties in question, entered under the real estate investments category. The latter are calculated using the fair value method. In accordance with the assessment, the goodwill values mentioned above were reversed, with the following impact:
  - at 1st January 2004: a reduction in total net equity of € 1,993,918 gross of a positive tax effect for € 742,734 (to enter assets for prepaid taxes);
  - at 31st December 2004: a reduction in total net equity of € 1,707,030 gross of a positive tax effect for e 635,869 (to enter assets for prepaid taxes) with a positive effect on total profit before tax for 2004 which can be attributed to the elimination of the € 286,888 amortisation gross of a positive tax effect for € 106,866 (to enter liabilities for deferred taxes):

3. **assessments of real estate investment :** real estate investments belonging to the Group were assessed using the fair value method. Fair value was calculated based on appraisals carried out by an external assessment Company, which was used to calculate the market value of real estate investments belonging to the Group at the date of transition to IAS/IFRS and as at 31 December 2004.

The application of IAS 40 has had the following effects:

- the € 94,742,080 increase in total net profit as at 1 January 2004 is completely attributable to the fair value assessment of real estate investments gross of a negative tax effect for € 35,291,425 (to enter liabilities for deferred taxes).
- the € 125,082,630 increase in total net equity as at 31 December 2004 is attributable to both the fair value assessment of real estate investments and the elimination of amortisation calculated according to Italian accounting principles, gross of a negative tax effect for € 46,593,280 (to enter liabilities for deferred taxes).
- the € 30,340,550 increase in total net equity as at 31 December 2004 is attributable to both the fair value assessment of real estate investments and the elimination of amortisation calculated according to Italian accounting principles, gross of a negative tax effect for € 11,301,855 (to enter liabilities for deferred taxes).

4. **derivative instruments:** according to Italian accounting principles, derivative instruments are normally registered as entries "outside the financial statements" while, according to IAS 39, these must be accounted for in the financial statements

and registered at fair value. Methods for registering accountancy aspects vary according to the final use of the derivative instrument:

- fair value hedge instruments must be entered as assets (liabilities). The derivate and its underlying value are assessed at fair value and respective difference in value (generally tend to balance themselves out) are entered in the income statement;
- cash flow hedges must be entered as assets (liabilities): the derivative is assessed at fair value and differences in values are entered, for the effective hedge, directly in a provision for net equity which is released to the income statement in the financial years in which the underlying cash flows are manifested;
- derivative instruments to manage rate and exchange risks, which do not present the formal requisites to be considered as hedges according to IAS/IFRS are entered in the balance sheet under financial assets/liabilities and differences in value are entered in the income statement.

Derivative instruments held by the IGD Group regard cash flow hedges and have been registered under financial assets (liabilities). The derivative was assessed at fair value and differences in values were entered, for the effective hedge, directly in a provision for net equity which is released to the income statement in the financial years in which the underlying cash flows are manifested;

The entry of derivative instruments at fair value in the financial statements had the following impact:

- at 1st January 2004: an increase in net financial debt of € 88,279 (for the most part attributable to cash flow hedge instruments) and a decrease in total net equity for the same amount, gross of a positive tax effect equal to € 29,132;
- at 31st December 2004: an increase in net financial debt of € 135,803 (primarily attributable to cash flow hedge instruments) and an increase in total net equity of € 70,351, gross of a negative tax effect equal to € 23,216, and with a positive impact equal to € 206,154 on profit before tax (gross of a negative tax effect of € 68,031);

PRIMARY CHANGES MADE TO THE CASH FLOW STATEMENT

The cash flow statement prepared by the IGD Group up until the closing of the financial statements as at 31 December 2004 was aimed at highlighting the Group's net financial surplus or requirements from a change in net financial debt for the period, while the cash flow statement according to IAS 7 tends to highlight the capacity of the IGD Group to generate “cash and cash equivalents”.

According to this principle, other cash equivalents represent short-term financial undertakings with high liquidity which are readily converted into known cash values and are subject to an irrelevant risk of change in their value. As such, a financial undertaking is usually classified as a cash equivalent only when it is short-term, that is when it lasts three months or less from the date of purchase. Financial investments in shares are not part of the cash equivalent category.

Overdraft credit is usually a part of financial assets, except in cases where these are to be repaid on demand and are an integral part of managing cash or cash equivalents in a business. In these cases they classified as a reduction in cash equivalents.

According to IAS 7, the cash flow statement must contain separate entries for cash flows deriving from operations, investment and funding activities:

- **cash flow from operations:** cash flows from operations are primarily connected to activities to produce income and are registered by the IGD Group using the indirect method. According to this method, profit for the year is adjusted for the effects of items which did not lead to transactions, that is did not generate liquidity (operations of a non-monetary nature) such as amortisation, changes in credits and debts, etc.;
- **cash flow from investing activities:** Investing activities are entered separately because these, among other things, register investments/disinvestments carried out with the aim of obtaining future revenues and positive cash flows;
- **cash flow from financial activities:** financial activities are comprised of cash flows which do not lead to a change in net equity and in funds obtained and in their composition.

The cash flow statement for 2004 prepared according to IAS/IFRS is attached below.

CASH FLOW STATEMENT FOR THE YEAR CLOSED ON	31/12/2004
(In Euros)	
CASH FLOW FROM OPERATING ACTIVITIES:	
Profit for the year	25,765,307
Adjustments to reconcile profits for the period to cash flow generated (absorbed) by activity for the period:	
Amortisation and depreciation	368,097
Net difference in (assets) (prepaid) deferred tax provisions	15,297,199
Change in real estate investment fair value	(16,439,556)
(Capital gains)/capital losses from dismissal of non current assets	(274,980)
Changes in inventories	0
Net difference in current assets and liabilities for the year	(4,970,160)
Net difference in non current assets and liabilities for the year	2,960,863
CASH FLOW FROM OPERATING ACTIVITIES (a)	**22,706,770**
Investments in tangible fixed assets	71,980,432
Investments in intangible fixed assets	1,844,125
Amount collected from the sale of tangible and intangible assets	(347,503)
CASH FLOW USED IN INVESTMENT ACTIVITIES (b)	**73,477,054**
Acquisition of financial assets	0
Payments to shareholders and increase in net equity	0
Change in third-party equity	(1,692,953)
Change in equity further to listing charges	0
Distribution of dividends	(9,012,499)
Adjustment of financial receivables and other financial assets to fair value	0
Change in current financial indebtedness	5,432,085
Change in non current financial indebtedness	43,361,822
CASH FLOW FROM FINANCING ACTIVITIES (c)	**38,088,455**
NET CASH FLOW FOR THE PERIOD A - B + C	**(12,681,829)**
BALANCE OF INITIAL NET CASH AND CASH EQUIVALENTS (CURRENT INDEBTEDNESS)	(25,478,791)
TOTAL NET CASH FLOW FOR THE PERIOD	(12,681,829)
BALANCE OF FINAL NET CASH AND CASH EQUIVALENTS (CURRENT INDEBTEDNESS)	(38,160,620)
ADDITIONAL INFORMATION ON CASH FLOW STATEMENT:	
income taxes paid	270,703
interest paid	6,305,134
interest collected	223,180

Balance of cash and cash equivalents with banks, financial and postal institutions	**31/12/2004**
Balance of cash and cash equivalents with banks, financial and postal institutions	2,706,260
Payables to banks (c/a and hot money)	0
Clearing account net financial debt	(28,185,051)
Total Balance of initial cash and cash equivalents (current indebtedness)	**(25,478,791)**

Balance of cash and cash equivalents with banks, financial and postal institutions	**31/12/2004**
Balance of cash and cash equivalents with banks, financial and postal institutions	848,591
Payables to banks (c/a and hot money)	(39,009,211)
Clearing account net financial debt	0
Total Balance of final cash and cash equivalents (current indebtedness)	**(38,160,620)**

IAS/IFRS CONSOLIDATED BALANCE SHEETS AS AT 1 JANUARY 2004 AND 31.12.04, AND IAS/IFRS CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31.12.04.

To supplement the reconciliations of net equity as at 1 January 2004 and 31 December 2004, profit for 2004, net financial debt as at 1 January 2004 and 31 December 2004 along with the notes on adjustments made to the balances prepared in accordance with Italian accounting standards, the schedules for the balance sheets as at 1 January 2004 and 31 December 2004 and the income statement for 2004 are attached below with the following items in listed in single columns:

- values according to Italian accounting principles reclassified in accordance with IAS/IFRS;
- adjustments to adapt to IAS/IFRS principles;
- values according to IAS/IFRS.

CONSOLIDATED BALANCE SHEET AS AT 1st JANUARY 2004 (^)

(In Euros)	**Reclassified Italian Accounting Standards**	**notes**	**IAS/IFRS conversion effects**	**IAS/IFRS Standards**
Non current assets				
Intangible assets				
- Intangible assets with a finite life	256,606	**(a)**	(245,497)	11,109
- Goodwill	3,631,184	**(b)**	(1,993,918)	1,637,266
	3,887,790		(2,239,415)	1,648,375
Tangible assets				
- Real estate investments	344,977,920	**(c)**	94,742,080	439,720,000
- Plant and machinery	594,843			594,843
- Equipment	252,550			252,550
- Leasehold improvements	152,942			152,942
- Assets under construction/acquisition	14,175,253			14,175,253
	360,153,508		94,742,080	454,895,588
Other non current assets				
- Prepaid taxes	2,142,296	**(d)**	863,314	3,005,610
- Miscellaneous receivables and other non current assets	22,031			22,031
	2,164,327		863,314	3,027,641
TOTAL NON CURRENT ASSETS (A)	**366,205,625**		**93,365,979**	**459,571,604**
Current assets:				
Inventories	4,212,895			4,212,895
Trade and other receivables	8,411,624			8,411,624
Other current assets	400,560			400,560
Financial receivables and other current financial assets	69,171	**(*)**		69,171
Cash and cash equivalents	2,706,260	**(*)**		2,706,260
TOTAL CURRENT ASSETS (B)	**15,800,510**		**0**	**15,800,510**
TOTAL ASSETS (A+B)	**382,006,135**		**93,365,979**	**475,372,114**
Net equity:				
Parent Company interest	229,323,626		57,995,687	287,319,313
minority interest	1,692,953		(9,412)	1,683,541
TOTAL NET EQUITY (C)	**231,016,579**		**57,986,275**	**289,002,854**
Non current liabilities:				
Non current financial liabilities	95,911,313	**(*)**		95,911,313
Provision for severance indemnity	166,714			166,714
Deferred tax liabilities	2,432,816	**(e)**	35,291,425	37,724,241
Provisions for future risks and charges	364,234			364,234
Miscellaneous payables and other non current liabilities	10,970,695			10,970,695
TOTAL NON CURRENT LIABILITIES (D)	**109,845,772**		**35,291,425**	**145,137,197**
Current liabilities:				
Current financial liabilities	36,890,493	**(*)**	88,279	36,978,772
Trade and other payables	2,350,674			2,350,674
Current liabilities	140,185			140,185
Other current liabilities	1,762,432			1,762,432
TOTAL CURRENT LIABILITIES (E)	**41,143,784**		**88,279**	**41,232,063**
TOTAL LIABILITIES (F=D + E)	**150,989,556**		**35,379,704**	**186,369,260**
TOTAL NET EQUITY AND LIABILITIES (C+F)	**382,006,135**		**93,365,979**	**475,372,114**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004 (^)

(In Euros)	**Reclassified Italian Accounting Standards**	**notes**	**IAS/IFRS conversion effects**	**IAS/IFRS Standards**
Non current assets				
Intangible assets				
- Intangible assets with a finite life	230,744	**(a)**	(220,745)	9,999
- Goodwill	4,413,223	**(b)**	(1,516,832)	2,896,391
	4,643,967		(1,737,577)	2,906,390
Tangible assets				
- Real estate investments	404,260,870	**(c)**	125,082,630	529,343,500
- Plant and machinery	474,062			474,062
- Equipment	189,077			189,077
- Leasehold improvements	437,027			437,027
- Assets under construction/acquisition	12,740,358			12,740,358
	418,101,394		125,082,630	543,184,024
Other non current assets				
- Prepaid taxes	960,670	**(d)**	916,558	1,877,228
- Miscellaneous receivables and other non current assets	25,406			25,406
	986,076		916,558	1,902,634
TOTAL NON CURRENT ASSETS (A)	**423,731,437**		**124,261,611**	**547,993,048**
Current assets:				
Inventories	4,479,757			4,479,757
Trade and other receivables	12,688,493			12,688,493
Other current assets	581,144			581,144
Financial receivables and other current financial assets	8,955	**(*)**		8,955
Cash and cash equivalents	848,591	**(*)**		848,591
TOTAL CURRENT ASSETS (B)	**18,606,940**		**0**	**18,606,940**
TOTAL ASSETS (A+B)	**442,338,377**		**124,261,611**	**566,599,988**
Net equity:				
Parent Company interest	226,584,714		77,446,154	304,030,868
minority interest	0			0
TOTAL NET EQUITY (C)	**226,584,714**		**77,446,154**	**304,030,868**
Non current liabilities:				
Non current financial liabilities	139,273,135	**(*)**	135,803	139,408,938
Provision for severance indemnity	195,845			195,845
Deferred tax liabilities	4,991,567	**(e)**	46,885,808	51,877,375
Provisions for future risks and charges	338,223			338,223
Miscellaneous payables and other non current liabilities	13,931,813		(206,154)	13,725,659
TOTAL NON CURRENT LIABILITIES (D)	**158,730,583**		**46,815,457**	**205,546,040**
Current liabilities:				
Current financial liabilities	53,146,738	**(*)**		53,146,738
Trade and other payables	2,055,032			2,055,032
Current liabilities	205,241			205,241
Other current liabilities	1,616,069			1,616,069
TOTAL CURRENT LIABILITIES (E)	**57,023,080**		**0**	**57,023,080**
TOTAL LIABILITIES (F=D + E)	**215,753,663**		**46,815,457**	**262,569,120**
TOTAL NET EQUITY AND LIABILITIES (C+F)	**442,338,377**		**124,261,611**	**566,599,988**

(^) the balance sheet figures are in compliance with IAS/IFRS accounting standards currently in force.
(*) item included in net financial indebtedness

CONSOLIDATED INCOME STATEMENT - 2004 (^)

(In Euros)	Reclassified Italian Accounting Standards	notes	IAS/IFRS conversion effects	IAS/IFRS Standards
Revenue	48,690,345		(90,656)	48,599,689
Other income	2,588,536	**(a)**		2,588,536
Total revenues and operating income	**51,278,881**		**(90,656)**	**51,188,225**
Purchase of materials and outside services	(15,288,858)			(15,288,858)
Staff costs	(1,236,023)			(1,236,023)
Other operating costs	(2,287,136)	**(b)**	(10,180)	(2,297,316)
Changes in inventories	266,862			266,862
OPERATING RESULT BEFORE AMORTISATION AND DEPRECIATION, CAPITAL GAIN/LOSSES AND REVALUATIONS/WRITEDOWNS OF NON CURRENT ASSETS	**32,733,726**		**(100,836)**	**32,632,890**
Amortisation and depreciation	(14,871,765)	**(c)**	14,503,668	(368,097)
Capital gains/capital losses from dismissal of non current assets	0			0
Change in real estate investment fair value	0	**(d)**	16,439,556	16,439,556
OPERATING RESULT	**17,861,961**		**30,842,388**	**48,704,349**
Financial income	1,701,583	**(e)**	206,154	1,907,737
Financial charges	(8,187,818)			(8,187,818)
PRE-TAX RESULT	**11,375,726**		**31,048,542**	**42,424,268**
Income taxes for the period	(4,869,604)	**(f)**	(11,556,822)	(16,426,426)
PROFIT FOR THE PERIOD	**6,506,122**		**19,491,720**	**25,997,842**
Attributable to:				
* Parent company profit for the period	6,273,587		19,491,720	25,765,307
* Profit for minority interest for the period	232,535			232,535

(^) the balance sheet figures are in compliance with IAS/IFRS accounting standards currently in force.

NOTES ON THE PRIMARY EFFECTS OF IAS/IFRS ADJUSTMENTS ON THE ITEMS IN THE BALANCE SHEET AS AT 1 JANUARY 2004 AND 31 DECEMBER 2004 AND THE INCOME STATEMENT FOR 2004

The main adjustments carried out are briefly described in the notes supplied as are references to the adjustments included in the reconciliation schedules to net equity values and net profit illustrated previously.

For the impact of the differences regarding financial assets and liabilities included in net financial debt, please see the reconciliation schedule described above.

Balance sheet items - Assets

a. intangible assets with a finite life; such adjustments (-€ 245,497 as at 1 January 2004 and -€ 220,745 as at 31 December 2004) refer to the elimination of certain plant and expansion costs which do not meet the requirements to be entered under intangible assets as per IAS/IFRS (see adjustment no. 1);

b. goodwill; such adjustments include:
   - at 1st January 2004 (-€ 1,993,918): the reversal of goodwill for the purchase of corporate divisions aimed opening the Centro d'Abruzzo and Porto Grande shopping centres (see adjustment no. 2);
   - at 31st December 2004 (-€ 1,516,832): the reversal of goodwill for the purchase of corporate divisions aimed at opening the Centro d'Abruzzo and Porto Grande shopping centres equal to -€ 1,707,030 for the reversal of the goodwilll amortisation for the participation in Gescom S.r.l equal to +€ 190,198 (see adjustment no. 2);

c. real estate investments; such adjustments (+€ 94,742,080 as at 1 January 2004 and +€ 125,082,630 as at 31 December 2004) refer to the fair value assessment for real estate investments owned by the Group and the resulting effects attributable to both the fair value assessment for real estate investments and the elimination of amortisation calculated according to Italian principles (see adjustment no. 3);

d. *prepaid tax assets;* these adjustments (+€ 863,314 at 1 January 2004 and +€ 916,558 at 31 December 2004) reflect the assets offsetting the tax effects of the reconciliation items;

Balance sheet items - Liabilities

e. *deferred tax liabilities;* these adjustments (+€ 35,291,425 at 1 January 2004 and +€ 46,885,808 at 31 December 2004) which reflect the liability offsetting the tax effects of reconciliation items;

Adjustments to items in the consolidated income statements for 2004

a. *revenues*; these adjustments (-€ 90,656) refer to the reversal of a share of revenues regarding a payable entry according to Italian accounting principles derived from the sale of usufruct rights on three shops in the ESP shopping centre in Ravenna which does not meet the requirements for entry under intangible assets according to

IAS/IFRS. The value of such sales have been entered in the fair value assessment of real estate investments belonging to the Group (see adjustment no. 3);

b. *other operating costs*; this adjustment (-€ 10,180) refers to the reversal of increases in plant and expansion costs which, according to IAS/IFRS, do not meet the requirements for entry under intangible assets and have therefore been debited to the income statement;

c. amortisations; these adjustments (-€ 14,503,668) refer to:

- the elimination of the amortisation for plant and expansion costs equal to -€ 34,932 (see adjustment no. 1);
- the elimination of the amortisation for goodwill for the participation in Gescom S.r.l equal to -€ 190,198 (see adjustment no. 2);
- the reversal of goodwill for the purchase of corporate divisions aimed at opening the Centro d'Abruzzo and Porto Grande shopping centres equal to € 286,888 for 2004 (see adjustment no. 2);
- the elimination of amortisation on real estate investments equal to € 13,991,650 for 2004 (see adjustment no. 3);

d. *differences in fair values for real estate investments;* these adjustments (-€ 16,439,556 for 2004) refer to differences attributable to the fair value assessment of real estate investments (se adjustment no. 3);

e. financial income; these adjustments (+€ 206,154 for 2004) refer to the calculation in the financial statement of cash flow hedges and the effects deriving from the entry of the same in assets (liabilities) assessed at fair value (see adjustment no. 4);

f. *income tax for the period*; these adjustments (+€ 11,556,822 for 2004) refer to the calculation of positive and negative net tax effects on the adjustments described above.

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Immobiliare Grande Distribuzione S.p.A.

1. We have audited the consolidated financial statements of Immobiliare Grande Distribuzione S.p.A. (the "Company") and its subsidiaries (the "Immobiliare Grande Distribuzione Group") as of and for the year ended December 31, 2005, comprising the consolidated balance sheet, the consolidated statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. These consolidated financial statements represent the first consolidated financial statements prepared by Immobiliare Grande Distribuzione S.p.A. in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the consolidated financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles. In addition, the explanatory note titled "Adjustment Schedules to International Financial Reporting Standards (IFRS)" of the consolidated financial statements explains the effects of transition to IFRS as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were previously approved by management and published together with the Company's half-year interim financial statements, and which have been audited by us. Reference should be made to our audit report dated October 31, 2005.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of the Immobiliare Grande Distribuzione Group as of December 31, 2005, and for the year then ended in accordance with IFRS as adopted by the European Union.

4. Pursuant to article 2497-bis of the Italian Civil Code, The Company has indicated to be subject to the control and coordination activities of Coop Adriatica S.c.a.r.l., and, therefore, has included in the notes to the financial statements certain selected financial data of the last financial statements of such company. Our opinion on the financial statements of Immobiliare Grande Distribuzione S.p.A. does not cover such selected financial data.

Bologna, March 28 2006

Reconta Ernst & Young S.p.A.
signed by: Andrea Nobili, partner

FINANCIAL STATEMENTS AS AT 31 DECEMBER, 2005

IMMOBILIARE GRANDE DISTRIBUZIONE S.p.A. - VIA AGRO PONTINO, 13 - 48100 RAVENNA

SHARE CAPITAL €282,249,261.00=fully paid-up - Ravenna Economic and Administrative Index (REA) no 88573 - Business Registry of Ravenna, Tax Code/VAT No. 00397420399 – Company belonging to the Coop Adriatica Group

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FINANCIAL STATEMENTS AS AT 31 DECEMBER 2005

BALANCE SHEET (as per Article 2424 of the Italian Civil Code)

	FISCAL YEAR 2005	FISCAL YEAR 2004
ASSETS		
A) – ACCOUNTS RECEIVABLE FROM SHAREHOLDERS FOR PAYMENTS STILL OWED	**0**	**0**
B) FIXED ASSETS		
I - INTANGIBLE FIXED ASSETS		
1) Start-up and capital increase costs	6,085,423	42,598
4) Licensing and trademarks and similar rights	2,506	2,864
5) Goodwill	1,401,870	1,682,244
7) Others	137,547	157,897
TOTAL INTANGIBLE FIXED ASSETS	**7,627,346**	**1,885,603**
II - TANGIBLE FIXED ASSETS		
1) Lands and buildings	566,093,800	368,667,163
2) Plants and machinery	39,674,545	42,087,565
3) Industrial and commercial equipment	62,584	76,329
5) Assets under construction and advances	52,092,062	9,987,335
TOTAL TANGIBLE FIXED ASSETS	**657,922,991**	**420,818,392**
III - FINANCIAL FIXED ASSETS		
1) Shareholdings in:		
a) subsidiaries	7,739,932	7,684,613
d) other companies	1,343	1,343
2) Accounts receivable		
d) others:	4,002,516	2,300
TOTAL FINANCIAL FIXED ASSETS	**11,743,791**	**7,688,256**
TOTAL FIXED ASSETS (B)	**677,294,128**	**430,392,251**
C) - CURRENT ASSETS		
I - INVENTORIES		
3) Work in progress	14,018,640	0

TOTAL INVENTORIES	**14,018,640**	**0**
II - ACCOUNTS RECEIVABLE		
1) Trade receivables due within 12 months	66,583	132,395
2) From subsidiaries within 12 months	1,045,903	973,650
4) From parent companies within 12 months	2,471,858	7,860,181
4 bis) Tax receivables:		
- in less than 12 months	7,571,066	74,257
- in over 12 months	22,602	22,406
4 ter) Prepaid taxes within 12 months	77,150	745,701
5) From others:		
a) to other associated companies within 12 months	399	
5) to others within 12 months	5,505,683	7,611
TOTAL ACCOUNTS RECEIVABLE	**16,761,244**	**9,816,201**
III - FINANCIAL ASSETS OTHER THAN FIXED ASSETS		
6) Other securities	35,346,579	0
TOTAL FINANCIAL ASSETS OTHER THAN FIXED ASSETS	**35,346,579**	**0**
IV - CASH AND CASH EQUIVALENTS		
1) Bank and postal deposits	25,388,559	19,057
3) Cash and cash equivalents	249	139
TOTAL CASH AND CASH EQUIVALENTS	**25,388,808**	**19,196**
TOTAL CURRENT ASSETS (C)	**91,515,271**	**9,835,397**
D) - ACCRUED INCOME AND PREPAID EXPENSES		
Prepaid expenses	400,885	89,564
Deferred charges within 12 months	18,863	18,695
TOTAL ACCRUED INCOME AND PREPAID EXPENSES (D)	**419,748**	**108,259**
TOTAL ASSETS	**769,229,147**	**440,335,907**
LIABILITIES		
A) NET EQUITY		
I – Share capital	282,249,261	177,249,261
II - Sharepremium reserve	76,180,288	28,930,288
III - Revaluation reserve	150,411,622	0
IV - Legal reserve	998,720	696,160
V - Statutory reserves	0	0
VI - Treasury shares reserve	0	0
VII - Other reserves		
1) Euro conversion	23,113	23,113
2) merger	13,735,610	13,735,610
3) accelerated depreciation		
VIII - Profit/losses carried forward	103,649	0
IX - Profit (losses) for the year	7,183,925	6,051,195

TOTAL NET EQUITY (A)	**530,886,188**	**226,685,627**
B) - PROVISIONS FOR LIABILITIES AND CHARGES		
2) Provision for taxes (including deferred taxes)	7,670,640	5,070,118
3) Others	233,712	147,864
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES (B)	**7,904,352**	**5,217,982**
c) - PROVISION FOR EMPLOYEE SEVERANCE PAY	35,409	11,965
TOTAL SEVERANCE INDEMNITY (C)	**35,409**	**11,965**
D) - ACCOUNTS PAYABLE		
4) To banks:		
- in less than 12 months	47,459,458	52,794,433
- in over 12 months	122,408,232	139,273,135
7) Trade payables within 12 months	7,385,426	1,147,530
9) To subsidiaries:		
- in less than 12 months	4,733,879	0
- in over 12 months	10,714	10,714
11) To parent company:		
- in less than 12 months	1,771,832	239,986
- in over 12 months	8,207,241	7,058,275
12) Taxes payable within 12 months	21,586,823	33,267
13) Payables to social secutrity institutions within 12 months	47,750	14,931
14) Other payables:		
a) to other associated companies within 12 months	3,157,195	2,080
5) to others within 12 months	3,615,688	20,935
5) to others in over 12 months	8,736,717	6,415,605
TOTAL ACCOUNTS PAYABLE (D)	**229,120,955**	**207,010,891**
E) - ACCRUED LIABILITIES AND DEFERRED INCOME		
Accrued expenses:	410,391	331,077
Deferred income:		
- in less than 12 months	190,390	176,191
- in over 12 months	681,462	902,174
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME (D)	**1,282,243**	**1,409,442**
TOTAL LIABILITIES AND NET EQUITY	**769,229,147**	**440,335,907**
MEMORANDUM ACCOUNTS		
RISKS ASSUMED		
* Third parties for sureties	11,726,137	8,235,633
COMMITMENTS ASSUMED		
* Interest Rate Swap contracts	139,273,135	74,322,266
TOTAL MEMORANDUM ACCOUNTS	**150,999,272**	**82,557,899**

PROFIT AND LOSS ACCOUNT (as per Article 2425 of the Italian Civil Code)

A) - VALUE OF PRODUCTION		
1) Revenues from sales and services	36,820,357	34,996,637
3) Changes in contract work in progress	9,517,641	0
5)Other revenues and income:	123,794	134,719
TOTAL VALUE OF PRODUCTION (A)	**46,461,792**	**35,131,356**
B) - COST OF PRODUCTION		
6) Raw and ancillary materials and goods	9,517,641	0
7) Services	1,805,070	1,926,408
8) Lease and rental costs	1,448,886	1,387,536
9) Personnel costs:	726,296	193,664
a) wages and salaries	532,479	139,688
b) social security charges	133,202	39,742
c) employee severance pay	27,611	9,770
e) other costs	33,004	4,464
10) Amortisation, depreciation and write-downs	16,202,567	14,096,730
a) amortisation of intangible fixed assets	1,860,992	342,167
b) depreciation of tangible fixed assets	14,341,575	13,754,563
d) write-downs of current receivables	0	0
11) Change in inventories of raw and subsidiary materials, consumables and goods	0	0
12) Provision for risks	0	0
13) Other provisions	0	0
14) Other operating expenses	1,847,552	1,649,836
TOTAL COST OF PRODUCTION (B)	**31,548,012**	**19,254,174**
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	**14,913,780**	**15,877,182**
C) - FINANCIAL INCOME AND EXPENSES		
15) Income from shareholdings	1,007,286	950,000
a) subsidiaries	1,007,286	950,000
16) Other financial income:	5,378,752	1,600,081
a) from securities entered as current assets	994,684	0
b) subsidiaries	1,627	0
b) associated companies	8,573	0
d) revenues other than the above:	4,373,868	1,600,081
17) Interest and other financial charges:	9,176,564	8,136,837
a) subsidiaries	32,993	0
b) parent companies	177,165	176,457
c) associated companies	8,628	403,932
d) from others	8,957,778	7,556,448

17bis) Exchange-rate profits and losses	2	0
TOTAL FINANCIAL INCOME AND EXPENSES (C)	**-2,790,524**	**-5,586,756**
D) ADJUSTMENTS TO FINANCIAL ACTIVITIES	0	0
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS (D)	**0**	**0**
E) EXTRAORDINARY INCOME AND EXPENSES		
20) Income:	0	0
21) Charges:	0	0
TOTAL EXTRAORDINARY ITEMS (E)	**0**	**0**
PRE-TAX RESULT (A-B+/-C+/-E)	**12,123,256**	**10,290,426**
22) Income taxes for the year:		
22a) other current taxes	1,611,328	356,480
22b) deferred (pre-paid) taxes	3,328,003	3,882,751
26) PROFIT (LOSS) FOR THE YEAR	**7,183,925**	**6,051,195**

IMMOBILIARE GRANDE DISTRIBUZIONE S.p.A

Via Agro Pontino n°13 - 48100 Ravenna – Share Capital €282,249,261.00 fully paid-up –- Ravenna Economic and Administrative Index (REA) no. 88573 – Business Registry of Ravenna, Tax Identification Code, and VAT Account no. 00397420399 – Company belonging to the Coop Adriatica Group

NOTES TO THE FINANCIAL STATEMENT AS AT 31 DECEMBER 2005

DESCRIPTION OF BUSINESS

The company is active in the management of shopping centres and hypermarkets leased to its parent company, to companies in the Coop Adriatica Group, and to third parties, as well as in the construction and expansion of large-scale commercial structures.

46.977% of the company's share capital is held by Coop Adriatica scarl.

STRUCTURE AND CONTENTS OF FINANCIAL STATEMENT

The financial statement as at 31 December 2005 has been prepared in accordance with the regulatory standards set forth in the Italian Civil Code, as recently amended by Legislative Decree 6/2003 (the corporate law reform), that provides for the following:

- introduction of the concept of "objective function" which affirms the predominance of substance over form for assets and liabilities as one of the general principles for drafting the financial statement;
- abrogation of "tax interference" and other tax-related entries;
- classification of deferred and prepaid taxes in the structure of the balance sheet and income statement.

The financial statement is made up of the balance sheet, the income statement and the notes, and reflects what is shown by duly kept accounting records.

These Notes have the specific purpose of describing, analysing, and in some cases supplementing the data in the financial statement, providing complementary information necessary to provide a correct and truthful picture of the company's financial, economic, and equity situation and the results of the financial year in question, even when not required by specific legal provisions.

The financial statement is supplemented by additional schedules as required by law or as necessary for a better understanding of the Group's operations.

All figures shown in these Notes are in Euros, except as otherwise indicated.

CRITERIA APPLIED IN THE ASSESSMENT OF BALANCE SHEET ITEMS

The accounting standards and assessment criteria adopted for the preparation of the financial statement as at 31 December 2005 comply with the provisions of the Italian Civil Code. The criteria established by civil legislation have been suitably interpreted and supplemented, when necessary, using accounting standards provided by the National Councils of Accountants and Tax Advisors and revised by OIC.

The company has not made adjustments and provisions exclusively in application of tax regulations, in accordance with regulations previously in force (art. 2426, paragraph 2, of the Italian Civil Code).

Where not specified in detail, the criteria applied when drawing up the financial statement for the year closed on 31/12/2005 do not differ from those applied when drawing up the financial statement for the previous year, in particular as regards assessments and the continued application of the same principles.

The items making up the financial statement were assessed with reference to the general principles of prudence and pertinence, and with the assumption that the company will continue future activity for a period of at least 12 months following the date of the statement, as well as taking into account the objective function of the asset or liability under consideration.

Profits were included among the positive items on the income statement only if realised by the closing date for the period, whereas risks and losses were taken into account even if they became known at a later date.

No unusual cases have rendered it necessary to make recourse to exceptions as per article 2423, paragraph 4 and article 2423-bis, paragraph 2 of the Italian Civil Code.

For additional information required by current legislation which is necessary for the truthful and accurate reporting of the Group's financial situation, see the contents of the Directors' Report.

Specifically, the following assessment criteria have been adopted in the assessment of individual items on the financial statement:

BALANCE SHEET

Intangible assets and amortisation

In accordance with OIC no. 24, the above are entered at the purchase or production cost, including incidental expenses, and amortised directly.

No reassessments or write downs for values were carried out. Amortisation is calculated on the basis of the residual useful life of specific intangible assets.

To be more specific, the primary criteria adopted are the following:

- Start-up and expansion costs are with regard to notary and technician expenses and other expenses related to mergers, distribution, and costs incurred for increases in share capital at the time of listing. These costs are entered under assets with the consent of the Board of Statutory Auditors, in consideration of their long-term use, and are amortised starting the year in which use begins, over a five-year period;
- Concessions, licenses, and trademarks include costs for the creation and registration of the company trademark, and are amortised over a 10-year period representing their future useful life.

- Goodwill paid for the acquisition of corporate divisions for valuable consideration, consisting in authorisations to carry out commercial activities, is entered at cost and amortised over 10 years, starting from the time of use, and are entered in the financial statement with the consent of the Board of Statutory Auditors. The amortisation period, in keeping with the practice adopted in the sector, is justified by the future prospective use of the aforementioned commercial operations;
- Other intangible fixed assets refer to:
  - costs for the renovation of third-party properties, amortised at whichever is lesser, the estimated period of use or the duration of the lease or rental contract, plus the first tacit renewal starting from the financial year the sales outlet became operative;
  - incidental costs incurred in obtaining mid-to-long-term financing, specifically application expenses, lieu tax, and notarisation fees, whose amortisation is determined on the basis of the duration of the loan;

Tangible assets and depreciation

This item consists of assets which will remain permanently among corporate assets. Tangible fixed assets, in accordance with OIC no. 16, are entered at purchase or production cost, including directly attributable incidental expenses, net of depreciation, calculated in accordance with the provisions of art. 2427 no. 1. Fixed assets were partially recalculated, in accordance with Laws no. 413 of 30 December 1991, no. 72 of 19 March 1983, and no. 576 of 2 December 1975, which pertained to reassessment for monetary adjustments. With regard to certain pieces of land, in part classified under buildings, voluntary reassessments were made in past financial years in compliance with regulations previously in force as per art. 2425 of the Italian Civil Code, and also based on a sworn expert appraisal.

Furthermore, the company, in exercising its right in accordance with Law no. 266/2005, reassessed lands and buildings as at 31 December 2004, for an overall total of € 170,922,298.

Specifically, lands were reassessed at € 106,869,435, and buildings were reassessed at € 64,052,863.

The higher values assigned to the goods reassessed – for which calculation the company employed an assessment – were calculated taking into account the productive capacity of the shopping centres and their possible economic use for the company .

The reassessment was carried out based on depreciation calculations for the year on buildings, increasing historical cost and the relative depreciation provision. The administrators deemed this methodology better suited since it allowed for the residual period of the depreciation cycle to remain unvaried for all reassessed goods.

Maintenance costs of a routine nature are entirely charged to the income statement, whereas those which are increasing are allocated to the assets they refer to and depreciated in relation to their remaining useful life.

Assets under construction/acquisition are entered at cost on the basis of progress in work and the invoices received;

Depreciation is calculated on a straight-line by applying ordinary tax rates, considered representative of the remaining useful economic and technical lifespan of the assets they refer to, with the exception of the category of buildings, in which, for the specifically identified properties, only one-half of the ordinary tax rate is applied, as these are also considered representative of the remaining useful economic and technical lifespan of these assets. Rates of depreciation are reduced by 50% for tangible assets acquired during the financial year, in consideration of the lower degree of physical and economic obsolescence, with the exception of the category of buildings and plant systems, for which ordinary fiscal rates are applied from the time the asset became operative.

For the land owned buildings stand on no depreciation was applied due to the lasting nature of their value, which will in all events be monitored through special periodic appraisals by qualified independent experts.

The rates applied are shown in the paragraph regarding comments on assets.

If at the date the financial year comes to a close, the actual market value of the fixed assets should be lastingly inferior to their book value, as determined above, the necessary writedowns are made until the latter is brought into line with the lower value; these writedowns are not carried over to subsequent years if the reasons that generated them cease to exist.

The value of assets which have been sold and the corresponding accumulated depreciation are eliminated from the related balance sheet items and the results are charged to the income statement.

Financial fixed assets

These consist of shareholdings in other companies and are shown at purchase or subscription cost, including incidental expenses that can be directly attributed. For shareholdings in subsidiaries entered at a value exceeding the one which derives from application of the standard set forth in art. 2426 no. 4 of the Italian Civil Code, the motives and reasons are described in the comments to the related item. The purchase cost is adjusted should there be lasting losses in value; the original value is restored should the reasons for this adjustment cease to exist.

Inventories

Inventories are comprised of construction and expansion works destined for sale. Inventories are stated at the lesser of cost and net realisation value. The cost of inventories therefore includes purchase costs, production costs and other directly charged costs. The cost method adopted was that of specific costs.

Accounts receivable and provisions for doubtful debt

Receivables are entered at nominal value and restored to their anticipated collection value through specific risk provisions subtracted from the accounts themselves which are sufficient to cover insolvency risks.

Bonds and securities

Bond and security operations are reported at their settlement date. Financial assets other than fixed assets are assessed as follows:

a) if listed on organised markets in Italy or abroad, at the lesser of purchase cost for subscription, as described above, the market value is determined based on listings on the last working day of the month of December 2005;

b) if not listed on an organised market, at fair value determined by taking other objective elements, such as the market value of other securities listed with similar financial characteristics, over the counter market listings registered by qualified bodies, and the implementation of cash flows based on adequate market rates.

Market price adjustments lead to writedowns in the income statement for a number of securities.

Cash and cash equivalents

These are shown at nominal value.

Accruals and deferrals

Accruals and deferrals are determined on an accrual basis, applying the principle of matching costs and income in relation to time.

Provisions for risks and charges

Allocations to provisions for risks and charges are in connection to anticipated or existing specific losses or liabilities, whose amount or date of occurrence are yet to be determined at the end of the financial year.

These provisions reflect the best estimate possible based on the data available.

Provision for severance pay

This is calculated for all employees on the basis of applicable legislation and work contracts, taking into account their respective seniority, salaries, and the amounts accrued by individual employees.

Accounts payable

Accounts payable are shown on the balance sheet at nominal value, which corresponds to payment value.

Guarantees, commitments, and contingencies

Guarantees and commitments are shown in the memorandum accounts at their contractual value, and contingencies representing probable liabilities are provided for according to matching principles in provisions for risks and charges. Contingencies which represent only possible liabilities are described in the notes, without allocations to the risk provisions.

Interest rate swap contracts

The company has entered into derivative contracts for the use of products termed interest rate swaps; such contracts fall into the scope of company interest rate risk management and have been entered into to cover interest rate risks on outstanding loans. Under such contracts, the parties agree to pay or collect, at preset dates, sums determined on the basis of the difference between different interest rates. The difference in interest rates is entered under financial expenses or income. Derivative contracts which are in effect at the close of the financial year are assessed along with the liabilities they are connected to. Commitments open at the end of the financial year are described in the memorandum accounts.

INCOME STATEMENT

Income and expenses

The above are entered in accordance with the principles of prudence and pertinence. Revenues from services are credited on the basis of when the date payment is due on an accrual basis.

Both income and expenses are entered on an accrual basis and in compliance with the provisions of art. 2425-bis of the Italian Civil Code.

Dividends are entered for the financial year of their accrual, on the basis of the dividend proposed by the Directors of the subsidiary.

Income taxes

Current income tax is provided for on the basis of realistic estimates of taxation resulting from application of the tax regulations in force.

Deferred and prepaid taxes are determined based on the temporary differences between the value attributed to assets and liabilities according to statutory criteria and the value attributed to the same assets or liabilities for tax purposes.

In compliance with the principle of prudence, assets deriving from prepaid tax are not entered unless there is a reasonable certainty that in the years in which related temporary differences are to be paid, taxable income will exceed the sum of the differences which are cancelled out.

The rates used to calculate deferred taxation, which reflects prospective taxation, are the following:

IRES 33,00%

IRAP 4,25%

These rates are the best estimate of applicable tax liabilities in the period of settlement of the account receivable or payable.

With Gescom srl as the consolidated company, the group has exercised the option to employ the national consolidated tax regime pursuant to articles 117 – 129 of the Consolidated Finance Act introduced by Legislative Decree 344 of 2003. One should point out that the increase in share capital which took place in early 2005 led by law to the loss of the subjective requirements established by art. 120 in order to take part in the consolidated tax regime of Coop Adriatica Group. The financial statements reflect the tax-related effects of this choice.

OTHER INFORMATION

All figures shown in these Notes are in Euros, except when otherwise indicated.

Transactions which took place during the financial year with companies in the Group were carried out at normal market conditions, and are assessed at face value and described out further on in these notes. For more information on the nature of the company's business, significant events which have occurred since the end of the financial year, dealings with subsidiaries, parent companies, and affiliates, and on business or geographical areas see the Directors' Report.

Pursuant to article 25 of Legislative Decree 127/91, the annual financial statements are supplemented by the Group consolidated financial statements.

The annual financial statements and the consolidated statements have been reviewed by the auditing firm Reconta Ernst & Young S.p.A..

NOTES ON ITEMS

Below are details and comments on items in the balance sheet and income statement, showing any variations which occurred during the financial year.

B) FIXED ASSETS

B I - INTANGIBLE ASSETS

Balance as at 31.12.05	7,627,346
Balance as at 31.12.04	1,885,603
Difference	**5,741,743**

The table below illustrates the composition of intangible fixed assets, in relation to both historical purchase cost and accrued amortisation:

	Start-up and expansion costs	Licensing and trademarks	Goodwill	Others	Total
Historic cost as at 31.12.04	170,601	3,580	2,803,741	339,711	3,317,633
Accrued amortisation	(128,003)	(716)	(1,121,497)	(181,814)	(1,432,030)
Total as at 01.01.05	**42,598**	**2,864**	**1,682,244**	**157,897**	**1,885,603**
Acquisitions	7,591,095	0	0	11,640	7,602,735
Amortisation and depreciation	(1,548,270)	(358)	(280,374)	(31,990)	(1,860,992)
Writedowns	0	0	0	0	0
Reassesments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Total as at 31.12.05	**6,085,423**	**2,506**	**1,401,870**	**137,547**	**7,627,346**

Start-up and expansion costs primarily consist in:

- costs for the Extraordinary General Meeting of 6 November 2000, which approved both the adoption of new Articles of Association, and a change in the company name, as well as an increase in capital with the transfer of properties from the shareholder Coop Adriatica S.c.a r.l.
- costs related to the merger of the companies Did Immobiliare S.r.l., Iper San Benedetto S.r.l. and Centro Leonardo S.p.A., which became effective on 01.11.01.
- costs for the Extraordinary General Meeting of 26 March 2003, which approved an increase in capital through the transfer of the Afragola shopping centre (Naples) from the new shareholder Coop Toscana Lazio scarl.
- costs for the Ordinary and Extraordinary General Meeting of 16 September 2004, which adopted the amendments to the Articles of Association rendered necessary by the corporate law reform and those related to stock market listing, as well as approving payment of a shareholder dividend.

The increase for the year is due to the capitalization of costs sustained regarding the increase of share capital which took place on 11/02/05 with the company listing for € 7,591,095 and updates to the website for € 11,640.

The item for Licensing and Trademarks is made up of costs incurred for the development and graphic design of the company trademark, and for its registration with the Italian Patent and Trademark Office.

Goodwill consists in the acquisition of corporate divisions for the purpose of opening shopping centres in San Giovanni Teatino and San Benedetto del Tronto.

Other assets refer to: leasehold renovations carried out at some sales outlets within "Galleria Centro Leonardo", incidental costs for loans obtained in 2001 and the website.

The entire amount of the decrease for the year is due to amortisation for the period.

Furthermore, please note that in accordance with the framework agreement dated December 2005, contracts were signed for the acquisition of corporate divisions regarding the shopping malls in Livorno, Casilino, Bologna (Borgo), effective as at 1 January 2006.

B II – TANGIBLE ASSETS

Balance as at 31.12.05	657,922,991
Balance as at 31.12.04	420,818,392
Difference	**237,104,599**

The composition of tangible assets and changes in them are described in the tables below.

	Land and buildings	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Assets under const./acq. and advances**	**Total**
Historic cost as at 31.12.04	418,621,195	64,024,216	200,306	15,720	9,987,335	492,848,772
Reassessment prior to 31.12.04	2,346,054	0	0			2,346,054
Depreciation allowance as at 31.12.04	(52,300,086)	(21,936,651)	(123,977)	(15,720)		(74,376,434)
Total as at 01.01.05	**368,667,163**	**42,087,565**	**76,329**	**0**	**9,987,335**	**420,818,392**
Acquisitions	34,109,248	3,907,091			56,526,177	94,542,516
Divestments and closures						0
Amortisation and depreciation	(6,702,005)	(7,615,038)	(24,532)			(14,341,575)
Use of depreciation allowance	2,858					2.858
Reclassifications	(4,074,051)				(9,947,447)	(14,021,498)
Transfers	3,168,289	1,294,927	10,787		(4,474,003)	0
Reassessment according to Law 266/2005	170,922,298					170,922,.298
Total as at 31.12.05	**566,093,800**	**39,674,545**	**62,584**	**0**	**52,092,062**	**657,922,991**

Specifically, the following increases should be noted:

- Under Land and Buildings, € 31,587,017 related to the acquisition of the Hypermarket and 2 medium-sized outlets at the shopping centre Malatesta in Rimini, € 1,888,517 for lands in the Venetian area and € 245,143 for minor investments regarding the ESP shopping centre (Ravenna), € 164,111 for those at the Borgo (Bologna) shopping centre, € 214,600 for the Lugo Hypermarket and others for a total of € 9,860.
- Under Plant and Machinery, € 3,867,000 related to the acquisition of the Hypermarket and 2 medium-sized outlets at the Malatesta shopping centre in Rimini, and € 40,091 for investments related to the Borgo shopping centre in Bologna.
- Under Assets under construction/acquisition and advance payments from security deposits and advance payments related to the preliminary renewal of agreements for the acquisition of land for € 200,000 and to new preliminary agreements to build shopping centres in Mondovì for € 2,102,000, in Guidonia for € 23,861,654, Conegliano for € 10,861,200 and Palermo for € 4,757,378.

  New investments carried out for the Esp shopping centre for € 46,410, for the expansion of the Borgo mall for € 3,348,863, for the second instalment of the Leonardo shopping centre for € 10,563,419, for the Veneto area for € 625,480, for the transportation network of the Portogrande shopping centre for € 146,773, and for the Centro d'Abruzzo shopping centre for € 13,000 are included under this item.
- The item for transfers includes the reclassification under Buildings for € 2,845,505 and Plants for € 1,286,927, under machinery and equipment for € 18,787 of the investment made for the realisation of the expansion of the Borgo shopping centre which was concluded at the end of November 2005. Furthermore, please note the € 322,784 reclassification to Lands for new investments carried out in the Veneto area.

In accordance with OIC 16, we note that tangible assets are encumbered by liens as detailed in the paragraph on Memorandum Accounts.

Lastly, please note that the company currently has the following purchase and sales commitments:

- preliminary sales agreement, with an unaffiliated party, for current new expansion works for the Mall at the Leonardo shopping centre for a total of approximately € 38 million;
- purchase agreement with an unaffiliated party for the retail park of the "Parco commerciale e per il tempo libero Mondovicino" in Mondovì. Specifically the acquisition, for a total of € 39.5 million, refers to the building which houses the retail park and the company MV srl who will build the mall connected to the retail park;
- preliminary purchase agreement with an unaffiliated party for a shopping centre of approximately 53,000 square meters of SUL in Guidonia. Overall investment will be approximately € 101,5 million;
- preliminary purchase agreement, with an unaffiliated party, of an area of approximately 82,000 m² to carry out future development projects with a total value of € 43 million;
- preliminary purchase agreement, with an unaffiliated party, for a shopping centre with approximately 14,000 m² GLA in Palermo totalling approximately € 45.5 million.
- purchase agreement, with an unaffiliated party, for a shopping centre with approximately 14,000 m² GLA in Gravinia di Catania with a total value of approximately € 53 million.

Furthermore, the Group has taken out mortgages on its own properties as surety for funds allocated by the banking system, with a total value of approximately € 322 million and issued sureties on behalf of third parities for various works currently being carried out and for payment for real estate leases. Please note that, as at 31 December 2005, the Group has taken on no commitments to purchase intangible assets and no limits subsist as to the rights entered under intangible assets. Furthermore, the Group holds no leased assets.

The following rates were used to calculate ordinary depreciation in 2005:

Category	Rate
Land	0,00 %
Buildings	3,00 %
Other buildings	6,00 %
Plumbing system	8,00 %
Electrical, fire prevention, compressed air systems	10,00 %
Heating/air conditioning system	15,00 %
Decor	20,00 %
Computers for plant management	20,00 %
Special communications systems - telephone system	25,00 %
Sound system	25,00 %
Special system	25,00 %
Burglar / alarm system	30,00 %
Miscellaneous and minor equipment	15,00 %
Shop furnishings	15,00 %
Office decor and furnishings	12,00 %
Miscellaneous machinery	15,00 %
Tax meters, electronics machines	20,00 %

The rate applied to the category of buildings amounts to 3% for the year, with the exception of property units made up of a supermarket and a shop (Via Aquileia – Ravenna) for which a rate of 6% was considered more representative of their remaining useful life.

Certain properties are encumbered by liens taken out as security for loans, as described later in these notes. The net book value of the properties encumbered by such liens as at 31.12.05 amounts to € 201,833,186.

With regard to the provisions of article 10 of Italian Law no. 72 dated 19 March 1983, one should report that some assets have been reassessed in accordance with Italian Laws 576/75, 72/83, as well as provisions previously in force (article 2425 of the Italian Civil Code) regarding optional reassessment, as described below:

CATEGORY	Reassessment 576/1975	Reassessment 72/1983	Reassessment 413/1991	Optional reassessment art. 2425 ICC	Reassessment 266/2005	Total	Net values as at 31.12.05
DETAILED REASSESSMENT OF LEONARDO HYPERMARKET LAND AND BUILDINGS							
Land for construction	7,719	36,229	116,014	634,157		794,119	794,119
Land	650	3,816		1,071,789	33,977,464	1,076,255	11,217,191
Building					19,411,232	0	6,054,316
TOTAL REASSESSMENT OF LEONARDO HYPERMARKET	**8,369**	**40,045**	**116,014**	**1,705,945**	**53,388,696**	**1,870,374**	**18,065,626**
DETAILED REASSESSMENT OF ESP SHOPPING CENTRE LAND AND BUILDINGS							
Land		213,772	261,908		48,841,534	49,317,214	36,741,324
Building					27,470,513	27,470,513	18,950,646

TOTAL REASSESSMENT ESP SHOPPING CENTRE	**0**	**213,772**	**261,908**	**0**	**76,312,047**	**76,787,727**	**55,691,970**
DETAILED REASSESSMENT OF LUGO HYPERMARKET LAND AND BUILDINGS							
Land					1,660,962	1,660,962	1,436,732
Building					2,561,056	2,561,056	2,075,211
TOTAL REASSESSMENT OF LUGO HYPERMARKET	**0**	**0**	**0**	**0**	**4,222,018**	**4,222,018**	**3,511,943**
DETAILED REASSESSMENT OF BORGO SHOPPING CENTRE LAND AND BUILDINGS							
Land					11,302,983	11,302,983	9,777,080
Building					4,145,777	4,145,777	3,556,107
TOTAL REASSESSMENT BORGO SHOPPING CENTRE	**0**	**0**	**0**	**0**	**15,448,760**	**15,448,760**	**13,333,187**
DETAILED REASSESSMENT OF LAME HYPERMARKET LAND AND BUILDINGS							
Land					10,588,529	10,588,529	9,159,078
Building					5,215,305	5,215,305	4,198,942
TOTAL REASSESSMENT OF LAME HYPERMARKET	**0**	**0**	**0**	**0**	**15,803,834**	**15,803,834**	**13,358,020**
DETAILED REASSESSMENT OF MIRALFIORE HYPERMARKET LAND AND BUILDINGS							
Land					7,372,373	7,372,373	6,377,102
Building					5,087,216	5,087,216	4,100,201
TOTAL REASSESSMENT OF MIRALFIORE	**0**	**0**	**0**	**0**	**12,459,589**	**12,459,589**	**10,477,303**
DETAILED REASSESSMENT OF MIRALFIORE SHOP LAND AND BUILDINGS							
Land					19,652	19,652	16,999
Building					71,813	71,813	57,820
TOTAL REASSESSMENT OF MIRALFIORE SHOP	**0**	**0**	**0**	**0**	**91,465**	**91,465**	**74,819**
DETAILED REASSESSMENT OF MIRALFIORE OFFICE LAND AND BUILDINGS							
Land					28,400	28,400	25,844
Building					74,552	74,552	63,369
TOTAL REASSESSMENT OF MIRALFIORE OFFICE	**0**	**0**	**0**	**0**	**102,952**	**102,952**	**89,213**
DETAILED REASSESSMENT OF MAESTRALE HYPERMARKET LAND AND BUILDINGS							
Land					1,526,558	1,526,558	1,389,168
Building					4,336,640	4,336,640	3,686,144
TOTAL REASSESSMENT OF MAESTRALE HYPERMARKET	**0**	**0**	**0**	**0**	**5,863,198**	**5,863,198**	**5,075,312**
DETAILED REASSESSMENT OF ABRUZZO SHOPPING CENTRE LAND AND BUILDINGS							
Land					13,174,608	13,174,608	11,988,893
Building					2,318,900	2,318,900	1,971,116
TOTAL REASSESSMENT ABRUZZO SHOPPING CENTRE	**0**	**0**	**0**	**0**	**15,493,508**	**15,493,508**	**13,960,009**
DETAILED REASSESSMENT OF PORTOGRANDE SHOPPING CENTRE LAND AND BUILDINGS							
Land					9,663,912	9,663,912	8,851,868
Building					5,643,628	5,643,628	4,820,289
TOTAL REASSESSMENT PORTOGRANDE SHOPPING CENTRE	**0**	**0**	**0**	**0**	**15,307,540**	**15,307,540**	**13,672,157**
DETAILED REASSESSMENT OF LAND AND BUILDINGS OF A BUILDING IN S.BENEDETTO DEL TRONTO							
Land					9,711	9,711	8,837
Building					52,869	52,869	44,938
TOTAL BUILDING REASSESSMENT	**0**	**0**	**0**	**0**	**62,580**	**62,580**	**53,775**
DETAILED REASSESSMENT OF RAVENNA SUPERMARKET LAND AND BUILDINGS							

Land					175,249	175,249	159,476
Building					716,049	716,049	565,679
TOTAL REASSESSMENT RAVENNA SUPERMARKET	**0**	**0**	**0**	**0**	**891,298**	**891,298**	**725,155**
DETAILED REASSESSMENT OF RAVENNA SHOP LAND AND BUILDINGS							
Land					11,897	11,897	10,826
Building					80,416	80,416	63,529
TOTAL REASSESSMENT RAVENNA SHOP	**0**	**0**	**0**	**0**	**92,313**	**92,313**	**74,355**
DETAILED REASSESSMENT OF AFRAGOLA SHOPPING CENTRE LAND AND BUILDINGS							
Land					4,798,697	4,798,697	4,690,788
Building					6,986,824	6,986,824	6,410,411
TOTAL REASSESSMENT AFRAGOLA SHOPPING CENTRE	**0**	**0**	**0**	**0**	**11,785,521**	**11,785,521**	**11,101,199**
DETAILED REASSESSMENT OF CASILINO SHOPPING CENTRE LAND AND BUILDINGS							
Land					2,690,446	2,690,446	2,650,089
Building					3,518,855	3,518,855	3,254,941
TOTAL REASSESSMENT CASILINO SHOPPING CENTRE	**0**	**0**	**0**	**0**	**6,209,301**	**6,209,301**	**5,905,030**
DETAILED REASSESSMENT OF LIVORNO SHOPPING CENTRE LAND AND BUILDINGS							
Land					3,066,925	3,066,925	3,066,925
Building					4,410,768	4,410,768	4,179,203
TOTAL REASSESSMENT LIVORNO SHOPPING CENTRE	**0**	**0**	**0**	**0**	**7,477,693**	**7,477,693**	**7,246,128**
TOTAL REASSESSMENT	**8,369**	**253,817**	**377,922**	**1,705,945**	**241,012,313**	**189,969,671**	**172,415,201**

B III - FINANCIAL ASSETS

Balance as at 31.12.05	11,743,791
Balance as at 31.12.04	7,688,256
Difference	**4,055,535**

	Situation as at 31/12/04			**Changes in financial year**				**Situation as at 31.12.05**		
Company		**Provision**			**Divestments and coverage of losses**	**Provision for loss**			**Provision**	
	Cost	**Write-downs**	**Net**	**Acquisitions**		**Use**	**Allocations**	**Cost**	**Write-downs**	**Net**
SHAREHOLDINGS IN SUBSIDIARIES										
GESCOM SRL	7,684,613	0	7,684,613	0	0	0	0	7,684,613	0	7,684,613
FORTE DI BRONTOLO CONSORTIUM	0	0	0	55,319	0	0	0	55,,319	0	55,,319
Total	**7,684,613**	**0**	**7,684,613**	**55,319**	**0**	**0**	**0**	**7,739,932**	**0**	**7,739,932**
SHAREHOLDINGS IN OTHER COMPANIES										
COOP Italia SCaRL	1,033	0	1,033	0	0	0	0	1,033	0	1,033
INRES ScaRL	310	0	310	0	0	0	0	310	0	310
Total	**1,343**	**0**	**1,343**	**0**	**0**	**0**	**0**	**1,343**	**0**	**1,343**
ACCOUNTS RECEIVABLE - OTHERS										

ENEL DISTRIBUZIONE SPA	240	0	240	0	0	0	0	240	0	240
MUNICIPALITY OF S.B.T.-SEWER HOOKUP	200	0	200	0	200	0	0	0	0	0
BORELLI ARIANNA	1,550	0	1,550	0	0	0	0	1,550	0	1,550
TELECOM ITALIA SPA	310	0	310	0	0	0	0	310	0	310
HERA COMM SPA	0	0	0	413	0	0	0	413	0	413
M.V. SRL	0	0	0	4,000,000	0	0	0	4,000,000	0	4,000,000
SUNDRIES	0	0	0	3	0	0	0	3	0	3
Total	**2,300**	**0**	**2,300**	**4,000,416**	**200**	**0**	**0**	**4,002,516**	**0**	**4,002,516**
Overall total	**7,688,256**	**0**	**7,688,256**	**4,055,735**	**200**	**0**	**0**	**11,743,791**	**0**	**11,743,791**

The increase in financial assets is due to:

- payment of € 55,319 into the Consortile Fund for the Construction of the Consorzio Forte Brondolo with the objective of carrying out urban works for the future construction of a shopping centre in Chioggia.
- € 4,000,000 advance payment for the preliminary purchase of the company M.V. srl regarding the Mondovì initiative.

The table below describes shareholdings in subsidiaries:

COMPANY NAME	TOTAL AS AT 31.12.05	NET QUITY AS AT 31.12.05	SHAREHOLDING	CAPITAL	RESULTS AS AT 31.12.05	N V. OWN SHARES	% OWNED	NO. of SHARES
GESCOM SRL Via Villanova,29/7 - 40055 VILLANOVA DI CASTENASO (BO)	**7,684,613**	5,937,809	5,937,809	645,000	1,060,302	645,000	100	645,000
TOTAL SUBSIDIARIES	**7,684,613**	**5,937,809**	**5,937,809**	**645,000**	**1,060,302**	**645,000**	**100**	**645,000**

With reference to the shareholding in Gescom s.r.l., the comparison between the value calculated according to the net equity method, pursuant to art. 2426 of the Italian Civil Code, and the value of the shareholding entered on the financial statement as at 31.12.05, is the following:

SHAREHOLDINGS IN SUBSIDIARIES	VALUE ACCORDING TO NET EQUITY METHOD	VALUE ON FIN. STATEMENT AS AT 31.12.05	DIFFERENCE

GESCOM SRL	8,336,172	7,684,613	651,559

Please note that no profit or capital reserves subject to restrictions or limitations for deferred taxes exist for the subsidiary Gescom srl.

Please note that, pursuant to Art. 2426 no. 3 of the Italian Civil Code and Accounting Principle 20, paragraph II, 3.4, the difference of € 651,559 between the acquisition price for the shareholding and its value according to the net equity method is partly attributable to the amortisation of goodwill credited at shareholding acquisition, due to the future growth prospects of the company, and partly to the loss incurred by the subsidiary in 2003, not considered a lasting loss of value, net of the profit for the financial period generated prior to 31 December 2005.

C) – CURRENT ASSETS

I – INVENTORIES

Balance as at 31.12.05	14,018,640
Balance as at 31.12.04	0
Difference	**14,018,640**

The table below illustrates the composition of inventories and movements in inventories:

CATEGORY	Value as at 31.12.04	Reclassifications	Increase	Value as at 31.12.05
WORK IN PROGRESS	0	4,500,999	9,517,641	14,018,640
TOTAL INVENTORIES	**0**	**4,500,999**	**9,517,641**	**14,018,640**

Increases for the year relate to costs sustained for the construction of the second instalment of the Imola mall destined for sale. The "reclassifications" item includes the land in question, which was transferred from the "Land" item for € 4,071,193 and from the “Work in progress” item, equal to € 429,806.

II – ACCOUNTS RECEIVABLE

Balance as at 31.12.05	16,761,244
Balance as at 31.12.04	9,816,201
Difference	**6,945,043**

The following table contains a breakdown of accounts receivable:

	WITHIN 12 MONTHS			IN OVER 12 MONTHS		
DESCRIPTION	**VALUE AS AT 31.12.05**	**VALUE AS AT 31.12.04**	**VARIATION**	**VALUE AS AT 31.12.05**	**VALUE AS AT 31.12.04**	**VARIATION**
Trade receivables	68,904	135,077	-66,173	0	0	0
TOTAL TRADE RECEIVABLES	**68,904**	**135,077**	**-66,173**	**0**	**0**	**0**
less: Doubtful debt provision	-2,321	-2,682	361	0	0	0
TOT. NET TRADE RECEIVABLES	**66,583**	**132,395**	**-65,812**	**0**	**0**	**0**
FROM SUBSIDIARIES	**1,045,903**	**973,650**	**72,253**	**0**	**0**	**0**
GESCOM SRL for invoices to be issued	5,872	23,650	-17,778	0	0	0
GESCOM SRL for ires	24,415	0	24,415			
GESCOM SRL for dividend	1,007,286	950,000	57,286	0	0	0
FORTE DI BRONDOLO CONSORTIUM for invoices to be issued	8,330	0	8,330	0	0	0
FROM PARENT COMPANIES:	**2,471,858**	**7,860,181**	**-5,388,323**	**0**	**0**	**0**
COOP ADRIATICA scarl for VAT	2,397,472	7,808,873	-5,411,401	0	0	0
COOP ADRIATICA scarl for irpeg	442	0	442	0	0	0
COOP ADRIATICA scarl for invoices to be issued	73,944	51,308	22,636	0	0	0
TAX RECEIVABLES	**7,571,066**	**74,257**	**7,496,809**	**22,602**	**22,406**	**196**
State treasury - IRES refund	0	442	-442	15,766	15,682	84
State treasury - IRAP	0	73,815	-73,815	0	0	0
VAT receivable	7,571,066	0	7,571,066	0	0	0
State treasury - ILOR refund	0	0	0	4,345	4,273	72
State treasury - ICI refund	0	0	0	164	164	0
State treasury - corporate tax refund	0	0	0	2,327	2,287	40
PREPAID TAXES:	**77,150**	**745,701**	**-668,551**	**0**	**0**	**0**
prepaid taxes past losses	0	745,701	-745,701	0	0	0
Prepaid taxes for variable salary	30,733	0	30,733			
Prepaid taxes for goodwill	46,417	0	46,417			
TOTAL RECEIVABLES - OTHERS	**5,506,082**	**7,611**	**5,498,471**	**0**	**0**	**0**
FROM ASSOCIATED COMPANIES:	**399**	**0**	**399**	**0**	**0**	**0**
TCA srl for invoices to be issued	399	0	399	0	0	0
ACCOUNTS RECEIVABLE – OTHERS:	**5,505,683**	**7,611**	**5,498,072**	**0**	**0**	**0**
INAIL refund	44	44	0	0	0	0
monthly advances	5,189	2,177	3,012	0	0	0
Others	81,566	34,312	47,254	0	0	0
Guarantee deposits	5,300,000	0	5,300,000			
Miscellaneous	128,870	0	128,870			
less: OPAG transaction provision for ESP shutters	-9,986	-28,922	18,936	0	0	0
TOTAL	**16,738,642**	**9,793,795**	**6,944,847**	**22,602**	**22,406**	**196**

The accounts receivable from the parent company Coop Adriatica primarily consists in VAT credit generated by the Group VAT account partially reimbursed during the year. Please note that no more requirements subsist to participate in the Group VAT account following the listing.

Short-term accounts receivable from the State Treasury refer to VAT and are mainly due to the acquisition of the Hypermarket in Rimini, occurred at year end; whereas mid-to-long-term accounts receivable from the State Treasury consist in corporate taxes, excise licenses, and related interest, as well as IRPEG and ILOR tax credits.

The item Prepaid taxes has decreased in comparison to the previous year, following an adjustment for period taxes.

Other receivables are shown net of a provision called “Opag Esp Shutter Fund” established in 2001 to cover insolvency risks with respect to an amount owed for ESP shopping centre plant systems. The increase is substantially due to the payment of a security deposit further to an irrevocable purchase proposal.

In compliance with art. 2424 paragraph 6 of the Italian Civil Code, no receivables have a due date exceeding five years.

Changes in provisions for doubtful debt are described in the table below:

CATEGORY	Value as at 31.12.04	Use	Allocations	Transfers	Value as at 31.12.05	Difference
DOUBTFUL DEBT PROVISION	1,946	0	0	0	1,946	0
RISK PROVISION FOR DEFAULT INTEREST	736	361	0	0	375	-361
TOTAL DOUBTFUL DEBT PROVISIONS	**2,682**	**361**	**0**	**0**	**2,321**	**-361**

III – FINANCIAL ASSETS OTHER THAN FIXED ASSETS

Balance as at 31.12.05	35.346.579
Balance as at 31.12.04	0
Difference	**35.346.579**

Securities held total € 35,346,579 overall; values are specifically noted as follows.

DESCRIPTION	VALUE AS AT 31/12/2004	INCREASES	DECREASES	PERIOD SPREAD	WRITEDOWN	VALUE AS AT 31/12/2005

CURRENT ASSETS SECURITIES						
GOVERNMENT BONDS	0	13,518,214	8,986,922	94,073	18,025	4,607,340
MUTUAL FUNDS	0	1,306,137	1,306,137		0	0
EUROBONDS TF	0	15,205,422	5,140,900	4,368	66,479	10,002,411
EUROBONDS TV	0	21,603,892	6,356,893	3,899	24,671	15,226,227
EUROBONDS ZC	0	1,508,985		91,100	69,617	1,530,468
HEDGE FUNDS	0	3,980,337			204	3,980,133
TOTAL	**0**	**57,122,987**	**21,790,852**	**193,440**	**178,996**	**35,346,579**

Financial assets held for trading are made up of liquidity and similar, short-term monetary instruments, fixed rate investments and alternative investments (hedge fund up to a maximum limit of 20%). The portfolio is managed by UBS (Italia) spa appointed in March 2005 (management objectives: “USB Personalised Alternatives”). The assets selected are diversified on the European market (Euro division). Primary rating agencies evaluate the risk profile of the management objectives with indexes no lower than A (investment grade).

The initial amount conferred on 3 March 2005 was € 50,000,000, and the average portfolio return was equal to 2.55%.

A comparison between the cost index as at 31 December 2005, and the value entered in the financial statement at the same date highlights a possible surplus value of approximately € 33,615.

Current asset securities are broken down as follows:

DESCRIPTION	CURRENT	NON CURRENT	VALUE AS AT 31/12/2005
CURRENT ASSETS SECURITIES			
GOVERNMENT BONDS	3,000,300	1,607,040	4,607,340
EUROBONDS TF	10,002,411		10,002,411
EUROBONDS TV		15,226,227	15,226,227
EUROBONDS ZC	1,030,176	500,292	1,530,468
HEDGE FUNDS	3,980,133		3,980,133
TOTAL	**18,013,020**	**17,333,559**	**35,346,579**

Bonds and securities expiring within the year following the date of this financial statement are viewed as current, while those expiring after the year as viewed as non current.

IV) – CASH AND CASH EQUIVALENTS

Balance as at 31.12.05	25,388,808
Balance as at 31.12.04	19,196
Difference	**25,369,612**

The following table summarises the Group's cash and cash equivalents and variations thereto:

DESCRIPTION	VALUE AS AT 31/12/2005	VALUE AS AT 31/12/2004	DIFFERENCE
DEPOSITS TO BANK AND POSTAL ACCOUNTS			
BANCA POP.DI RAVENNA SCARL	4,872,487	1,993	4,870,494
INTESA BCI SPA	1,171	0	1,171
BANCA POP.DI VERONA SCARL-GESPRO	760	1,058	-298
UNICREDIT BANCA D'IMPRESA SPA	1,104	11,911	-10,807
BANCA TOSCANA SPA	12,954	0	12,954
CASSA DI RISP. DI PADOVA E ROVIGO SPA	11,645	1,980	9,665
CASSA DI RISP. DI PADOVA E ROVIGO - T.DEPOSIT	15,400,000	0	15,400,000
UBS ITALIA SPA	2,896	0	2,896
UBS ITALIA SPA - C/GESTIONE	4,750,225	0	4,750,225
BANCA DI BOLOGNA SCARL	334,873	0	334,873
POSTAL ACCOUNT	444	2,115	-1,671
TOTAL	**25,388,559**	**19,057**	**25,369,502**
CASH AND VALUABLES			
Management cash account	249	139	110
Management checking account	0	0	0
TOTAL	**249**	**139**	**110**
TOTAL CASH AND CASH EQUIVALENTS	**25,388,808**	**19,196**	**25,369,612**

The total balance of bank accounts as at 31 December 2005 includes accruals. The significant increase compared to 31/12/2004 is due to funds tapped following the listing which took place on 11/02/2005.

D) – DEFERRED CHARGES AND ACCRUED INCOME

Balance as at 31.12.05	419,748
Balance as at 31.12.04	108,259
Difference	**311,489**

The breakdown of this balance sheet item and its variations are shown in the table below:

DEFERRED CHARGES AND ACCRUED INCOME			
CATEGORY	**Value as at 31.12.05**	**Value as at 31.12.04**	**Difference**

IRS interest	153,617	89,564	64,053
Interest on time deposit	24,783	0	24,783
Interest on securities	222,485	0	222,485
TOTAL ACCRUED INCOME	**400,885**	**89,564**	**311,321**
Fees on sureties	10,772	10,604	168
EPRA membership	7,342	7,342	0
Miscellaneous	749	748	1
TOTAL DEFERRED CHARGES	**18,863**	**18,695**	**168**
TOTAL DEFERRED CHARGES AND ACCRUED INCOME	**419,748**	**108,259**	**311,489**

Accrued income as at 31 December 2005 refers to interest accrued on rate swap contracts taken out to cover loans from Unicredit ex Rolo/Mediocredito, interest on time deposit and securities.

Deferred charges as at 31 December 2005 refer primarily to bank commissions for sureties granted for third parties.

In compliance with art. 2427, paragraph 7 of the Italian Civil Code, one should note that there are no deferred charges or accrued income with a duration of over 5 years.

A) – NET EQUITY

CHANGE IN NET EQUITY													
DESCRIPTION	**SHARE CAPITAL**	**SHARE PREMIUM RESERVE**	**REVALUATION RESERVE – LAW 266/05**	**LEGAL RESERVE**	**OTHER RESERVES: VOLUNTARY RESERVES**	**OTHER RESERVES: SHAREHOLDER CONTRIBUTIONS .**	**OTHER RESERVES: EURO CONVERSION**	**OTHER RESERVES: MERGER**	**OTHER RESERVES: ACCEL. DEPRECIATION**	**LOSSES FROM PREVIOUS YEARS**	**PROFIT FROM PREVIOUS YEARS**	**OPERATING RESULT**	**TOTAL**
Total as at 01.01.04	**177,249,261**	**28,930,288**	**0**	**252,072**	**0**	**0**	**23,113**	**13,735,610**	**0**	**0**	**574,833**	**8,881,754**	**229,646,931**
Allocation of 2003 profit				444,088					6,531,049		1,906,617	-8,881,754	0
Dividend payment									-6,531,049		-2,481,450		-9,012,499
Profit for the year												6,051,195	6,051,195
TOTAL AS AT 31.12.04	**177,249,261**	**28,930,288**	**0**	**696,160**	**0**	**0**	**23,113**	**13,735,610**	**0**	**0**	**0**	**6,051,195**	**226,685,627**
Share capital increase	105,000,000	47,250,000											152,250,000
Allocation of 2004 profit				302,560							5,748,635	-6,051,195	0
Dividend payment											-5,644,986		-5,644,986
Reassessment			150,411,622										150,411,622
Profit for the year												7,183,925	7,183,925
TOTAL AS AT 31.12.05	**282,249,261**	**76,180,288**	**150,411,622**	**998,720**	**0**	**0**	**23,113**	**13,735,610**	**0**	**0**	**103,649**	**7,183,925**	**530,886,188**

The Share Capital as at 31.12.05 was made up of no. 282,249,261 shares with a value of € 1 each. The € 105,000,000 increase is due to the decision taken by the Board of Directors on 27.12.04 to increase share capital in order for the company to be listed. This, combined with a premium of € 47,250,000, was entirely paid up on the day of the listing, which took place on 11.02.05.

On 28 April 2005, the Ordinary Shareholders' Meeting of IGD spa approved the payment of dividends amounting to a total of € 5,644,986, equal to € 0.20 per share.

One should point out that coverage of accelerated depreciation and on the land involved is guaranteed by the remaining net equity reserves, with the exception of the legal reserve.

The revaluation reserve, in accordance with Law no. 266/2005, is registered net of the lieu tax, equal to € 20,510,676.

This reserve is untaxed until distributed. No tax was set aside for this reserve since no taxable operations are expected to take place.

As at 31 December 2005, the share capital was held by:

COOP ADRIATICA SCARL	46,977%	132,591,402 shares
UNICOOP TIRRENO SCARL	15,437%	43,569,712 shares
OTHERS	37,586%	106,088,147 shares

In compliance with art. 2427, paragraph 7-*bis*, a detailed itemization of net equity is provided, indicating origin, potential use, and distributability, as well as use in past financial years.

Nature/description €/000	**Amount**	**Potential use**	**Share available**	**Summary of use in years following 01.01.2003**	
				for coverage of losses	**for other reasons**
Share capital	282,249				
Capital reserves:					
Share premium reserve	76,181	A, B	76,181	-	-
Euro conversion reserve	23	A, B	23	-	-
Merger advance reserve	13,736	A, B	13,736	-	-
REVALUATION RESERVE – LAW 266/05	150,412	B	150,412		
Profit reserves:					
Legal reserve	999	B	999	-	-

Profit carried forward	103	C			575
Accelerated depreciation reserve	0	---	---	-	6,531
Total	**523,703**		**241,351**		
Undistributable share			241,351		
Residual distributable share			**0**		

Key:
A: for capital increase. B: for coverage of losses. C: for payment to shareholders

B) - PROVISIONS FOR RISKS AND CHARGES

Balance as at 31.12.05	7,904,352
Balance as at 31.12.04	5,217,982
Difference	**2,686,370**

The composition of provisions for risks and charges and related variations are the following:

CATEGORY	Value as at 31.12.04	Transfers	Use	Increase	Value as at 31.12.05	Difference
TAX PROVISIONS						
Tax provision	151,146	0	58,930	0	92,216	-58,930
Deferred tax provision	4,918,972	0	59,730	2,719,182	7,578,424	2,659,452
TOTAL TAX PROVISIONS	**5,070,118**	**0**	**118,660**	**2,719,182**	**7,670,640**	**2,600,522**
OTHER PROVISIONS						
Risk provision for legal proceedings - ex Laterizi	64,721	0	0	0	64,721	0
Merit pay provision	7,282	0	7,282	93,130	93,130	85,848
Provision for miscellaneous risks and charges	75,861	0	0	0	75,861	0
TOTAL OTHER PROVISIONS	**147,864**	**0**	**7,282**	**93,130**	**233,712**	**85,848**
TOTAL PROVISIONS FOR RISKS AND CHARGES	**5,217,982**	**0**	**125,942**	**2,812,312**	**7,904,352**	**2,686,370**

Primary variations during 2004 are due to:

- the partial use of the Tax Provision for an ICI assessment in 2001 and 2002 on the Imola and Livorno buildings.
- an increase in the Deferred Tax Provision for taxes calculated on accelerated depreciation

and depreciation of land belonging to buildings, carried out during 2005 for tax purposes only

- the use of the Merit Pay Provision for the payment of the 2004 share and its increase for the estimated 2005 share.

One should note that on 25 July 2002, the parent company was informed of a citation (“PVC”) by the Headquarters of the Regional Tax Squad of the Abruzzo Finance Police. The findings gleaned from the report relate to the merged company Did Immobiliare for the years 1999 – 2000 – 2001.

These findings are deemed to be unfounded from both a juridical and fiscal point of view, and rejoinders have been prepared and filed to this regard so that the offices involved will not follow up on this report. No allocations have been made in that it is reasonable to believe, based in part on assessments carried out by the tax advisors of the parent company, that the citation will have no consequences, and it is quite unlikely that there will be any related liabilities.

C) – SEVERANCE PAY

The variations for the period are the following:

PROVISION FOR SEVERANCE PAY	
DESCRIPTION	**TOTAL**
BALANCE AS AT 31/12/04	**11,965**
ALLOCATION FOR THE YEAR	27,611
SEVERANCE PAY TRANSFERRED	4,875
used for IVS	-2,240
used for Previcooper	-228
used for managers’ fund	-5,165
11% IRPEF	-49
INDEMNITIES PAID	-1360
BALANCE AS AT 31.12.05	**35,409**

There were the following variations in the number of company employees:

	31/12/2004	Increase	Decrease	31/12/2005
Managers	1	2	0	3
Middle management	1	0	0	1
White-collar personnel	2	7	0	9

D) – ACCOUNTS PAYABLE

Balance as at 31.12.05	229,120,955
Balance as at 31.12.04	207,010,891
Difference	**22,110,064**

Variations and time of payment are summarised in the table below:

	WITHIN 12 MONTHS			IN OVER 12 MONTHS		
DESCRIPTION	**VALUE AS AT 31.12.05**	**VALUE AS AT 31.12.04**	**VARIATION IN EUROS**	**VALUE AS AT 31.12.05**	**VALUE AS AT 31.12.04**	**VARIATION IN EUROS**
Payables to banks	**30,594,127**	**38,656,906**	**-8,062,779**	**0**	**0**	**0**
Unicredit Banca d'impresa spa - Hot money	0	5,000,000	-5,000,000	0	0	0
Cassa Risparmio di Padova e Rovigo spa - Hot money	10,000,000	0	10,000,000			
Pop. Emilia Romagna scarl - Hot money	0	10,000,000	-10,000,000	0	0	0
Pop. Emilia Romagna scarl	1,593,832	3,018,595	-1,424,763	0	0	0
Intesa Bci spa	0	122,130	-122,130	0	0	0
Carisbo spa	4,000,295	6,771,198	-2,770,903	0	0	0
Banca Toscana spa	15,000,000	13,744,983	1,255,017	0	0	0
To banks for loans	**16,865,331**	**14,137,527**	**2,727,804**	**122,408,232**	**139,273,135**	**-16,864,903**
Banca Pop.di Verona scarl	2,601,296	2,540,244	61,052	12,653,720	15,254,587	-2,600,867
Intesa BCI spa	2,556,670	2,433,903	122,767	13,197,811	15,754,481	-2,556,670
Unicredit Banca d'impresa spa/Mediocredito	2,582,285	2,582,285	0	11,620,280	14,202,565	-2,582,285
Banca Toscana spa/Casilino 1	2,210,817	0	2,210,817	25,677,856	27,888,673	-2,210,817
Banca Toscana spa/Casilino 2	1,446,120	1,376,438	69,682	12,393,948	13,840,069	-1,446,121
Banca Toscana spa/Livorno 1	2,937,432	2,795,890	141,542	25,175,208	28,112,640	-2,937,432
Banca Toscana spa/Livorno2	2,530,711	2,408,767	121,944	21,689,409	24,220,120	-2,530,711
Trade payables	**7,385,426**	**1,147,530**	**6,237,896**	**0**	**0**	**0**
To subsidiary Gescom s.r.l.	**4,733,879**	**0**	**4,733,879**	**10,714**	**10,714**	**0**
Invoices to be received	4,705	0	4,705	0	0	0
VAT liabilities	332,272	0	332,272	0	0	0
Clearing account	4,396,902	0	4,396,902	0	0	0
Security deposit on rentals	0	0		10,714	10,714	0
To parent company Coop Adriatica	**1,771,832**	**239,986**	**1,531,846**	**8,207,241**	**7,058,275**	**1,148,966**
Invoices	961,384	151	961,233	0	0	0
Invoices to be received	810,448	239,835	570,613	0	0	0
Security deposits on rentals	0	0	0	8,207,241	7,058,275	1,148,966

Payables to tax authorities	**21,586,823**	**33,267**	**21,553,556**	**0**	**0**	**0**
Ires for professionals and ongoing coordinated freelance work	43,319	12,872	30,447	0	0	0
Ires employees and reassessment of severance pay	47,247	14,332	32,915	0	0	0
Additional regional and city taxes for employees	5,189	1,557	3,632	0	0	0
Additional regional and city taxes for ongoing coordinated freelance work	1,034	389	645	0	0	0
IRAP	26,490	0	26,490	0	0	0
Ires	923,859	0	923,859	0	0	0
Concess. Municipality of Afragola (Na)	29,009	4,117	24,892	0	0	0
Lieu tax for reassessment L. 266/2005	20,510,676	0	20,510,676	0	0	0
To social security institutions	**47,750**	**14,931**	**32,819**	**0**	**0**	**0**
INPS for ongoing coordinated freelance work	10,500	4,243	6,257	0	0	0
INPS for employees	37,242	10,201	27,041	0	0	0
INAIL for ongoing coordinated freelance work	8	0	8	0	0	0
INAIL for employees	0	487	-487	0	0	0
Other accounts payable						
To associated company Tca srl	**3,154,827**	**0**	**3,154,827**	**0**	**0**	**0**
To associated company Robintur spa	**2,368**	**2,080**	**288**	**0**	**0**	**0**
To others:	**3,615,688**	**20,935**	**3,594,753**	**8,736,717**	**6,415,605**	**2,321,112**
Consideration	61,059	13,687	47,372	0	0	0
Insurance premiums to be paid	4,275	2,775	1,500	0	0	0
Preliminary agreements	0	0	0	0	0	0
To shareholders for dividends	342	345	-3	0	0	0
Advance payment on preliminary agreement	0	0	0	5,700,000	0	5,700,000
Security deposits on rentals	3,535,646	1,808	3,533,838	3,036,717	6,415,605	-3,378,888
Other accounts payable	14,366	2,320	12,046	0	0	0
TOTAL	**89,758,051**	**54,253,162**	**35,504,889**	**139,362,904**	**152,757,729**	**-13,394,825**

One should note that, in compliance with art. 2424 paragraph 6 of the Italian Civil Code, there are no accounts payable in over five years, except those to banks.

As shown in the table, short-term indebtedness went from approximately € 54.2 million to € 89.7 million with a net increase of approximately € 35.5 million primarily due to the “Trade payables” item, “Payables to subsidiary”, for the opening of the clearing account, “Taxes payable” for the lieu tax related to the reassessment, “Payable to TCA srl”, company belonging to the Coop Adriatica Group that was entrusted with the management of the treasury starting 1 January 2005. A current account for correspondence was opened for this service, with an average payable interest rate of 3.188% and a receivable interest rate of 2.125%. Medium to long term borrowing went from € 153 million to € 139 million as a result of the short term transfer of the instalments for loans and security deposits to be reimbursed.

The € 5,700,000 increase under advance payment relates to the preliminary sales agreement for expansion works currently under construction for the Imola mall.

Please note that the relation with TCA srl matured receivable interest for € 8,573, and payable interest for € 8,628.

Accounts payable to banks for loans are detailed in the table below:

ISSUER	ORIGINAL VALUE	AVERAGE RATE %	SHORT-TERM QUOTA	1 – 5 YEAR QUOTA	QUOTA AFTER 5 YEARS	TOTAL AS AT 31.12.05
Banca Pop.di Verona scarl	25,822,845	2,73	2,601,296	12,653,720	0	15,255,016
Intesa BCI spa	25,822,845	2,67	2,556,670	13,197,811	0	15,754,481
Unicredit B.Impesa/Mediocredito	25,822,845	2,72	2,582,285	11,620,280	0	14,202,565
Banca Toscana spa Casilino1	27,888,673	2,51	2,210,817	12,850,636	12,827,220	27,888,673
Banca Toscana spa Casilino2	16,526,621	2,51	1,446,120	8,405,747	3,988,201	13,840,068
Banca Toscana spa Livorno1	33,569,698	2,51	2,937,432	17,074,173	8,101,035	28,112,640
Banca Toscana spa Livorno2	28,921,586	2,51	2,530,711	14,710,057	6,979,352	24,220,120
TOTAL	**184,375,113**		**16,865,331**	**90,512,424**	**31,895,808**	**139,273,563**

They are covered by mortgages taken out on properties as collateral on the loans, subject to the rates shown above.

E) – ACCRUED EXPENSES AND DEFERRED INCOME

Balance as at 31.12.05	1,282,243
Balance as at 31.12.04	1,409,442
Difference	**-127,199**

The item primarily refers to:

	WITHIN 12 MONTHS			IN OVER 12 MONTHS		
CATEGORY	**Value as at 31.12.05**	**Value as at 31.12.04**	**Difference**	**Value as at 31.12.05**	**Value as at 31.12.04**	**Difference**
ACCRUED EXPENSES						
Interest on Banca Pop.di Verona scarl loan	39,451	40,464	-1,013	0	0	0

Interest on Intesa BCI spa loan	40,958	41,226	-268	0	0	0
Interest on Rolo Banca 1473 spa/Mediocredito loan	93,642	108,663	-15,021	0	0	0
IRS interest	208,570	135,887	72,683	0	0	0
Miscellaneous	27,770	4,837	22,933	0	0	0
TOTAL ACCRUED EXPENSES	**410,391**	**331,077**	**79,314**	**0**	**0**	**0**
DEFERRED INCOME						
Long-term usufruct rights for Esp	143,275	143,275	0	585,661	728,936	-143,275
Interest rate swap renegotiation	47,115	32,916	14,199	95,801	173,238	-77,437
TOTAL DEFERRED INCOME	**190,390**	**176,191**	**14,199**	**681,462**	**902,174**	**-220,712**
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**600,781**	**507,268**	**93,513**	**681,462**	**902,174**	**-220,712**

Short-term accrued expenses and deferred income have been entered for a total of € 600,781 pursuant to art. 2424-bis of the Italian Civil Code. Accrued expenses primarily relate to the deferral of interest accrued as at 31.12.05 on loans, hot money, and interest rate swap contracts.

Deferred income represents the remaining portion of revenues due from 01.01.06 until 31 January 2011, related to the establishment in 1998 of long-term usufruct rights on three shops in the Esp shopping centre in Ravenna. The remaining portion with payment due in over five years amounts to € 12,168.

One should note that included in the item for Deferred income there is a premium on the contracting of an interest rate swap, apportioned on the basis of the duration of said contract.

MEMORANDUM ACCOUNTS

The composition of memorandum accounts as at 31.12.05 is shown below:

	VALUE 31/12/2005	VALUE 31/12/2004	DIFFERENCE
RISKS	**11,726,137**	**8,235,633**	**3,490,504**
Sureties issued on behalf of third parties	11,726,137	8,235,633	3,490,504
COMMITMENTS	**139,273,135**	**74,322,266**	**64,950,869**
Interest Rate Swap contracts	139,273,135	74,322,266	64,950,869
TOTAL	**150,999,272**	**82,557,899**	**68,441,373**

One should specify that there are no sureties or other memorandum accounts regarding subsidiaries, the parent company, or subsidiaries of the parent company.

The sureties issued on behalf of third parties primarily refer to sureties for the municipalities of Ravenna, San Giovanni Teatino, San Benedetto del Tronto, and Imola for various work underway.

INTEREST RATE SWAP TRANSACTIONS

At the closing date of the financial statement, IGD S.p.A. holds the following interest rate swap (IRS) contracts, as described below:

Contract UBM 4°	
Face value	16,784,849,22
Opening date	05/10/2004
Expiry date	05/04/2011
IRS interval	Every 6 months
Bank rate	6-month Euribor
Client rate	Fixed 3.35%
Contract UBM 5°	
Face value	16,986,404
Opening date	31,05,05
Expiry date	31,05,11
IRS interval	Every 6 months
Bank rate	6-month Euribor
Client rate	3.10%
Contract UBM 6°	
Face value	16,534,831
Opening date	31,05,05
Expiry date	31,05,11
IRS interval	Every 6 months
Bank rate	6-month Euribor
Client rate	3.10%
Contract Monte Paschi Finance 1	
Face value	57,537,417
Opening date	31/12/2004
Expiry date	31/12/2013
IRS interval	Every 6 months

Bank rate	6-month Euribor
Client rate	3.20%
Contract Monte Paschi Finance 3	
Face value	15,216,507
Opening date	31/12/2004
Expiry date	31/12/2013
IRS interval	Every 6 months
Bank rate	6-month Euribor
Client rate	3.23%
Contract Monte Paschi Finance 2	
Face value	27,888,673
Opening date	31/12/2004
Expiry date	31/12/2013
IRS interval	Every 6 months
Bank rate	6-month Euribor
Client rate	3.39%

The IRS contracts foresee payments of differences in interest rates every six months at the date of loan payments.

Specifically, the IRS transactions under execution at the closing date of the financial statement pertain to a total sum of approximately € 139,273,135, corresponding to the residual par value of the loans they refer to.

A) – PRODUCTION VALUE

Balance as at 31.12.05	46,461,792
Balance as at 31.12.04	35,131,356
Difference	**11,330,436**

Below is a detailed description of the items making up production value:

DESCRIPTION	Value as at 31.12.05	Value as at 31.12.04	Difference
VALUE OF PRODUCTION			
INCOME FROM SALES AND SERVICES	**36,820,357**	**34,996,637**	**1,823,720**
Gescom srl for ESP mall rental	2,147,360	2,120,087	27,273

Coop Adriatica scarl for ESP hypermarket rental	2,163,326	2,132,162	31,164
Gescom srl for Lame mall rental	0	29,250	-29,250
Coop Adriatica scarl for Lame hypermarket rental	2,651,218	2,580,907	70,311
Coop Adriatica scarl for Borgo building rental	3,329,093	2,988,983	340,110
Gescom srl for Borgo mall rental	38,182	0	38,182
Coop Adriatica scarl for Lugo hypermarket rental	887,518	874,733	12,785
Coop Adriatica scarl for Miralfiore hypermarket rental	1,749,230	1,724,032	25,198
Robintur spa for Miralfiore shop rental	32,474	32,089	385
Coop Adriatica scarl for Maestrale hypermarket rental	1,196,650	1,179,411	17,239
Gescom srl for Centro d'Abruzzo mall rental	1,809,267	1,818,099	-8,832
Gescom srl for Centro d'Abruzzo land rental	43,286	35,714	7,572
Gescom srl for Centro d'Abruzzo mall rental	39,220	38,584	636
Coop Adriatica scarl for Centro d’Abruzzo hypermarket rental	1,169,280	1,152,436	16,844
Gescom srl for Portogrande mall rental	1,400,000	1,663,008	-263,008
Coop Adriatica scarl for Portogrande hypermarket rental	1,153,856	1,137,234	16,622
Coop Adriatica scarl for Centroleonardo hypermarket rental	1,789,168	1,763,394	25,774
Gescom srl for Centroleonardo mall rental	1,367,164	1,350,952	16,212
Coop Adriatica scarl for Malatesta hypermarket rental	48,162	0	48,162
Sageco for Aquileia supermarket rental	342,506	337,527	4,979
Third parties for Aquileia shop rental	27,150	26,828	322
Third parties for Le Porte di Napoli hypermarket rental	1,913,010	1,889,345	23,665
Third parties for Le Porte di Napoli mall rental	3,210,868	3,171,148	39,720
Third parties for Casilino di Roma hypermarket rental	1,927,599	1,900,551	27,048
Third parties for Casilino di Roma mall rental	1,579,915	1,557,746	22,169
Third parties for Le Fonti del Corallo hypermarket rental – Livorno	1,992,775	1,365,000	627,775
Third parties for Le Fonti del Corallo mall rental - Livorno	2,668,805	1,983,750	685,055
Income from usufruct of ESP shopping centre	143,275	143,667	-392
CHANGE IN WORK IN PROGRESS TO ORDER	**9,517,641**	**0**	**9,517,641**
Construction 2nd Imola instalment	9,517,641	0	9,517,641
OTHER INCOME AND REVENUES	**123,794**	**134,719**	**-10,925**
Reimbursement of condominium expenses and misc.	100,140	83,361	16,779
Insurance compensation	0	2,450	-2,450
Non-operating income	4,718	16,371	-11,653
Use of Esp shutter fund	18,936	32,537	-13,601
TOTAL PRODUCTION VALUE	**46,461,792**	**35,131,356**	**11,330,436**

As shown on the table above, revenues from sales and services totalling € 36,820,357 primarily consist in rental and leasing of buildings: to the parent company Coop Adriatica for € 16,137,501, to the subsidiary Gescom s.r.l. for € 6,844,479, and to other companies in the

Group, Sageco for € 342,506 and Robintur spa for € 32,474, as well as to Società Ipercoop Tirreno spa and Vignale Immobiliare Srl (belonging to the Unicoop Tirreno scarl group) for a total of € 13,292,972.

The increase with respect to 31/12/2004 is primarily due to the rental fee for entire year for the Livorno property purchased during the first half of 2004 and its renegotiation, to the expansion of the mall, and to the Borgo fee, while the decrease is due to the rentals for the Portogrande mall.

The table below provides an overview of revenues broken down by geographic area:

DESCRIPTION	Value as at 31.12.05	Value as at 31.12.04	Difference
VALUE OF PRODUCTION	**36,820,357**	**34,996,637**	**1,823,720**
REGION OF EMILIA ROMAGNA	14,934,122	14,348,490	585,632
REGION OF TUSCANY	4,661,580	3,348,750	1,312,830
REGION OF MARCHE	5,532,210	5,735,774	-203,564
REGION OF ABRUZZO	3,061,053	3,044,833	16,220
REGION OF LAZIO	3,507,514	3,458,297	49,217
REGION OF CAMPANIA	5,123,878	5,060,493	63,385

B) – PRODUCTION COSTS

Balance as at 31.12.05	31,548,012
Balance as at 31.12.04	19,254,174
Difference	**12,293,838**

Production costs can be broken down as follows:

DESCRIPTION	Value as at 31.12.05	Value as at 31.12.04	Difference
PRODUCTION COSTS			
RAW AND ANCILLARY MATERIALS AND CONSUMABLES	**9,517,641**	**0**	**9,517,641**
Construction 2nd Imola instalment	9,517,641	0	9,517,641
FOR SERVICES	**1,805,070**	**1,926,408**	**-121,338**
Utilities	12,209	37,630	-25,421
Administration service	117,572	103,291	14,281

Condominium expenses	31,639	45,216	-13,577
Insurances	242,255	227,929	14,326
Professional fees and remuneration	349,631	217,534	132,097
Pre-listing costs	0	894,383	-894,383
Maintenance	8,695	43,105	-34,410
Various consulting costs	485,240	275,029	210,211
Monte Titoli, Borsa, Mta services	116,271	0	116,271
Bank fees	134,801	5,707	129,094
Others	306,757	76,584	230,173
LEASE AND RENTAL COSTS	**1,448,886**	**1,387,536**	**61,350**
Centroleonardo mall rental	1,280,566	1,263,735	16,831
Rental of Centro d'Abruzzo car park	112,922	111,286	1,636
Car hire	30,913	9,366	21,547
Sundry rentals	24,485	3,149	21,336
PERSONNEL COSTS	**726,296**	**193,664**	**532,632**
Wages and salaries	532,479	139,688	392,791
Social security charges	133,202	39,742	93,460
severance pay	27,611	9,770	17,841
other costs	33,004	4,464	28,540
AMORTISATION, DEPRECIATION AND WRITEDOWNS	**16,202,567**	**14,096,730**	**2,105,837**
amortisation on intangible assets	1,860,992	342,167	1,518,825
depreciation on tangible assets (buildings)	6,702,005	6,458,776	243,229
depreciation on tangible assets (plant and machinery)	7,615,038	7,270,729	344,309
depreciation on tangible assets (equipment)	24,532	25,058	-526
OTHER ALLOCATIONS	**0**	**0**	**0**
VARIOUS OPERATING COSTS	**1,847,552**	**1,649,836**	**197,716**
Taxes	1,706,312	1,610,018	96,294
contingent liabilities	78,118	21,494	56,624
Miscellaneous	63,122	18,324	44,798
TOTAL PRODUCTION COSTS	**31,548,012**	**19,254,174**	**12,293,838**

Costs for services

This item includes condominium fees, costs for the company canteen, utilities, and retribution and expense accounts for directors and statutory auditors, consultancies, insurances.

Lease and rental costs

The above almost entirely refers to rent paid for the "Centro Leonardo" mall and the car park at the Centro Commerciale d'Abruzzo.

Personnel costs

Please note that the increase in personnel costs is due to the increase in personnel numbers deriving from the new organisational structure.

Depreciation, amortisation and write-downs

The above refer to depreciation and amortisation for tangible and intangible fixed assets.

Sundry operating expenses

The above primarily include municipal real estate taxes (ICI) on buildings.

C) – FINANCIAL INCOME AND EXPENSES

Balance as at 31.12.05	-2,790,524
Balance as at 31.12.04	-5,586,756
Difference	**2,796,232**

A breakdown of financial income and expenses is shown in the table below:

Description	Value as at 31.12.05	Value as at 31.12.04	Difference
INCOME FROM SECURITIES ENTERED AS CURRENT ASSETS			
interest and differences on bonds and securities	994,684	0	994,684
FROM SUBSIDIARIES			
Gescom s.r.l. dividend	1,007,286	950,000	57,286
Interest on Gescom srl clearing account	1,627	0	1,627
TO OTHER COMPANIES IN THE GROUP			
Interest on Tca srl clearing account	8,573	0	8,573
TO OTHERS:			
banking interest earned	1,256,188	1,636	1,254,552
interest earned on instalment receivables	196	375	-179
Income from repurchase agreements	100,729	0	100,729
IRS positive differences and income	3,016,755	1,598,070	1,418,685
TOTAL FINANCIAL INCOME	**6,386,038**	**2,550,081**	**3,835,957**
TO PARENT COMPANY			
interest paid on sec. deposit Coop Adriatica scarl rentals	177,165	176,457	708
FROM SUBSIDIARIES			
Interest on Gescom srl clearing account	32,725	0	32,725
interest paid on sec. deposit Gescom srl rentals	268	0	268
TO OTHER COMPANIES IN THE GROUP			
interest paid on Fin.ad Bologna spa clearing account	0	403,932	-403,932

Interest payable on Tca srl clearing account	8,628	0	8,628
TO OTHERS:			
banking interest paid	313,792	160,049	153,743
misc. interest paid	14	0	14
Banca Pop. di Verona scarl for loan interest	462,193	518,535	-56,342
Rolo Banca 1473 spa/Mediocredito for loan interest	421,579	469,209	-47,630
Intesa BCI spa for loan interest	463,112	522,695	-59,583
Banca Toscana spa for loan interest	2,486,289	2,260,496	225,793
Interest paid on security deposits	154,950	140,513	14,437
Capital losses on bonds and securities	178,996	0	178,996
Losses on bonds and securities	66,245	0	66,245
IRS negative differences and expenses	4,410,608	3,484,951	925,657
TOTAL FINANCIAL EXPENSES	**9,176,564**	**8,136,837**	**1,039,727**
EXCHANGE-RATE PROFIT AND LOSSES	**2**	**0**	**2**
TOTAL FINANCIAL INCOME AND EXPENSES	***-2,790,524***	***-5,586,756***	***2,796,232***

One should note that financial income is primarily made up of interest earned on bonds and securities and on IRS contracts, of the dividend paid by the subsidiary Gescom s.r.l., and of banking interest receivable. The increase with respect to the previous financial year is due to the increase in new financial resources resulting from the listing.

Financial expenses primarily derive from interest on loans and IRS contracts, and have increased due to the Livorno loan being taken on for an entire year.

The interest rates on the aforementioned loans are the 6-month Euribor plus a 0.30% to 0.50% spread.

E) - EXTRAORDINARY INCOME AND EXPENSES

Balance as at 31.12.05	0
Balance as at 31.12.04	0
Difference	**0**

No extraordinary income or expenses were reported.

INCOME TAXES FOR THE YEAR

DESCRIPTION	IRES	IRAP	TOTAL AS AT 31.12.05
Current taxes	1,231,923	379,405	1,611,328
Prepaid taxes			
Variable salary	-30,733		-30,733
Goodwills	-46,417		-46,417
Use of previous losses	745,701		745,701
Total prepaid taxes	**668,551**	**0**	**668,551**
Deferred taxes			
Capital allowances	2,408,940	310,242	2,719,182
Depreciation reversal	-52,915	-6,815	-59,730
Total deferred taxes	**2,356,025**	**303,427**	**2,659,452**
Total taxes	**4,256,499**	**682,832**	**4,939,331**

One should note that the most significant variation with respect to the previous year derives from the use of prepaid taxes amounting to € 745,701, whereas deferred taxes exclusively refer to taxes calculated on accelerated depreciation and land belonging to buildings.

The table below shows the reconciliation of theoretical and actual tax expenses:

Pre-tax result	**12,123,256**	
Theoretical tax liabilities (33% rate)		*4,000,674*
Profit shown on Income Statement	12,123,256	
Increases:		
temporary differences:	*432,354*	
2005 financial statement certification expenses	19,440	
variable salary	93,130	
Non-deductible amortisation	159,433	
Pre-paid reversals	160,351	
permanent differences:	*1,791,696*	
ICI (municipal property tax)	1,685,483	
IRAP (regional tax on productive activity)		
miscellaneous contingent liabilities	71,710	
other miscellaneous differences	34,503	
Total increases:	**2,224,050**	
Decreases:		
temporary differences:	*-8,333,829*	
2004 financial statement certification expenses	-19,440	
Gescom s.r.l. dividend	-1,007,286	
depreciation on land	-6,352,584	

accelerated depreciation	-485,625	
Greater deduction for depreciation	-461,612	
variable salary	-7,282	
permanent differences:	***-2,280,375***	
use of taxable risk provision	-18,936	
other miscellaneous differences	-1,737	
use of previous losses	-2,259,702	
Total decreases:	**-10,614,204**	
Taxable base	**3,733,102**	
Current IRES for the year		**1,231,923**

Difference between value and cost of production	14,913,780	
Theoretic IRAP (4.25%)		*633,836*
Difference between value and cost of production	**14,913,780**	
Costs not relevant for IRAP purposes	726,296	
Taxed income	0	
Untaxed income	-61,198	
Accelerated depreciation	-485,625	
Greater deduction for depreciation	-461,612	
Depreciation on land	-6,352,584	
Deductible costs from previous year	-19,747	
Deductible costs for agency expenses	-1,430	
Non-deductible costs for services	244,332	
Non-deductible lease and rental costs	9,527	
Non-deductible costs for depreciations	195,173	
Non-deductible costs for amortisation	147,684	
Non-deductible costs for sundry operating expenses	73,537	
Deductions	-946	
Income subject to IRAP	**8,927,187**	
Current IRAP		***379,405***

COMPENSATION PAID TO EXECUTIVES, STATUTORY AUDITORS, AND GENERAL MANAGERS BY IMMOBILIARE GRANDE DISTRIBUZIONE S.P.A. AND ITS SUBSIDIARIES:

As set forth in Annex 3 C of Consob ruling 13616 of 12 June 2002 on Regulations for Issuers, compensation of any nature and kind is listed according to name for directors and statutory auditors, including those of subsidiaries.

First name and surname	Office held	Period in which office was held	Expiration of term	Payment for office in the company preparing the financial statement
BOARD OF DIRECTORS				
Gilberto Coffari	Chairman	01/01/05-31/12/05	Appr. 2005 statement	25.000
Sergio Costalli	Vice Chairman	01/01/05-31/12/05	Appr. 2005 statement	25.000
Filippo Maria Carbonari	Managing Director	01/01/05-31/12/05	Appr. 2005 statement	25.000
	General Manager	01/01/05-31/12/05		81.218
	GESCOM SRL Director	01/01/05-31/12/05	Appr. 2007 statement	5.165
Roberto Zamboni	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Grazia Margherita Piolanti	Director	01/01/05-12/05/05		10.000
	GESCOM SRL Director	01/01/05-31/12/05	Appr. 2007 statement	5.165
Maurizio Filippini	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Fernando Pellegrini	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Massimo Franzoni	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Aristide Canosani	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Riccardo Sabadini	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Fabio Carpanelli	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Mauro Bini	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Lorenzo Roffinella	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Francesco Gentili	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Stefano Pozzoli	Director	01/01/05-31/12/05	Appr. 2005 statement	10.000
Sergio Santi	Director	12/05/05-31/12/05	Appr. 2005 statement	10.000
BOARD OF STATUTORY AUDITORS				
Romano Conti	Chairman, Board of Statutory Auditors	01/01/05-31/12/05	Appr. 2005 statement	12.000
Franco Gargani	Regular Auditor	01/01/05-31/12/05	Appr. 2005 statement	8.000
Massimo Lazzari	Regular Auditor	01/01/05-31/12/05	Appr. 2005 statement	8.000
INTERNAL OVERSIGHT COMMITTEE				
Aristide Canosani	Director	01/01/05-31/12/05	Appr. 2005 statement	8.000
Massimo Franzoni	Director	01/01/05-31/12/05	Appr. 2005 statement	8.000
Maurizio Filippini	Director	01/01/05-31/12/05	Appr. 2005 statement	8.000

AFFILIATES

Information regarding affiliates is supplied below:

	Coop Adriatica	Fin.Ad	Gescom srl	Robintur spa	Sageco spa	Tca srl	Unicoop Tirr.	Vignale Imm.	Ip.Tirreno

ACCOUNTS RECEIVABLE	2,471,858	0	1,037,573	0	0	399	0	0	0
ACCOUNTS PAYABLE	9,979,073	0	4,744,594	2,301	0	3,154,893	0	3,533,838	3,036,717
REVENUES	16,153,650	15,495	6,884,535	32,474	342,506	8,573	0	7,459,588	5,833,384
COSTS	369,903	0	34,432	33,430	0	18,628	53,000	83,338	71,613
FIXED ASSETS	35,500,400	0	0	0	0	0	0	0	0
TOTAL COMPANIES	**64,474,883**	**15,495**	**12,701,134**	**68,205**	**342,506**	**3,182,495**	**53,000**	**11,076,764**	**8,941,713**

NET FINANCIAL POSITION

	31.12.2005	31.12.2004
Payables to banks	-169,867,690	-192,067,568
- in less than 12 months	-47,459,458	-52,794,433
- in over 12 months	-122,408,232	-139,273,135
To subsidiary Gescom s.r.l.	-4,787,981	0
To associate company Tca srl	-3,154,428	0
Cash and cash equivalents	25,388,808	19,196
Current financial assets other than fixed assets	35,346,579	0
Net financial position	**-117,074,712**	**-192,048,372**

The increase compared to the previous financial year is due to the influx of liquidity as a result of the listing.

MANAGEMENT AND COORDINATION

One should note that the company is a controlled subsidiary of Coop Adriatica scarl of Villanova di Castenaso (Bologna), and is subject to its management and coordination.

Pursuant to art. 2497-*bis*, paragraph 4 of the Italian Civil Code, below is an overview of key figures from the most recent financial statement approved by Coop Adriatica scarl:

	2004	2003
<u>**BALANCE SHEET (as per Article 2424 of the Italian Civil Code)**</u>		
ASSETS		
A) – ACCOUNTS RECEIVABLE FROM SHAREHOLDERS FOR PAYMENTS STILL OWED	0	0
B) – FIXED ASSETS	803,687,264	737,180,287
C) - CURRENT ASSETS	1,986,948,213	1,918,205,009
D) - ACCRUED INCOME AND PREPAID EXPENSES	9,410,582	12,680,663
TOTAL ASSETS	**2,800,046,059**	**2,668,065,959**
LIABILITIES		
A) NET EQUITY	604,373,379	580,938,555
B) - PROVISIONS FOR LIABILITIES AND CHARGES	20,158,261	22,777,121
c) - PROVISION FOR EMPLOYEE SEVERANCE PAY	68,914,350	65,456,748
D) – ACCOUNTS PAYABLE	2,099,038,289	1,992,677,190
E) - ACCRUED LIABILITIES AND DEFERRED INCOME	7,561,780	6,216,345
TOTAL LIABILITIES AND NET EQUITY	**2,800,046,059**	**2,668,065,959**
MEMORANDUM ACCOUNTS	**227,111,622**	**281,944,401**
<u>**PROFIT AND LOSS ACCOUNT (as per Article 2425 of the Italian Civil Code)**</u>		
A) - VALUE OF PRODUCTION	1,655,628,249	1,577,435,166
B) - COST OF PRODUCTION	-1,650,418,235	-1,577,023,490
C) - FINANCIAL INCOME AND EXPENSES	29,430,121	23,255,739
D) ADJUSTMENTS TO FINANCIAL ACTIVITIES	-1,421,507	-3,039,500
E) EXTRAORDINARY INCOME AND EXPENSES	-2,703,331	-1,002,391
Income taxes for the year	-9,572,853	-9,224,243
PROFIT (LOSS) FOR THE YEAR	**20,942,444**	**10,401,281**

THE CHAIRMAN OF THE BOARD OF DIRECTORS

(Gilberto Coffari)

ANNEX 1

RECLASSIFIED EQUITY STATEMENT

	31.12.2005		31.12.2004
INTANGIBLE ASSETS	7,627,346		1,885,603
TANGIBLE ASSETS	657,922,991		420,818,392
FINANCIAL ASSETS	11,766,393		7,710,662
FIXED ASSETS (A)	**677,316,730**		**430,414,657**
Trade receivables	3,583,945		8,966,226
Inventories	14,018,640		0
Other short-term assets	13,574,046		935,828
Trade payables	(13,893,505)		(1,389,596)
Other liabilities	(26,532,504)		(1,478,575)
Provision for liabilities and charges	(7,904,352)		(5,217,982)
NET OPERATING CAPITAL(B)	**(17,153,730)**		**1,815,901**
Severance pay (C)	35,409		11,965
Other medium and long-term liabilities (D)	16,954,672		13,484,594
NET INVESTED CAPITAL E = A+B-C-D	**643,172,919**	**0**	**418,733,999**
TOTAL NET EQUITY (F)	**530,886,188**		**226,685,627**
Short-term accounts payable - banks	47,459,458		52,794,433
Accounts payable (Receivable) - affiliate TCA srl	3,154,428		0
Financial assets	(35,346,579)		0
(Cash)	(25,388,808)		(19,196)
SHORT-TERM FINANCIAL DEBT	**(10,121,501)**		**52,775,237**
MEDIUM/LONG-TERM FINANCIAL DEBT	**122,408,232**		**139,273,135**
FINANCIAL DEBT	**112,286,731**	**0**	**192,048,372**
TOTAL SOURCES OF FINANCING H=(F+G)	**643,172,919**	**0**	**418,733,999**
MEMORANDUM ACCOUNTS AND COMMITMENTS	**473,039,085**	**0**	**404,597,712**

ANNEX 2

RECLASSIFIED INCOME STATEMENT

	31,12,2005	31,12,2004
INCOME FROM SALES	36,820,357	34,996,637
Other income	123,794	134,719
VALUE OF PRODUCTION	**36,944,151**	**35,131,356**
Cost of outside services	3,253,956	3,313,944
Other operating costs	1,847,552	1,649,836
	5,101,508	4,963,780
VALUE ADDED	**31,842,643**	**30,167,576**
Personnel cost	726,296	193,664
GROSS OPERATING MARGIN	**31,116,347**	**29,973,912**
Total amortisation and depreciation	**16,202,567**	**14,096,730**
OPERATING PROFIT	**14,913,780**	**15,877,182**
Net financial expenses	(2,790,524)	(5,586,756)
PROFIT (LOSS) BEFORE EXTRAORDINARY COMPONENTS AND TAXES	**12,123,256**	**10,290,426**
Net extraordinary expenses	0	0
PROFIT (LOSS) BEFORE TAXES	**12,123,256**	**10,290,426**
Taxes on income for the year	4,939,331	4,239,231
PROFIT (LOSS) FOR THE YEAR	**7,183,925**	**6,051,195**

ANNEX 3

CASH FLOW STATEMENT FOR THE YEAR	31/12/2005	31/12/2004
CASH FLOW FOR OPERATIONS:		
Operating result	7,183,925	6,051,195
Amortisation and depreciation	16,202,567	14,096,730
Allocation for severance indemnity	24,804	10,896
Allocation to provision for bad debts	0	0
Allocation to other provisions	2,686,370	2,493,438
Cash flow from current operations (a)	*26,097,666*	*22,652,259*
Payments from severance indemnity provision	(1,360)	0
(Increase) decrease in trade receivables	(8,636,758)	(5,945,041)
(Increase) decrease in other non-financial receivables	(12,638,414)	1,375,235
Increase (decrease) in accounts payable to suppliers	13,653,274	(225,795)
Increase (decrease) in other payables and other provisions	25,053,929	(43,585)
Change in assets and liabilities for the year (b)	*17,430,671*	*(4,839,186)*
CASH FLOW FROM OPERATING ACTIVITIES (a+b)	43,528,337	17,813,073
Net investments in tangible assets	(80,523,876)	(71,870,289)
Reassessment increase Law no, 266/2005	(170,922,298)	0
Net investments in intangible assets	(7,602,735)	(15,355)
Net investments in financial assets	(4,055,535)	(3,186,473)
Current financial activities	(35,346,579)	0
CASH FLOW USED IN INVESTMENT ACTIVITIES:	(298,451,023)	(75,072,117)
Payments to shareholders and increase in net equity	152,250,000	0
Distribution of reserves and dividends	(5,644,986)	(9,012,499)
Change in reserves	150,411,622	0
Change in other mid-to-long-term liabilities	2,321,112	2,538,319
Change in short-term financial debt	(2,180,547)	20,197,047
Change in medium/long-term financial debt	(16,864,903)	43,361,822
CASH FLOW FROM FINANCING ACTIVITIES	280,292,298	57,084,689
NET CASH FLOW FOR THE FINANCIAL PERIOD	**25,369,612**	**(174,355)**
INITIAL LIQUID ASSETS	19,196	193,551
NET CASH FLOW FOR THE FINANCIAL PERIOD	25,369,612	(174,355)
FINAL LIQUID ASSETS	25,388,808	19,196

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INDEPENDENT AUDITORS' REPORT
pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Immobiliare Grande Distribuzione S.p.A.

1. We have audited the financial statements of Immobiliare Grande Distribuzione S.p.A. as of and for the year ended December 31, 2005. These financial statements are the responsibility of Immobiliare Grande Distribuzione S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 21, 2005.

3. In our opinion, the financial statements of Immobiliare Grande Distribuzione S.p.A. comply with the Italian regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position of Immobiliare Grande Distribuzione S.p.A. as of December 31, 2005 and the results of its operations for the year then ended.

4. We draw attention to the following:

   a. The Company in its financial statements as of December 31, 2005 has revalued "Lands and Buildings" as permitted by the Law n° 266/2005. The effects of such revaluation on fixed assets, shareholders equity and tax payables for the substitute tax have been described in the notes to the financial statements.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

b. Pursuant to article 2497-bis of the Italian Civil Code, The Company has indicated to be subject to the control and coordination activities of Coop Adriatica S.c.a.r.l., and, therefore, has included in the notes to the financial statements certain selected financial data of the last financial statements of such company. Our opinion on the financial statements of Immobiliare Grande Distribuzione S.p.A. does not cover such selected financial data.

Bologna, March 28, 2006

Reconta Ernst & Young S.p.A.
signed by: Andrea Nobili, partner

IMMOBILIARE GRANDE DISTRIBUZIONE S.P.A.

Via Agro Pontino, 13 48100 RAVENNA
Economic and Administrative Index (REA) No.88573 Companies Register No. 00397420399
Share capital € 282,249,611.00 fully paid-up
Company managed and controlled by Coop Adriatica s.c.r.l.

Board of Auditors' Report to the Meeting of the Shareholders of IGD Immobiliare Grande Distribuzione S.p.A. pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code

* * * * *

Dear Shareholders of Immobiliare Grande Distribuzione S.p.A.,

Firstly, we would like to inform you that:

During the year ending 31/12/2005 and the subsequent period up to today's date, we performed the auditing and supervisory activities assigned to us by law. Said activities were carried out in compliance with the working methods contained in the Board of Auditor's principles of conduct, recommended by the National Boards of Professional Accountants and Bookkeepers, and with the information issued by the Securities and Exchange Commission (CONSOB).
Specifically, we would like to inform you of our activities in this report, using the information and model set forth in CONSOB`s statement dated April 6 2001. Said model summarises what the law provisions and CONSOB require of the board of auditors in a complete manner and is presented below in a detailed manner, in compliance with the numbering contained in the aforementioned statement.

1 – INFORMATION REGARDING THE MOST IMPORTANT ECONOMIC, FINANCIAL AND EQUITY TRANSACTIONS PERFORMED BY THE COMPANY.

At a company level, the most important events of 2005 can be summarised as follows:
- On 29/1/2005, the Board of Directors resolved upon the share capital increase with exclusion of the pre-emptive right as per Articles 2441 and 2443, and also set the maximum offer price for listing.
- Admission of shares to the electronic market managed by Borsa Italiana S.p.A. on 11/2/2005.
- Resignation of company director Ms. Grazia Margherita Piolanti and cooptation of Mr. Sergio Santi as an independent director during the board meeting held on May 12 2005.
- Admission of company shares to the STAR division of the electronic market managed by Borsa Italiana S.p.A. on August 5 2005.
- Awarding of professional assignment to draw up the project to create the "Organisational Model" provided for by Legislative Decree No. 231 of June 8 2001.

The most important events during 2005, involving the company at an operational and managerial level, can be summarised as follows:
- Presentation of 2005-2008 business plan listing the total investments together with a geographical breakdown.

- Implementation of the organisational and administrative structure in order to guarantee better levels of efficiency and effectiveness with regard to corporate management. This should also continue during the present year (2006).
- Presentation and approval of the updated version of the "Guidelines regarding transactions with related parties".
- Organisation of obligations to safeguard privacy with the Chairman of the Board of Directors being authorised to identify members/managers of the personal and sensitive data committee, and draft and update the programmatic security document (DPS).
- Monetary revaluation. The company availed itself of the faculty provided for in subsections 469 and following of Law No. 266 of December 23 2005 - 2005 Finance Act - and revalued its corporate assets for a total of € 170.9 million.

Said transaction is detailed and explained in the notes to the financial statements. In order to guarantee the congruousness of values, the company used an independent firm to estimate its assets

With regard to the asset revaluation, the Board of Auditors acknowledges that as a result of the recorded increase in assets, the net values entered in the financial statements do not exceed the economic limits set by law, and specifically by Article 11 of Law No. 342 of November 21 2000, as listed by the directors in their report and confirmed by the aforementioned estimate drafted by an independent firm.

The method used to carry out the aforementioned revaluation is the so-called "open balance" method which allows the original duration of amortisation to be maintained.

2. INFORMATION REGARDING THE POSSIBLE EXISTENCE OF ATYPICAL AND/OR UNUSUAL TRANSACTIONS INCLUDING INTRAGROUP TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES.

No atypical and /or unusual transactions, neither with related parties nor intragroup nor with third parties, came to light during our auditing and supervisory activities.

Standard intragroup transactions and transactions with related parties are regulated by normal market conditions and are looked at in detail in the directors' report, both with regard to the type and economic and financial importance. Transactions with related parties are significant both for their economic importance and frequency. They were regulated through approval of the "Guidelines regarding transactions with related parties".

Where required, transactions with related parties were subject to specific resolutions by the Board of Directors and, when necessary, performed subsequent to review by the internal auditing committee, and backed up by the opinions of independent experts when of significant importance or should the market value have proved difficult to establish.

While carrying out its activities, the Board of Auditors found the transactions referred to in this paragraph to be congruous with regard to the amount and the working methods adopted, and to meet the company's economic interest.

We also consider the methodology adopted to be reliable, just as we consider it able to provide complete, prompt information.

3. ASSESSMENT OF THE SUITABILITY OF INFORMATION PROVIDED BY DIRECTORS WITH REGARD TO ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRAGROUP TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES.

During 2005, the directors provided, at regular intervals, suitable, complete information regarding the activities carried out and the most important transactions from an operational and managerial viewpoint as well as intragroup transactions and transactions with related parties. They also reported the absence of any unusual and/or atypical transactions.

4. REPORT OF THE EXTERNAL AUDITING FIRM

The auditing firm's report contains a positive judgement of the year's financial statements and consolidated financial statements, confirming that said statements have been drafted in accordance with law provisions and generally accepted standards.
The auditing firm's report accompanying the financial statements does not contain any observations or remarks regarding the quality and correctness of the information contained therein.
Neither does said report contain any observations and/or remarks regarding the nature of the information, nor are there any reservations regarding the reliability of the accounts system which appears to be suitable to and in accordance with the company's working requirements.

5. INFORMATION REGARDING ANY REPORTS MADE AS PER ARTICLE 2408 OF THE ITALIAN CIVIL CODE AND MEASURES TAKEN

During 2005 and up to the date when this report was drafted, no reports were made to the Board of Auditors by shareholders as per Article 2408 of the Italian Civil Code and hence no measures were taken in this regard.

6. INFORMATION REGARDING POSSIBLE SUBMISSION OF COMPLAINTS AND ANY MEASURES TAKEN.

During 2005 and up to the date when this report was drafted, no complaints were received by the Board of Auditors from shareholders, nor is the board aware of any complaints submitted to the company by shareholders and/or third parties, and hence no measures were taken in this regard.

7. INFORMATION REGARDING ANY ADDITIONAL TASKS ASSIGNED TO THE AUDITING FIRM AND RELATIVE COSTS.

Subject to our approval, the auditing firm Reconta Ernst & Young S.p.A. was awarded the assignment of auditing the company's accounts as per Article 2409 bis of the Italian Civil Code and the ongoing assignment of auditing the consolidated financial statements as per Article 156 of Legislative Decree No. 58 of February 24 1998 under the resolution passed on September 16 2004. It was also awarded the assignment of limited auditing of the interim reports for the 2004/2006 three-year period. The sums accrued for said assignments totalled € 34,600.
During the year, the aforementioned firm was also awarded the assignment, as per CONSOB ruling - DEM/5025723 of 15/4/2005 – regarding implementation of the IAS/IFRS accounts system as well as legal auditing of the IAS/IFRS opening balances for the consolidated financial statements.
Fees of € 131,600 were accrued for said assignments.

8. INFORMATION REGARDING THE AWARDING OF ASSIGNMENTS TO PARTIES LINKED TO THE AUDITING FIRM VIA ONGOING RELATIONS AND RELATIVE COSTS

The Board of Auditors is not aware of any assignments awarded to parties linked to Reconta Ernst & Young S.p.A. during 2005.

9. INFORMATION REGARDING THE EXISTENCE OF OPINIONS ISSUED PURSUANT TO THE LAW DURING 2005

The Board of Auditors is not informed of whether any opinions were issued during 2005 and during the period up to the date when this report was drafted.
The sole opinions that the Board of Auditors is aware of are those requested by the company from independent professionals regarding more correct application of civil law and fiscal provisions as well as asset estimates and valuations.

10. INFORMATION REGARDING THE FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS AND THE BOARD OF AUDITORS

In order to offer more precise information regarding corporate activities, the number of meetings of the corporate bodies listed below is provided:

- The Board of Directors met on an almost monthly basis. Eleven board meetings were held.
- The Board of Auditors met on a more than quarterly basis. Eight board meetings were held. Said meetings refer to both meetings as per Article 2404 of the Italian Civil Code and as per Article 2429, subsection 2 of the Italian Civil Code.
- The Board of Auditors also attended the Board of Directors meetings and guaranteed its presence at the Shareholders' Meeting to approve the financial statements and the supervisory committee meetings dealing with issues of common interest.

The company's corporate bodies also include an Internal Auditing Committee which met seven times during 2005.
Said committee comprises three non-executive members of the Board of Directors including two independent directors.

11. OBSERVATIONS REGARDING COMPLIANCE WITH THE PRINCIPLES OF CORRECT MANAGEMENT

It is this Board of Auditors' opinion that the company is managed in a competent manner and in compliance with law provisions and the articles of association. The distribution of powers and proxies appears to be in keeping with the company's size and field of operations. Said management activities did not give rise to any remarks/observations on our part.

12. OBSERVATIONS REGARDING THE ORGANISATIONAL STRUCTURE

The organisation and services, both the company's internal services and those outsourced to Coop Adriatica s.c.r.l., are suitable and fulfil their obligations in a prompt and fitting manner, both from the viewpoint of regulations and for the purposes of correct, effective management.

The organisational structure underwent extensive, significant restructuring and improvement, also subsequent to listing on the electronic market in February 2005, which is continuing during the current year.
During 2005, the structure underwent major expansion with the entry of new human resources. Some departments formerly outsourced were internalised.

Said rapid expansion makes the need for sufficient periods of time to assimilate and coordinate the new human resources inevitable. Said expansion also makes it necessary to identify the action needed, including of a technological nature, in order to make the service more efficient.

13.-14. OBSERVATIONS REGARDING THE SUITABILITY OF THE INTERNAL AUDITING SYSTEM AND ACCOUNTS MANAGEMENT SYSTEM AND THE RELIABILITY OF SAID ACCOUNTS SYSTEM TO CORRECTLY REPRESENT THE COMPANY'S OPERATIONS.

Internal auditing activities are outsourced to a dedicated company specialising in this area. Said company reports to the internal auditing committee at regular intervals, both with regard to the works schedule, the activities actually carried out and work progress, detailing the needs that have come to light. The administrative body focuses heavily on this specific problem area and on identifying and applying the procedures and checks needed to guarantee effective control of procedures. To this end, the Board of Auditors recalls that the company has already assigned to its own consultants the task of drawing up the Organisational Model as per Legislative Decree No. 231 of June 8 2001 subject to identification, mapping and control of risks. The model has already been drawn up and preliminarily examined by the Board of Directors, and the relative supervisory body has already been appointed.

The administrative/accounts department currently managed internally seems to be suitably structured and able to deal with the company's needs.
Said department, which was originally outsourced, has been internalised during the current year. This has inevitably entailed a period of adjustment for the various departments in order to assimilate the new duties; a period of adjustment which looks set to continue during the current year.
The auditing firm tested the administrative and accounts procedures without having any observations to make with regard to its reliability. It also checked the correctness of entry of operations in the accounts ledgers as well as the completeness of information and evaluation criteria for drafting the financial statements and consolidated financial statements without having any remarks/observations to make. Even though checking of accounts as per Article 2409 bis of the Italian Civil Code does not specifically form part of the duties of this Board of Directors given that this is assigned to the auditing firm, we feel that, on the strength of information obtained and direct checks provided for by Articles 2403 and following of the Italian Civil Code, the administrative/accounts system is suitable and reliable and that operations are entered with a sufficient level of reliability and in a prompt manner.

15. OBSERVATIONS REGARDING THE SUITABILITY OF PROVISIONS GIVEN TO THE SUBSIDIARY COMPANY PURSUANT TO ARTICLE 114 OF LEGISLATIVE DECREE 58/1998.

In relation to the close functional and working relations as well as the inclusion of key persons in the subsidiary company, a correct and suitable information flow is guaranteed, backed up by accounts documents and statements concerning management of the subsidiary Gescom Srl.
Therefore, the company is able to fulfil its obligations concerning significant events in compliance with the times and ways requested, as well as consolidate the figures provided for by law.
The company is able to exercise its management and control over the aforementioned subsidiary company, as specifically provided for by law.

16. OBSERVATIONS REGARDING MEETINGS HELD WITH AUDITORS

The Board of Auditors met with the auditing firm responsible for checking accounts as per Article 2409 bis of the Italian Civil Code as well as reviewing the statutory and consolidated financial statements, leading on these occasions to a profitable exchange of information as per Article 150 of Legislative Decree No. 58 of February 24 1998.
No irregularities, criticisms or omissions noted by the auditors were brought to light during the meetings. During said meetings, we, on our part, informed the auditors of the Board of Auditors' activities and described any significant events concerning the company.

17. ADOPTION OF THE CORPORATE GOVERNANCE COMMITTEE'S SELF-GOVERNANCE CODE

The company adopted the Self-Governance Code for the corporate governance of listed companies, in the version issued in July 2002.
The Internal Auditing Committee was set up and is now up and running.
The company also adopted the code of conduct regarding internal dealing and undertook to set up during 2006 the supervisory body forming part of the Organisational Model, already presented to the Board of Directors and currently being implemented.
The company did not consider it necessary to appoint a remuneration committee or corporate body appointment committee, not seeing any need given the relations within the shareholder structure.

18. CONCLUSIONS REGARDING ACTIVITIES CARRIED OUT

Dear Shareholders,
To conclude this report, we would like to confirm that we carried out our supervisory activities with the full cooperation of the corporate bodies and administration managers as well as the auditing firm.
We found no omissions, censurable events, imprudent transactions or irregularities to report. The documentation provided includes the IAS/IFRS reconciliation schedule for 2004, to be used for comparative purposes with the current year, as well as comments on the main adjustments and the effects of said adjustments on the consolidated financial statements.
The management report offers a full breakdown of the shares held by Directors, Auditors and the General Manager. We have no observations to make in this regard.
A breakdown of the fees received by Directors, Auditors and the General Manager from the company and from the subsidiary has also been provided and we have no observations to make in this regard.
The management report contains information regarding the consolidated financial statements for tax purposes which the company subscribed to.

19. SHAREHOLDERS' MEETING PROPOSALS

The items on the agenda of the Shareholders' Meeting are as follows:

SHAREHOLDERS' MEETING

Ordinary session:

Item 1 – Financial statements at 31/12/2005 and allocation of profit as proposed by the Board of Directors.

- We are in favour of approval of the financial statements at 31/12/2005 and the proposed allocation of profit put forward by the Board of Directors.

Item 2 – 3: Renewal of corporate bodies

- The corporate bodies' term of office expires upon approval of the financial statements and therefore the meeting must undertake to appoint new directors, subject to establishing the number of directors and their fees, as well as appoint the board of auditors and establish their fees.

Item 4 – Purchase and disposal of treasury shares

- The company does not hold any treasury shares nor are any shares in the company held by its subsidiary. Therefore, in the Board of Auditors' opinion, there are the conditions required for proposing the purchase and disposal of company shares within the limits set by law.

SHAREHOLDERS' MEETING

Extraordinary session:

Item 1 – Incorporation of the subsidiary Gescom Srl.

The Board of Auditors has no observations to make with regard to the proposal to approve the merger by incorporation of the subsidiary Gescom Srl. Said transaction would not result in any share capital increase given that the company to be incorporated is 100% owned by the company.
The planned merger does not provide for any specific advantages for the directors of the companies involved in the merger.

Item 2 – Amendment of Article 11.2 of the Articles of Association.

Said article specifically provides for listing of the newspaper in which the call for the Shareholders' Meeting is published (Il Sole 24 ore). The Board of Auditors has no observations to make with regard to said amendment, leaving any remarks to be made in this regard to the Shareholders' Meeting. .

Dear Shareholders,

At the end of our term of office, we would like to express our heartfelt thanks to all those who helped us carry out our work and to you for the trust and esteem shown by appointing us.

Villanova di Castenaso, 31/3/2006

The Board of Auditors

(Romano Conti)

(Franco Gargani)

(Massimo Lazzari)