



ANNUAL REPORT

2016

IN UNO SPAZIO UNO E UNO SPAZIO

EUROPA

Due 22 maggio la cerimonia della consegna per
per rendere pubblica l'attività del Comitato di
E' una iniziativa che gli enti locali del
e il loro impegno per il nostro futuro.

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igd SIO
SPACES TO BE
LIVED IN



CENTRO SARCA

Sesto San Giovanni - Milan

Opening 2003

Restyling 2015

Mall GLA sq.m 23,733



3,444,599 visitors in 2016

(figures from June to December)

Environmental certification:

- BREEAM
- UNI EN ISO 14001



2016 ANNUAL REPORT

IGD, spaces to be lived in

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.....
MAREMA

Grosseto

Opening 2016

Mall GLA sq.m 17,110



852,369 visitors since the opening
date on 27/10/2016

THE IGD GROUP

01



1.1

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The results reported in your Company's Annual Report for 2016 show that the year that just ended was the best in IGD's history.

The Group's net profit reached €68.3 million, an increase of 49.7% with respect to 2015. Core business Funds from Operations (FFO) rose 18.9% to €53.9 million: the year-end target of around 15-16% that we announced when the half-year results were published was, therefore, exceeded by a wide margin. →

The timely and effective implementation of the investments called for in the 2016-2018 Business Plan fueled the strong generation of operating cash flow which was supported by an 8.4% increase in revenue from the real estate business and rents, and well reflected in a consolidated EBITDA of €94 million; the increase of 11.4% against the EBITDA reported in 2015 indicates that growth in EBITDA outpaced the increase in revenue. The core business EBITDA Margin rose noticeably from the 67.3% recorded in 2015 to 69.3% in the year that just ended driven by both the increase in revenue and tight control of operating costs.

Today IGD can count on a sizeable real estate portfolio: at year-end 2016 the appraised fair value was €2,178 million versus €2,082 million at year-end 2015, an increase of €95.8 million or + 4.6%. During the year the Group's perimeter grew due to the investment of around €47 million in the Maremà center shopping mall in Grosseto, inaugurated on 27 October. The fair value of the Group's real estate assets was also up like-for-like against year-end 2015 as a result of the higher forecasts for revenue growth and yield compression that the independent appraisers calculated for the top performing assets. The biggest increases were reported by the shopping centers where restyling and new fit-outs, as well as extensions of the leasable space, were completed.

Today IGD's portfolio is well balanced in terms of the average size of the assets, well distributed geographically and with a large part of the centers well positioned in the respective catchment areas: characteristics which lessen the overall risk. Guided by the objective to maintain high occupancy rates (improved and equal to 97.3% in Italy and 96.1% in Romania), over time your Company has continued to invest in maintaining the high quality and appeal of the portfolio, even in the most profound years of the consumer crisis. We changed the merchandise mix of the tenants in our malls in order to meet the new needs of the market which is more focused on personal and restaurant services conceived as experiences linked to leisure. This resulted in the remodeling of malls spaces in order to introduce anchor brands which provide fresh appeal with respect to the traditional food anchor.

Our experience in redesigning spaces, reducing the area of the hypermarket and redirecting mall traffic flows, proved very successful in the center in Afragola, near Naples; we are replicating the same model in the Città delle Stelle center in Ascoli, where the mall is being expanded. Another example, equally as significant, was the restyling of Centro Borgo, in Bologna, where the spaces were remodeled in order to streamline use and create new traffic flows.

2016 was, therefore, a year of confirmation and consolidation of the new trends that were already discernable in the 2015 Annual Report, including in terms of "Changes in Fair Value". If in 2015 the net

change in this item, which was positive for €1.5 million, marked a turnaround with respect to the negative €23.1 million posted in 2014, the positive balance of €19.5 million reported in 2016 provides IGD with immediate and even more significant confirmation as to the validity of the investments made to maintain the high quality of its real estate portfolio.

At the same time, the rigorous financial discipline and the optimization of the debt structure, which we were able to accomplish thanks to our investment grade rating, made it possible to maintain the Loan-to-Value well below 50% (48.3% at year-end) and to further strengthen the Interest Cover Ratio which came to 2.24x.

In 2016 IGD's debt was assigned a Baa3 rating from Moody's which opened up a new market for the Company, namely the one comprised of institutional investors who can invest exclusively in "investment grade" debt. IGD was able, therefore, to place two bond issues with international investors - one in the spring and the other between 2016 and 2017 - for a total €400 million. Today the company's debt is well balanced between bonds (2/3) and bank debt (1/3). Thanks to these transactions there was a significant drop in the cost of debt which will become even more apparent next year.

A further signal as to the new value that we created for our shareholders during the year is the increased Net Asset Value, calculated using the adjusted EPRA Triple Net Asset Value per share, which went from the €1.25 recorded at year-end 2015 to €1.29 at year-end 2016 (+3.2%).

In the wake of the solid results presented in the 2016 Annual Report, the Board of Directors proposes payment of a dividend of €0.045 per share, an increase of 12.5% compared to the dividend of €0.040 paid in 2015. By paying €36.6 million in dividends, IGD is also adhering to the dividend policy outlined in the Business Plan which calls for the distribution of earnings equal to around 2/3 of the FFO.

Looking at the 2016 results we can also discern elements which help us to look forward with confidence to the projects outlined in the 2016-2018 Business Plan that we are currently working on. The experience of the Maremà center opening in Grosseto, where thanks to the exciting commercial offering traffic flows in the first few weeks following the inauguration reached levels unseen at midsize centers for many years, is also guiding us in our work on the Ravenna extension which is expected to be completed by the first half of 2017. Meanwhile,

.....
On the left **Claudio Albertini** and **Gilberto Coffari**
IGD's CEO and Chairman

we are implementing an innovative concept with areas dedicated to leisure and restaurants at Officine Storiche in Livorno which is destined to give a boost to the whole waterfront project we have undertaken there. The work is expected to be completed by 2018.

Over the last few months we have also voluntarily made improvements to make our assets more earthquake-resistant. Even though the centers we have in Abruzzo and the Marche regions did not report any structural damage as a result of the earthquakes that took place in August and following months, IGD is committed to ensuring the safety and well-being of its visitors, as well as the retailers, in its centers through a series of targeted actions. A philosophy of carefully managing our properties which also guided us in the process that will result in UNI EN ISO 14001 environmental certification for 90% of our assets in 2018.

In the last few months IGD has received important recognition, including on an international level. At MAPIC in Cannes, the most important international trade fair for our sector, the restyling of Centro Sarca - which, moreover, recently received BREEAM certification - was recognized as one of the most excellent projects and a finalist in the "Best redeveloped shopping center" category. The quality of our corporate reporting was found to comply with the Best Practices indicated by the European Real Estate Association which, in fact, gave us the EPRA sBPR Gold Award for the 2015 Corporate Sustainability Report and the EPRA BPR Silver Award for the 2015 Annual Report, an improvement compared to the Bronze Award received in 2015. IGD was also a finalist in the Small - Medium Sized Enterprises section of the Oscar di Bilancio, a competition organized by

the Italian Public Relations Federation. In September 2016 IGD received a Legality Rating of three stars from the Italian Competition Authority ("AGCM"), the maximum score awarded for this type of rating. Last but not least, Moody's recently confirmed a "stable" outlook for IGD's debt while, during the same review, it lowered the outlook for Italy's sovereign debt.

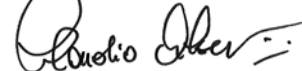
While we will continue to execute our 2016-2018 Business Plan, in 2017 we will work to communicate clearly not only the results that appear in the financials, but also the ones that reflect the Company's intangible assets, as we are convinced that both translate into concrete results for our shareholders.

The proposed dividend of €0.045 has a yield of 6.2% if calculated based on the price of IGD's stock at the end of the year, €0.724: with this dividend, therefore, we are confirming one of the pillars of the returns we offer our shareholders. On the other hand the P/NNNAV 2016, which indicates a discount of 43.4%, tells us that the net value of our assets is decidedly higher than the value expressed in IGD's current stock price. We know that stock prices can be impacted by factors which do not reflect a company's fundamentals. Clearly in 2016 the performance of IGD's stock was influenced by an increase in Italy's perceived country risk and the sector rotation carried out by large institutional investors beginning in September 2016 which penalized defensive stocks, like real estate, in favor of cyclical stocks. Despite this we believe, as a Company, that we can reduce the noticeable discount at which our stock trades against the NAV by focusing on flawless execution of our Business Plan and clear communication of the results. A commitment that we renew with conviction.

The Chairman
Gilberto Coffari



The Chief Executive Officer
Claudio Albertini
















1.2



CORPORATE AND SUPERVISORY BODIES

Summary

Board of Directors

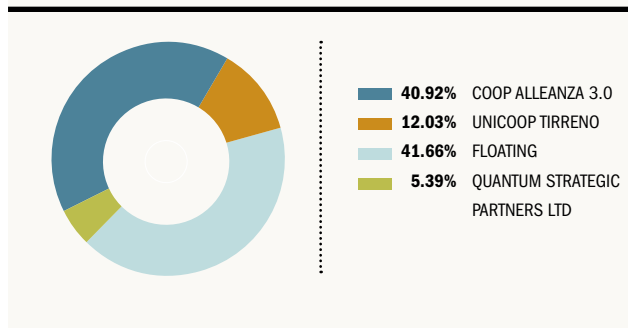
 GILBERTO COFFARI Chairman <i>Executive</i> Chairman's Committee	 FERNANDO PELLEGRINI Vice Chairman <i>Non Executive</i> Chairman's Committee	 CLAUDIO ALBERTINI Chief Executive Officer <i>Executive</i> Chairman's Committee	 ELIO GASPERONI Director <i>Non Executive</i> Chairman's Committee		
 ARISTIDE CANOSANI Director <i>Non Executive</i>	 LEONARDO CAPORIONI Director <i>Non Executive</i>	 LUCA DONDI DALL'OROLOGIO Director <i>Independent</i>	 LENTZ MATTHEW DAVID Director <i>Independent</i> Related Party Transaction Committee	 ELISABETTA GUALANDRI Director <i>Independent</i> Compensation and Nominations Committee Control and Risk Committee	 MILVA CARLETTI Director <i>Independent</i> Compensation and Nominations Committee
 ROSSELLA SAONCELLA Director <i>Independent</i> Related Party Transaction Committee Control and Risk Committee	 ANDREA PARENTI Director <i>Independent</i> Compensation and Nominations Committee Related Party Transaction Committee	 LIVIA SALVINI Director <i>Independent</i> Control and Risk Committee			

Board of Statutory Auditors

 ANNA MARIA ALLIEVI Chairman <i>Standing</i>	 ROBERTO CHIUSOLI Auditor <i>Standing</i>	 PASQUINA CORSI Auditor <i>Standing</i>	 PIERLUIGI BRANDOLINI Auditor <i>Alternate</i>	 ISABELLA LANDI Auditor <i>Alternate</i>	 ANDREA BONECHI Auditor <i>Alternate</i>
<i>External Auditors</i> PRICEWATERHOUSECOOPERS S.P.A.			<i>Financial Reporting Officer</i> GRAZIA MARGHERITA PIOLANTI		

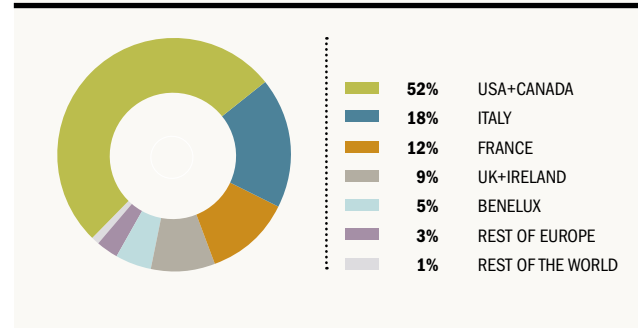
Shareholders

BREAKDOWN OF SHAREHOLDER BASE



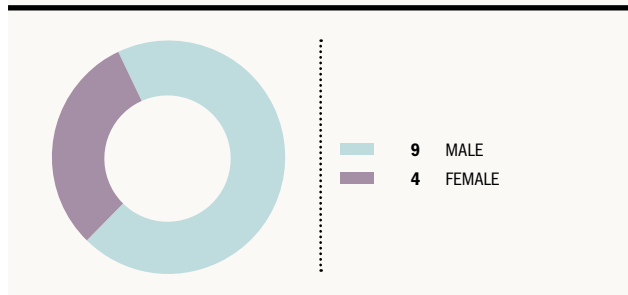
Coop Alleanza 3.0 soc. coop. is the company formed as a result of the merger of Coop Adriatica s.c.a. r.l, Coop Consumatori Nordest soc.coop. and Coop Estense s.c. effective 1 January 2016.

FREE FLOAT BY GEOGRAPHICAL AREA

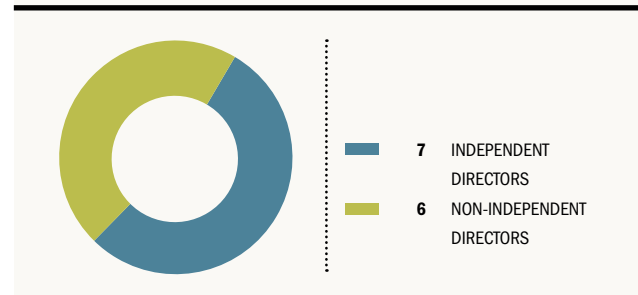


Board of Directors

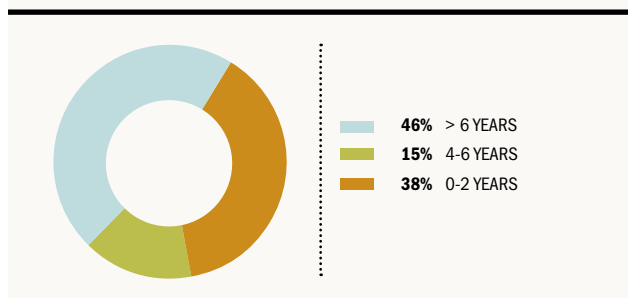
BREAKDOWN BY GENDER



INDEPENDENT/NON-INDEPENDENT DIRECTORS



SENIORITY OF THE MEMBERS OF THE BOD (% of the total number of Directors)

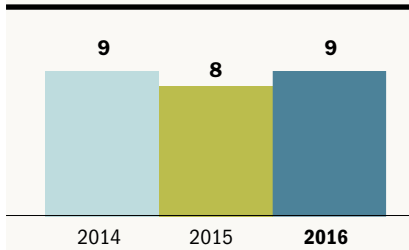


CHANGES COMPARED TO THE PRIOR MANDATE

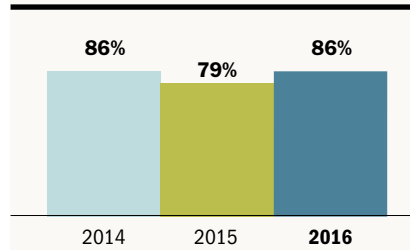
	PRIOR MANDATE	CURRENT MANDATE	FTSE MID CAP
NUMBER OF DIRECTORS	15	13	
DIRECTORS ELECTED BY THE MINORITY	0	2	
% OF FEMALE DIRECTORS	20%	31%	26.20%
% OF INDEPENDENT DIRECTORS	53%	54%	
AVERAGE AGE OF BOARD MEMBERS	64	58	57.1
CHAIRMAN' STATUS	EXECUTIVE	EXECUTIVE	
LEAD INDEPENDENT DIRECTOR (LID)	YES	NO	

Functioning of the Board of Directors

NUMBER OF BOARD MEETINGS



DIRECTORS' ATTENDANCE



BOARD EVALUATION PROCESS

Realization of the Board evaluation process

YES

Valuation company
EGON ZEHNDER

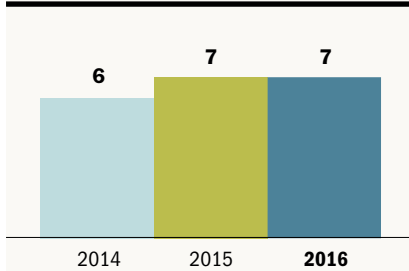
Self-assessment methods
ANONYMOUS QUESTIONNAIRE/INTERVIEWS

NUMBER OF COMMITTEE MEETINGS AND DIRECTORS' ATTENDANCE

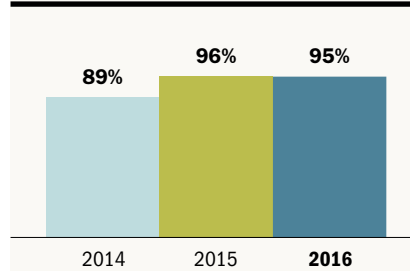
	NUMBER OF MEETINGS	DIRECTORS' ATTENDANCE	% OF INDEPENDENT DIRECTORS
Compensation and Nominations Committee	5	100%	100%
Control and Risk Committee	7	95%	95%
Related Party transaction Committee	2	100%	100%

Control and risk management system Functioning of the Committees

NUMBER OF THE CONTROL AND RISK COMMITTEE MEETINGS



ATTENDANCE AT THE CONTROL AND RISK COMMITTEE



MAIN ELEMENTS OF THE CONTROL SYSTEM

Presence of the risk management function

YES

Risk management plan

YES

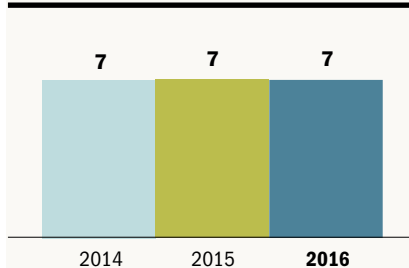
If yes, such a Plan is discussed with the ERM Committee?

YES

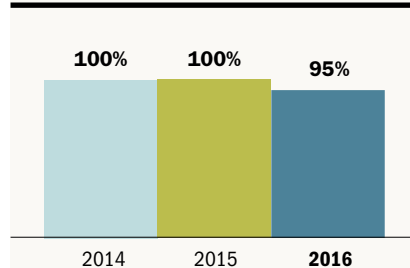
Organisation of specific compliance programs (Antitrust/Anticorruption/Whistleblowing...)

YES

NUMBER OF THE BOARD OF STATUTORY AUDITORS MEETINGS



ATTENDANCE AT THE BOARD OF STATUTORY AUDITORS



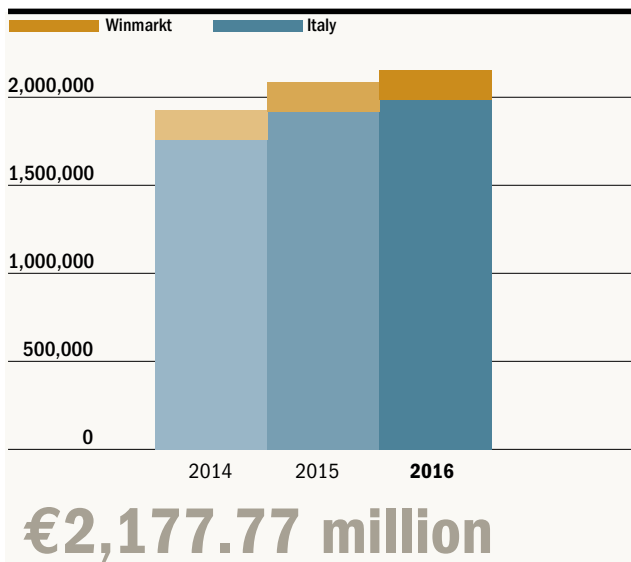
For more information refer to Chapter 3.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE.

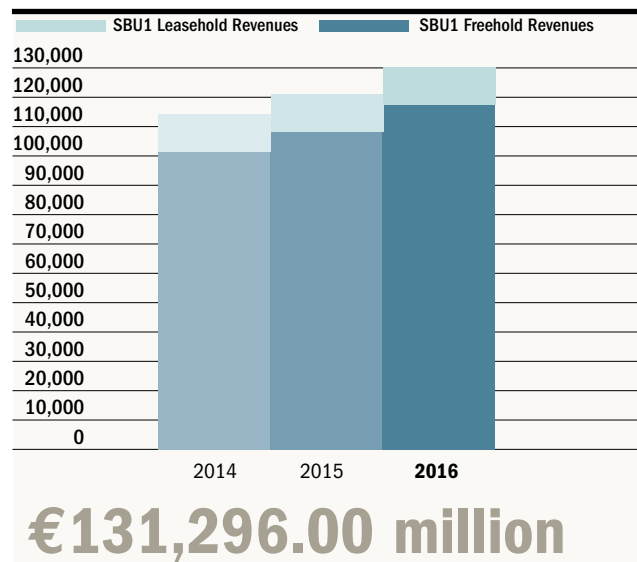
1.3

GROUP HIGHLIGHTS

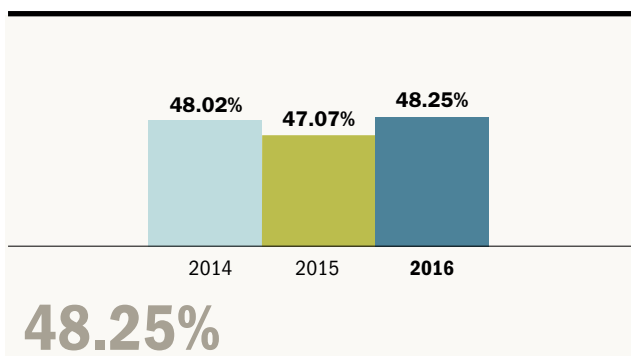
Real estate portfolio market value



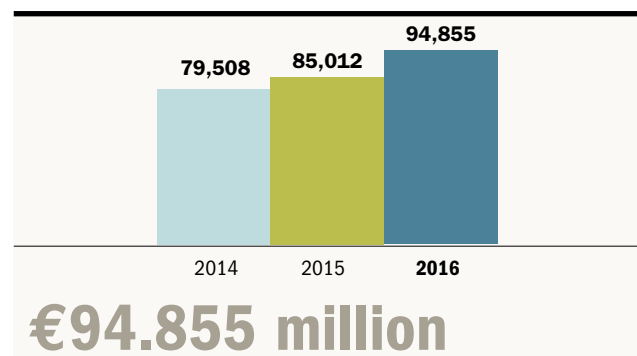
Core business rental revenues



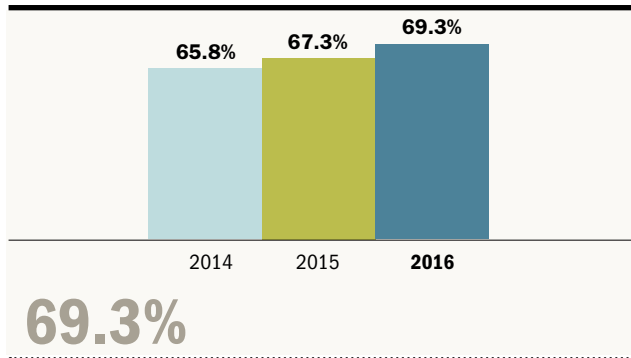
Loan to value



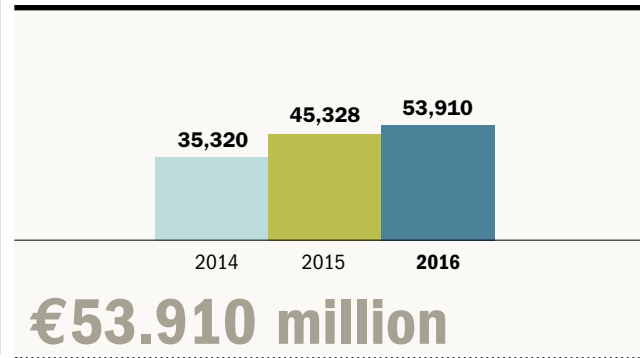
Core business EBITDA



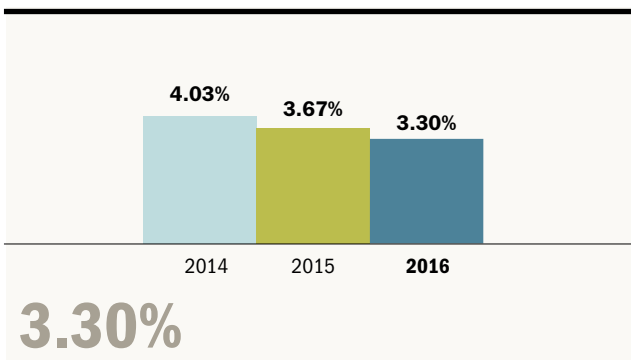
Core business EBITDA Margin



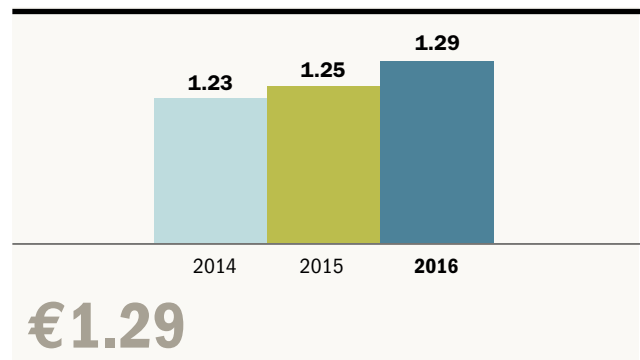
Core business FFO



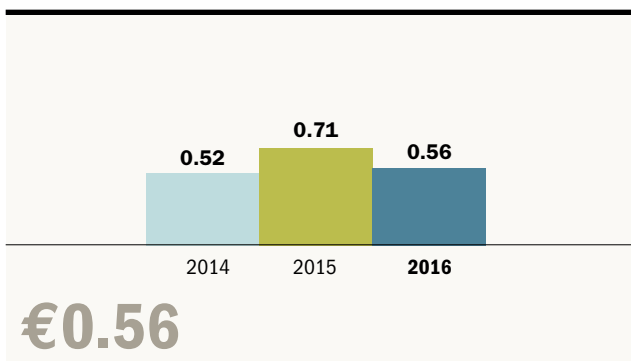
Average cost of debt



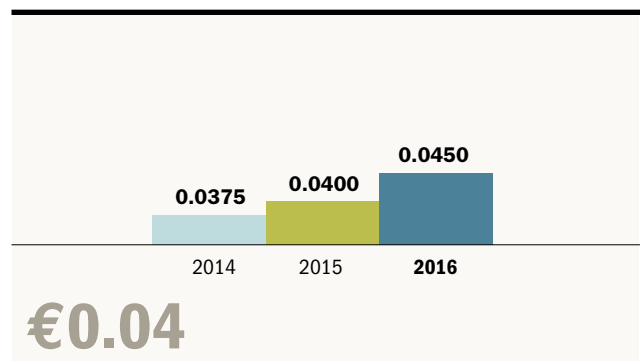
Epra NNNav per share



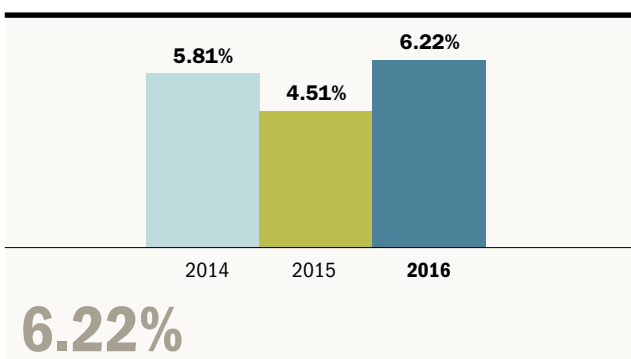
Share price/ Epra NNNAV



Dividend



Dividend Yield





.....
PUNTADIFERRO

Forlì

Opening 2011

Mall GLA sq.m 21,223



1,109,249 visitors

(figure from March 2016)

DIRECTORS' REPORT

Dear Shareholders,

The directors' report that follows combines the reports to the consolidated financial statements and the financial statements of the Parent Company Immobiliare Grande Distribuzione SIIQ S.p.A., to avoid the repetition that would result by providing two separate documents. The consolidated financial statements at 31 December 2016 of Gruppo Immobiliare Grande Distribuzione SIIQ S.p.A. (IGD SIIQ S.p.A or IGD for short), including this report and the notes to the financial statements, consolidate the balance sheets and income statements of IGD SIIQ SpA and other Group companies as listed in the paragraph related to the scope of consolidation.

Alternative Performance Indicators

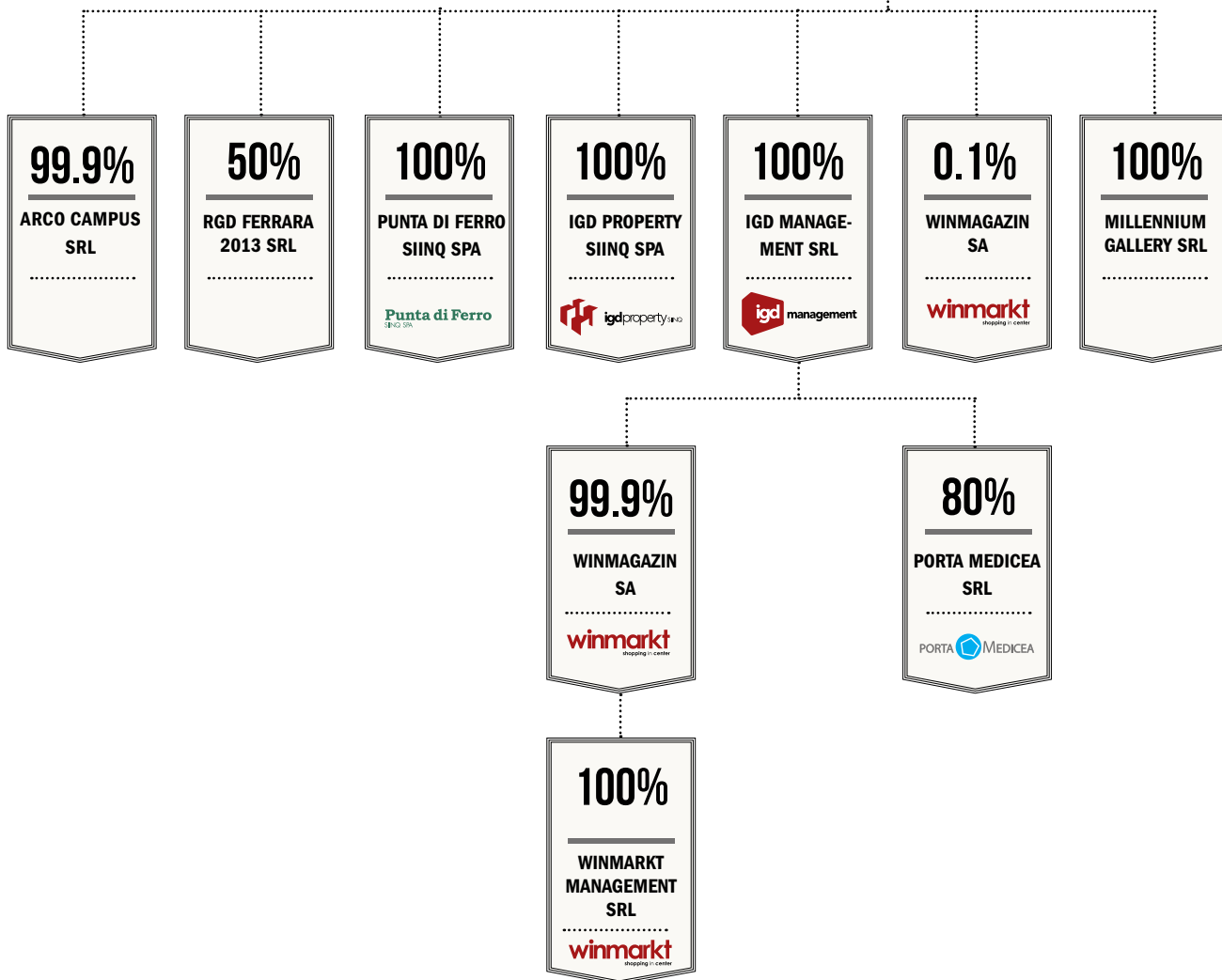
This report contains alternative performance indicators with respect to the conventional indicators required of audited financial statements, which comply with IAS/IFRS. The alternative performance indicators do stem from financial statements prepared on an IAS/IFRS-compliant basis, but have also been calculated using other sources or alternative methods, where clearly specified. These may not comply with the accounting standards required of audited financial statements and may not consider the accounting, recognition and measurement requirements associated with such standards. The indicators deemed significant for the reading of the Group's financial statements include like-for-like revenue, core business EBITDA, core business EBITDA margin, FFO, net financial position, the interest cover ratio, the average cost of debt (net of ancillary expenses, recurring and non), the gearing ratio, the loan to value, the net asset value (NAV) and triple net asset value (NNNAV), the calculations of which are described in the Glossary.

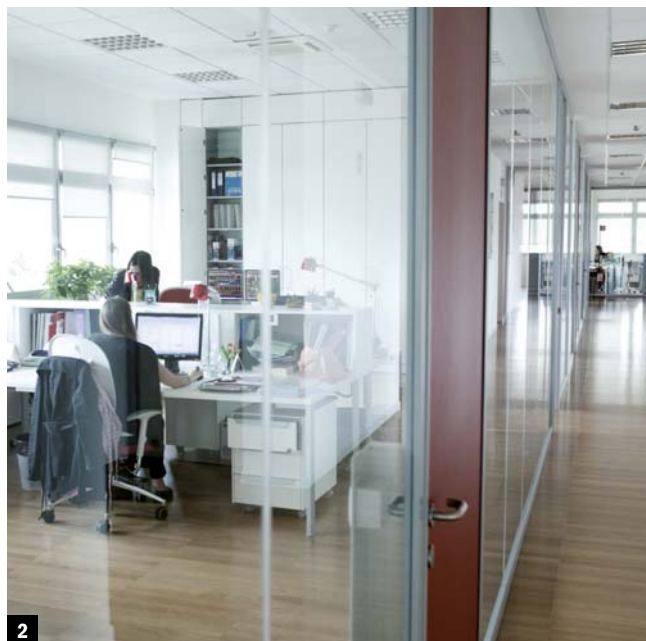
02

2.1

THE IGD GROUP

IGD was the first company in Italy to obtain SIIQ (Società di Investimento Immobiliare Quotata or real estate investment trust) status in 2008 and is still the only retail real estate company that qualifies as a SIIQ. Most of the Group's real estate assets are in Italy (around 93%). The remainder is in Romania (around 7%), where IGD owns the Winmarkt chain of shopping centers through WinMagazin SA.





IGD SIIQ's perimeter of exempt operations includes the freehold assets found in Italy. At 31 December 2016, the Parent Company also controlled:

- 100% of **Millennium Gallery**, (part of the Rovereto shopping mall and a business division in the shopping center in Crema);
- 50% of **RGD Ferrara 2013**, formed on 30 September 2013, to manage the Darsena City Shopping Center in Ferrara;
- 100% of **IGD Property SIIQ SpA**, a real estate investment company formed on 13 December 2012 with stock that is not listed on a regulated market;
- 100% of **Punta di Ferro SIIQ SpA**, a real estate investment company responsible for the "puntadiferro" mall in Forlì, acquired on 16 December 2015;
- 99.9% di **Arco Campus srl**, company dedicated to the construction, leasing and management of properties used for sports, in addition to the development and dissemination of sports;

→ 100% of **IGD Management srl** which, in addition to owning the CentroSarca shopping mall in Milan, also holds the majority of the operations which are not included in the SIIQ's scope of consolidation:

- 99.9% of **WinMagazine SA**, the Romanian subsidiary, through which it controls 100% of **WinMarkt Management srl**, the company responsible for the team of Romanian managers;
- 80% of **Porta Medicea srl**, responsible for the requalification and real estate development project of Livorno's waterfront;
- management of the leasehold properties (Centro Nova and Centro Piave);
- service activities which include mandates for the management of freehold and leasehold properties.

The IGD Group's operations can be broken down in to three distinct divisions:

- Property management and development;
- Sales, marketing and network management;
- Romania.

The three division heads report to the Chief Operating Officer.



LE PORTE DI NAPOLI

Afragola - Napoli
 Opening 1999
 Mall extension 2014
 Mall GLA sq.m 17,341
 Food anchor GLA sq.m 9,570



4,385,026 visitors in 2016



WINMARKT PLOIESTI

Ploiesti - Romania
 Restyling 2014
 GLA sq.m 18,308



6,232,554 visitors in 2016

Our activities

Property management and leasing

The **property management and leasing** of all the Group's freehold properties, as well as of some third party assets, represents IGD's core business. The main objective is to enhance the long term value of the portfolio through three distinct activities:

- 1.** the purchase and leasing of real estate, both properties already generating revenue and new initiatives, in which case IGD may also get involved in development;
- 2.** the optimization of property yields through commercial policies and marketing initiatives which, by maintaining the shopping center's appeal, guarantee a steady flow of traffic: key to maintaining a high rate of occupancy. The commercial activities are closely intertwined with asset management which includes routine and extraordinary maintenance, as well as restyling and extensions;
- 3.** asset rotation through the disposal of freehold assets in order to ensure an optimal portfolio structure.

Services

IGD is also involved in a number of activities related to services which typically include Facility Management, namely the coordination and supervision of the activities deemed essential to the operation of a shopping center (security, cleaning and routine maintenance) and marketing. This category also includes the revenue generated by Agency Management and Pilotage which are carried out in order to promote newly opened, expanded or restyled centers.

Contract management

In Italy at the end of 2016 IGD had 1,192 leases with a total of 665 retailers. During the year the Company signed 206 new leases explained for 117 by renewals and the remaining 89 by turnover.

In Romania at the end of 2016 WinMagazin SA had 603 contracts. During the year 207 new leases were executed, in addition to 247 renewals, versus 189 terminations and early withdrawals.

Over time turnover management has continuously provided IGD with an opportunity to improve the quality and reliability of the retailers found in its centers. As part of its Enterprise Risk Management activities, IGD has been, for some time, analyzing the risk profile of its tenants and looking at the percentage of retailers that belong to the same risk category, as well as the rents as a percentage of IGD's total revenue.

The concentration of retailers generating a significant portion of IGD's rental income is limited: in Italy the ten largest tenants represent 21.1% of the total rental income generated by malls, while in Romania the percentage reaches 45.1%.

IGD's retail offering features a good number of international brands: in the Italian malls, international brands account for 19% of the total, while in Romania these brands represent 38% of the total.

Marketing

In 2016 IGD completely restructured its marketing division in order to support each shopping center, facilitate centralized coordination of all the start-up initiatives, with a view to exploiting new costs efficiencies, including through the management of contracts with suppliers of services at several centers, above all with regard to communications. The benefits generated by the new organizational structure put into place in 2016 will become visible in 2017, as the various plans are implemented.

During the year the new division promoted training of the entire network on a new way to build and implement marketing plans in shopping centers.

Based on five consecutive phases, the new methodology provides a more in depth and analytical approach with respect to the past and, more specifically:

- _ stresses the importance of the phase during which the location and the visitors' needs are analyzed
- _ seeks to understand, as much as possible, the quantitative elements, including in relation to identifying the Plan's targets (to be defined each year)
- _ fosters targeted work on each center's strong and weak points
- _ uses specific, individual KPI to measure the efficacy of the plan.



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Beginning in 2017 the Marketing Plans will be prepared based on these premises.

The marketing events and activities in 2016 continued to be inspired by the philosophy "Spaces to be lived in", which translated into a series of events with a high degree of ethical and social content. The most significant of these was "Happy hands on tour", which involved the entire network and provided extremely satisfying results in terms of footfalls with a Social Return on Investment (SROI) of 1.61%, in line with expectations.

The first results of "Project Innovation" were recorded in 2016. The goal of this project, up and running since the beginning of the year by a group within the Commercial Division, is to innovate the experience inside the Shopping Centers through the use of technology and multi-channel strategies, while also looking for solutions and services

that meet visitors' expectations. The use of social media improved, particularly of Facebook: 2016 was the first year in which the use of Facebook was operated centrally, through a single supplier. The feedback from the interactions on this channel was encouraging as during the year around 11.3 million individuals visited IGD's centers online and there was an increase of 73% in the users who carried out at least one page action.

Content Marketing projects also continued with web events offered in parallel with the actual physical event.

The marketing activities helped to sustain footfalls which in 2016 reached about 74.6 million in IGD's Italian centers, basically in line with 2015.

Footfalls in Romania reached around 31.3 million in 2016, an increase of 2.6% compared to 2015.

1. Le Maioliche Shopping Center, Faenza (RA)

2. La Torre Shopping Center, Palermo

3. Centro Sarca Shopping Center, Milan

4. Opening of Maremà Shopping Center, Grosseto

5. Event Happy Hand in Tour at Centro Borgo, Bologna



Mission

IGD's mission is to create value for all its stakeholders: shareholders and financial backers, employees, customers, local communities, retailers, as well as suppliers. We believe this is possible through sustainable growth.

Vision

IGD has always been focused on the retail segment of the Italian real estate market as the Company believes that this business can offer visible returns as long as the management works to extract value and enhance assets with a view to the long-term.

IGD's shopping centers are found throughout Italy, bordering urban centers along main roads which allows for easy access. Most of the centers are also strongly positioned in primary catchment areas.

The typical IGD shopping center has a food anchor which helps to attract traffic all week long and promote customer loyalty which, in turn, benefits the retailers in the mall. Today this format is changing and new, nonfood anchors are being placed in midsize stores. IGD's center Le Porte di Napoli in Afragola has already seen that reducing the area dedicated to the hypermarket can create opportunities for new fit-outs, with solutions that act as attractors for the entire shopping center. A few other centers, like Tiburtino (Guidonia) and Maremà (Grosseto), are examples of how a center's appeal is not linked solely to the hypermarket, but to the mall's entire offering. The inauguration of the Ravenna extensions will provide another opportunity to enhance this concept.

The ability to rethink the merchandising mix, in close correlation with the ability to remodel spaces, was key to maintaining a high level of occupancy even in the presence of the prolonged consumer crisis in Italy and emerging new lifestyles with greater focus on well-being. With respect to before the crisis, IGD's real estate portfolio now comprises more midsize stores, while the merchandise mix now contains more personal services and restaurants, along with a



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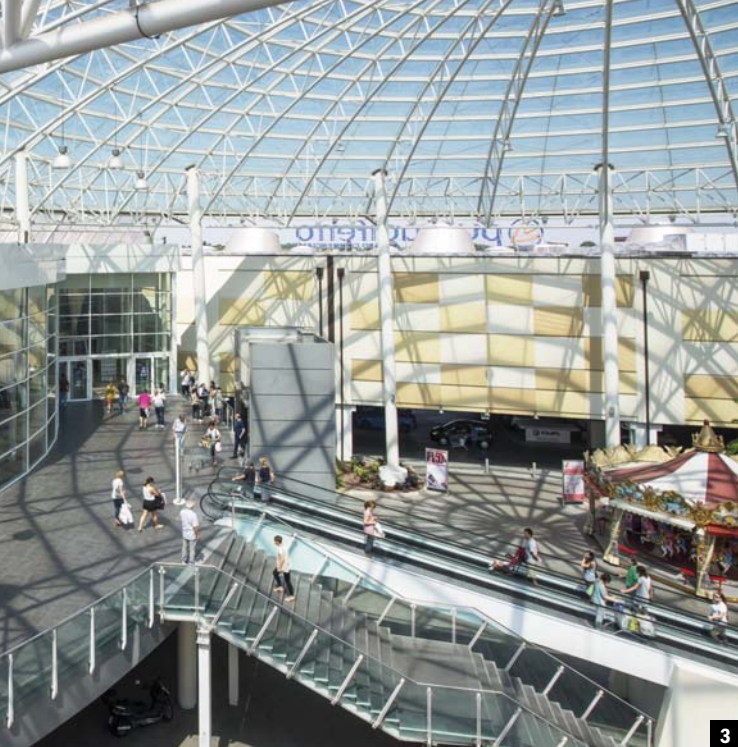
growing percentage of retail chains and fewer local retailers. IGD's shopping centers want to continue to be known for the livable spaces, in line with the "Spaces to be lived in" philosophy which drives asset and commercial management. The success of the food court created at Afragola, thanks to the downsizing of the space for the hypermarket, is a great example of this which may be replicated in other structures in the future.

The ability of IGD to adapt will be seen over the coming years, including as a result of the way in which it will deal with the needs of e-commerce which calls for new

spaces that are more like show-rooms or receiving areas for the goods purchased online. With respect to a "jumbo center", the midsize format of the typical IGD shopping center makes it easier to address the growing multichannel presence. This was shown in the intense work done by IGD over the past few years to successfully group small stores and make spaces available to international retailers. Conversely, as IGD does not have any jumbo assets, the company did not have to address requests to reduce spaces as a result of lower store sales and higher online sales.

1. The new online service Click&Collect at ESP Shopping Center, Ravenna
2. Photovoltaic system of Clodi Retail Park, Chioggia (VE)

3. Centro Puntadiferro, Forlì
4. Extension of ESP Shopping Center, Ravenna



3



4

Strategic guidelines

IGD's updated strategic guidelines were presented on 10 May 2016 when the updated version of the Business Plan 2015-2018, namely the Business Plan 2016-2018, was revealed.

A revised Plan was needed, firstly, because of the changed global market conditions which point to a phase of economic recovery and revived consumption and makes it possible to formulate an Investment Plan which is less uncertain with respect to the past. The important acquisition made in December 2015, namely of the mall in the puntadiferro shopping center in Forlì, increased the size of the Group's portfolio and boosted its growth prospects moving forward. As the transaction was not contemplated in the prior Plan, the acquisition called for a capital increase in order to maintain a good balance between the balance sheet and financial indicators.

In light of the new market environment, the new size of the real estate portfolio and the Company's financial profile, the objective outlined in the Plan is to confirm IGD as the leading retail property company in Italy.

This strategy hinges on an integrated approach to the four different operational areas: **commercial, asset management, finance and sustainability**.

From a **commercial** standpoint, IGD will work to understand and respond in a timely manner to the changes in the demand of the end customers. This basic objective calls for the continuous rethinking of the merchandise mix available at each shopping center, beginning with the interpretation of the hypermarket's role, followed by the ability to introduce international brands that appeal to Italian consumers, as well as an increasingly more complete and vast range of personal services.

Asset Management has a key role in the plan, in terms of

the ability to successfully revamp the spaces in each shopping center in order to accommodate premiere retailers. Restyling of the centers with a prominent position in the reference catchment area is also extremely important in order to maintain positioning. Extensions of existing centers also have an important role as they provide an opportunity to rethink the entire commercial offering by including retailers in the mall that not only meet shopping needs, but also provide a quality solution to the new demand which embraces personal services and entertainment.

Asset Management has another duty, to optimize the energy efficiency of the properties in order to reduce the general overhead of the tenants and meet the requests, above all of the big international chains, that the properties comply with precise environmental standards.

As for **Finance**, the strategy aims to maintain rigorous financial discipline and a balanced debt structure. In 2016 IGD obtained the investment grade rating that it said it would. Maintaining this rating over time is key to another of strategic objective: reducing the cost of debt.

With regard, lastly, to **Sustainability** IGD has identified quantitative/qualitative targets for each of the topics that emerged during the materiality analysis, namely:

- Integrity in business and management;
- quality and efficiency of the shopping centers;
- a changing context;
- the concept of "Spaces to be lived in";
- people.

Moving forward with the investment plan, in accordance with the standards of financial discipline adopted, increases the visibility of IGD's ability to generate greater cash flow over time, as demonstrated by the FFO and, consequently, the ability to provide shareholders with attractive and sustainable dividends in accordance with the Plan's dividend policy.



2.2

PERFORMANCE IN 2016

2.2.1 Income statement review

2016 was a year of intense activity for the IGD Group in terms of both operations and finance, marked by the completion of important transactions, in line with the Business Plan 2016 - 2018.

It should be noted, moreover, that these results were achieved in a context that was less positive than expected. In terms of the global market conditions, the growth trend of the Italian economy begun the previous year did, in fact, stabilize in 2016, albeit at what is still a very moderate pace. According to the preliminary estimates of ISTAT, GDP was positive for the entire year, with cumulative growth coming in at +0.9%¹. The economic activity was driven by a restart in investments (+0.8% in third quarter 2016²) and consumer spending (expected to reach +1.2% at year-end³). The latter grew less than expected from the beginning of the year insofar as, while steady employment helped to boost disposable income, the propensity to save gradually increased. In 2015 it remained at moderate levels⁴.

Inflation continued to slow for the fourth year in a row due primarily to the drop in oil prices and energy costs, which caused the consumer price index to drop by -0.1% in the year. A phenomenon that had not been recorded since 1959⁵. In the last two months of the year, however, there was a partial recover in inflation which returned to slightly positive levels, resulting in a slight rise in prices in 2017⁶. In light of the above, the extremely positive results that the Group achieved in the year are even more significant. Like-for-like sales of the retailers inside IGD's Italian malls rose 2.6% against 2015, while footfalls fell slightly. The sales figure is particularly good if compared to the domestic performance of non-food retail sales which increased +1%⁷ in 2016.

Occupancy of the Italian portfolio improved, rising from the 96.9% posted in 2015 to 97.3% in 2016.

An excellent performance was also posted by rental income in Italy, which was up by 8.8%. Acquisitions and the new openings contributed to this good result: IGD benefitted from the new Maremà mall opened in October and the full year contribution of the Clodi retail park and the Punta di ferro mall which did not contribute for the entire year in 2015 (the first was opened in May and the second was acquired in December). Like-for-like revenue was also positive, rising 1.7% thanks to the above mentioned improvement in occupancy, the good results generated by pre-letting activities which made it possible to record an increase of 1.8% in the new leases and the gradual reduction of discounted rents which were granted during the most difficult period of the consumer crisis in order to support sustainability.

In Romania economic growth proceeds at a more robust pace. GDP rose around +4.8%⁸ in 2016 driven clearly by consumer spending which rose 8.7%⁹ thanks to a series of steps taken by the government which included lowering VAT and increasing minimum wage. This good economic dynamic, along with the extensive work done by IGD in terms of restyling and updating the merchandising mix in its malls, caused a 2.5% increase in footfalls compared to 2015. After the noticeable drop recorded last year, the occupancy rate improved further rising from the 93.9% recorded in 2015 to 96.1% in 2016 which is basically in line with the Italian figure. Thanks to pre-letting and the renegotiations carried out during the year there was an average upside in the new leases of 1.1%. These solid indicators led to an increase in rental income of 3.1% against 2015.

The IGD Group continued with its asset management activities in the year. The most important event for the IGD Group in this segment was most assuredly the opening in October of the new Maremà shopping center in Grosseto. The mall inside the center is comprised of 45 shops and 6 midsize stores which cover a gross leasable area (GLA) of more than 17,000 m² (inside the Center there is also a hypermarket which is not owned by the Group). This was an important acquisition for IGD in a region that the Group considers strategic. Remodeling of the spaces in the Città delle Stelle center was also completed which resulted in the creation of a new midsize store. Centro Sarca in Milan benefitted from the effects of the restyling work terminated in 2015, reaching full occupancy and recording significant results in terms of both sales (+17.5%) and footfalls (+5.9%). From a financial standpoint, the year that just ended was particularly full of transactions. Of particular note is the Baa3 rating, with a stable outlook, that IGD's debt obtained

1 Source: Istat - GDP preliminary estimates, February 2017

2 Source: Bank of Italy - Economic Bulletin 1/2017

3 Source: Istat - Prospects for the Italian economy in 2016-2017, November 2016

4 Source: Bank of Italy - Economic Bulletin 1/2017

5 Source: Istat - Consumer prices, January 2017

6 Source: Bank of Italy - Economic Bulletin 1/2017

7 Source: Istat - Non-food retail sales prices, January 2017

8 Sources: Reiffeisen Research - Economic overview Romania, December 2016; European Commission - Winter Economic Forecast, February 2017

9 Sources: Reiffeisen Research - Economic overview Romania, December 2016; European Commission - Winter Economic Forecast, February 2017

from Moody's in May, which was subsequently confirmed in December. This rating represents important recognition of the work done by the Group over the last few years to improve the financial-economic indicators and also opened a new market for the Company, namely the one comprised of institutional investors who can invest exclusively in "investment grade" debt.

In May, therefore, IGD was able to proceed with the issue of a €300 million 5-year bond at 2.5%. The bond loan was placed with European institutional investors in just one day and the demand was two times higher than the offer which testifies to the Group's good creditworthiness. This first transaction was followed in December by a second bond issue. More in detail, the private placement of a €100 million 7-year bond with a gross annual coupon of 2.25% was successfully completed on the US market. The transaction

settled in January. These two transactions were completed at the best time possible during the year and allowed IGD to further reduce its cost of debt which went from the 3.67% recorded year-end 2015 to 3.3% year-end 2016 (toward this end of note is the repayment in full of the €135 million CMBS in November which had a cost of around 5.2% per annum).

These results (which will be explained more in detail below), along with the increase in fair value, contributed to making 2016 the best year in IGD's history. The year closed with a net profit of €68.3 million, an increase of 49.7% with respect to 2015, and an 18.9% increase in core business FFO which amounted to €53.9 million.

The consolidated operating income statement is shown below:

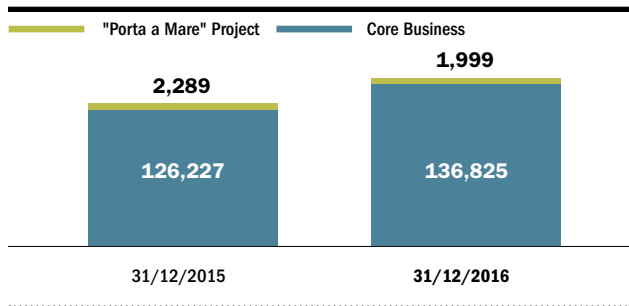
CONSOLIDATED INCOME STATEMENT (€/000)	CONSOLIDATED			CORE BUSINESS			PORTA A MARE PROJECT		
	31/12/15	31/12/16	Δ%	31/12/15	31/12/16	Δ%	31/12/15	31/12/16	Δ%
Revenues from freehold real estate and rental activities	108,865	118,882	9.2%	108,865	118,882	9.2%	0	(0)	n.a.
Revenues from leasehold real estate and rental activities	12,277	12,414	1.1%	12,277	12,414	1.1%	0	0	n.a.
Total revenues from real estate and rental activities	121,142	131,296	8.4%	121,142	131,296	8.4%	0	(0)	n.a.
Revenues from services	5,085	5,529	8.7%	5,085	5,529	8.7%	0	0	n.a.
Revenues from trading	2,289	1,999	(12.7)%	0	0	n.a.	2,289	1,999	(12.7)%
OPERATING REVENUES	128,516	138,824	8.0%	126,227	136,825	8.4%	2,289	1,999	(12.7)%
COST OF SALE AND OTHER COSTS	(2,181)	(2,189)	0.4%	0	0	n.a.	(2,181)	(2,189)	0.4%
Rents and payable leases	(10,068)	(10,145)	0.8%	(10,068)	(10,145)	0.8%	0	0	n.a.
Direct personnel	(3,771)	(3,914)	3.8%	(3,771)	(3,914)	3.8%	0	0	n.a.
Direct costs	(17,021)	(17,307)	1.7%	(16,730)	(17,032)	1.8%	(291)	(275)	(5.6)%
DIRECT COSTS	(30,860)	(31,366)	1.6%	(30,569)	(31,091)	1.7%	(291)	(275)	(5.6)%
GROSS MARGIN	95,475	105,269	10.3%	95,658	105,734	10.5%	(183)	(465)	n.a.
Headquarters personnel	(6,208)	(6,473)	4.3%	(6,134)	(6,402)	4.4%	(74)	(71)	(3.7)%
G&A expenses	(4,898)	(4,813)	(1.7)%	(4,512)	(4,477)	(0.8)%	(386)	(336)	(12.9)%
G&A EXPENSES	(11,106)	(11,286)	1.6%	(10,646)	(10,879)	2.2%	(460)	(407)	(11.4)%
EBITDA	84,369	93,983	11.4%	85,012	94,855	11.6%	(643)	(872)	35.6%
Ebitda Margin	65.6%	67.7%		67.3%	69.3%		-28.1%	-43.6%	
Other provisions	(411)	(154)	(62.5)%						
Impairment and Fair Value adjustments	1,538	19,582	n.a.						
Depreciations	(1,264)	(1,119)	(11.5)%						
DEPRECIATIONS AND IMPAIRMENTS	(137)	18,309	n.a.						
EBIT	84,232	112,292	33.3%						
FINANCIAL MANAGEMENT	(39,392)	(42,008)	6.6%						
EXTRAORDINARY MANAGEMENT	50	(336)	n.a.						
PRE-TAX PROFIT	44,890	69,948	55.8%						
Taxes	310	(3,044)	n.a.						
NET PROFIT FOR THE PERIOD	45,200	66,904	48.0%						
* (Profit)/Loss for the period related to third parties	439	1,425	n.a.						
GROUP NET PROFIT	45,639	68,329	49.7%						

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

→ Revenue

Consolidated operating revenue amounted to €138,824 thousand, an increase of 8.0% against the same period of the prior year. The core business revenue reached €136,825 thousand; as for the Porta a Mare project, revenue from trading amounted to €1,999 thousand.

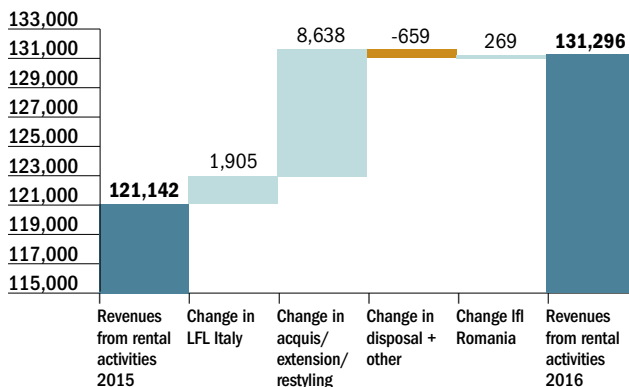
TOTAL REVENUES



The breakdown of revenue is described below:

The revenue from the rental business rose 8.4% against the same period 2015.

GROWTH OF RENTAL INCOME



The increase of €10,154 thousand is explained by:

- for €1,905 thousand, like-for-like revenue in Italy (+1.7%). Malls were up (+2.7%, above all the recently restyled assets and extensions) and hypermarkets were in line with the prior year. 206 new contracts were signed in the period with an average upside of +1.8%;
- for around €8,638 thousand, the expanded perimeter which comprises the Clodi Retail Park, opened in May 2015, the Punta di Ferro mall, acquired in December 2015 and the Maremà mall opened in October 2016;
- a decrease in revenue (-€659 thousand) linked to the sale of the City Center property on via Rizzoli at the end of May 2015 and other minor changes;
- for around €269 thousand, higher revenue like-for-like in Romania (+3.1%), linked to pre-letting and leases renegotiated in the period (average upside of 1.1%).

Revenue from services was higher than in 2015 (+8.7% or around €444 thousand). This item comprises primarily revenue generated by Facility Management which amounted to €4.9 million, an increase of 3.6% attributable primarily to the full year contribution of the Clodi mandate, and the new mandates at Poseidon, I Portici and Maremà. Revenue for pilotage also rose (+€258 thousand against 2015), linked primarily to the pre-opening of the Grosseto center.

Revenue from trading generated by the Porta a Mare project amounted to €1,999 thousand and reflects the sale of 6 residential units and appurtenances versus 7 residential units and appurtenances in the prior year.

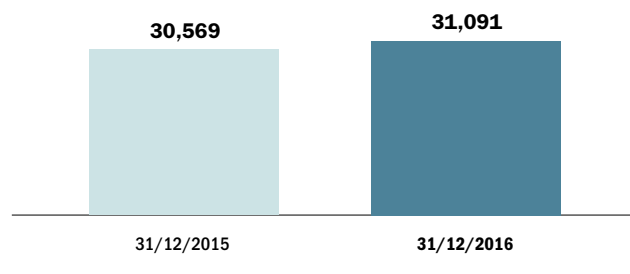
→ Cost of goods sold and other expenses

"Cost of goods sold and other expenses", which amounted to €2,189 thousand, refers to the cost of the units sold at Porta a Mare of €2,113 thousand and ancillary sales costs of €76 thousand.

→ Direct costs

Direct costs, pertaining to the core business and including personnel expenses, amounted to €31,091 thousand, an increase of 1.7% with respect to the same period of the prior year. Rents payable (€10,145 thousand, +0.8%) were largely unchanged, while direct personnel expenses rose slightly, in line with the expanded perimeter, (€3,914 thousand, +3.8%, linked to the strengthening of the network), as did IMU, in part offset by the drop in Romania, condominium fees linked to an increase in the number of contracts with caps and lower vacancies, as well pilotage costs due to the opening of the Maremà mall. Costs were contained for services, namely advertising (explained by the costs linked to the opening of Clodi Retail Park in 2015). The costs pertaining to the core business represent 22.7% of revenue, down noticeably compared to the 24.2% recorded in the prior year.

CORE BUSINESS DIRECT COSTS



The direct costs for the Porta a Mare project, which amounted to €275 thousand, consist primarily in the IMU property tax (€193 thousand) and condominium fees.

→ Review of margins by business unit

The divisional gross margin rose by 10.3% from the €95,475 thousand posted at 31 December 2015 to €105,268 thousand at 31 December 2016. The table below shows the trend in divisional gross margins by business unit:

GROSS MARGIN (€/000)	CONSOLIDATED			CORE BUSINESS			PORTA A MARE PROJECT		
	31/12/15	31/12/16	%	31/12/15	31/12/16	%	31/12/15	31/12/16	%
Margin from freehold properties	93,186	102,999	10.5%	93,186	102,999	10.5%	0	0	n.a.
Margin from leasehold properties	1,999	2,171	8.6%	1,999	2,171	8.6%	0	0	n.a.
Margin from services	473	564	19.2%	473	564	19.3%	0	(0)	n.a.
Margin from trading	(183)	(465)	n.a.	0	0	n.a.	(183)	(465)	n.a.
Gross margin	95,475	105,268	10.3%	95,658	105,733	10.5%	(183)	(465)	n.a.

SBU 1 - Property leasing - margin from freehold properties: this margin amounted to €102,999 thousand, versus €93,186 thousand in the same period of the prior year. In percentage terms, this activity continues to feature a significant margin of 86.3% which is also higher than the prior period (increase in revenue and largely stable costs).

SBU 1 - Property leasing – margin on leasehold properties: this margin reached €2,171 thousand. As a percentage of revenue the margin rose significantly from the 16.3% posted in 2015 to 17.5%. This increase is linked primarily to higher revenue and largely stable costs.

SBU 2 - Services - margin from service businesses: the margin from services amounted to €564 thousand and represents 10.2% of service revenue versus 9.3% in the prior year. The increase in this margin is explained primarily by the increase in revenue from facility management as a result of new mandates, as well as the positive performance of pilotage.

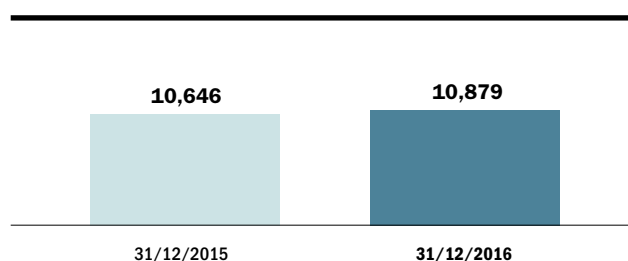
SBU 3 - Development and trading - margin from trading: the margin from the "Porta a Mare" project in Livorno reached €190 thousand, including €76 thousand in ancillary costs. Direct costs (mainly IMU on the portions yet to be developed) resulted in a net negative result of €465 thousand.

→ General expenses

General expenses for the core business, including payroll costs at headquarters came to €10,879 thousand, an increase (+2.2%) against the €10,646 thousand posted in the prior year linked to higher payroll costs (salary adjustments) and corporate communications (participation in the first MapiC Italy). Other main cost items were down. These costs represent 8.0% of core business revenue, an improvement compared to the same period of the prior year.

General expenses for the Porta a Mare project amounted to €407 thousand (including payroll costs), a decrease of 11.4% with respect to the prior year due primarily to the decrease in costs for events.

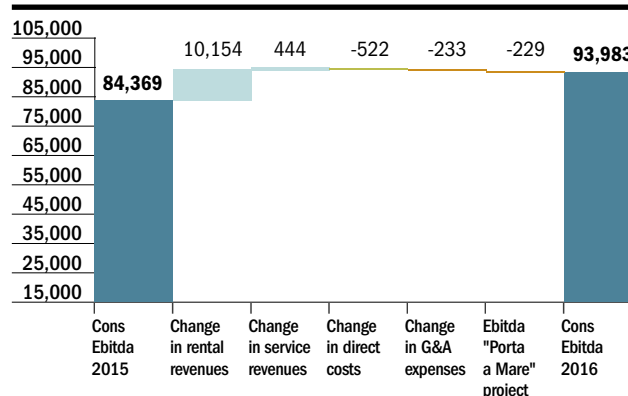
CORE BUSINESS G&A EXPENSES



→ EBITDA

Core business **EBITDA** amounted to €94,855 thousand in 2016, an increase of 11.6% with respect to the same period of the prior year, while total EBITDA rose by 11.4% to €93,983 thousand. The changes in the components of total EBITDA during 2016 are shown below.

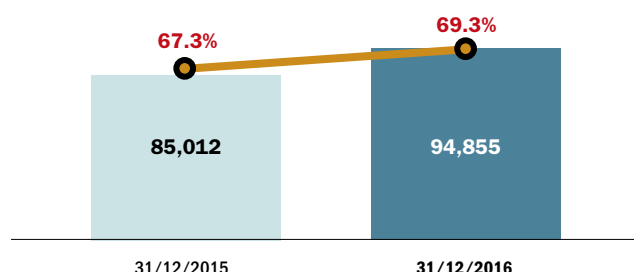
EBITDA



As mentioned above, the EBITDA margin was impacted substantially by the increase in core business revenue (including as a result of the acquisition of Punta di Ferro and Grosseto), offset by the less than proportional increase in direct costs and general expenses.

The core business **EBITDA MARGIN** came in at 69.3%, an increase of 2 percentage points with respect to the same period of the prior year.

CORE BUSINESS EBITDA AND EBITDA MARGIN

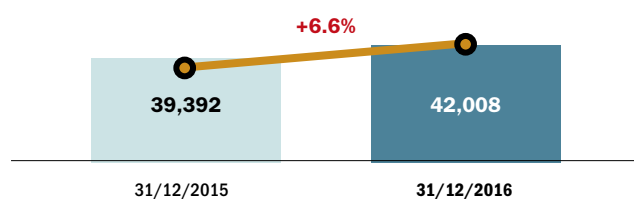


→ **EBIT**

EBIT amounted to €112,292 thousand, an increase of 33.3% against the same period 2015. In addition to the above mentioned rise in EBITDA, the result reflects the positive balance of write-downs and fair value adjustments (+€19,582 thousand) compared to the €1,538 thousand recorded in 2015.

→ **Net financial income (expenses)**

FINANCIAL MANAGEMENT



Financial expenses went from the €39,392 thousand posted at 31 December 2015 to €42,008 thousand at 31 December 2016. The increase, of approximately €2,616 thousand, is explained primarily by the increase in financial expenses linked to the €300 million bond loan issued on 31 May 2016, rating costs, fees on expiring committed revolving credit facilities and a greater use of short term facilities, albeit at lower rates with respect to the extinguished mortgages. These were partially offset by the early repayment of various loans (BNP, Centobanca for Coné hypermarket, Centobanca and Banco Popolare di Verona for the subsidi-

ary Porta Medicea). The unamortized transaction costs on the loans paid back in full were taken to the income statement.

Financial expenses were also affected by decreased interest on interest rate swaps and lower charges on the bond loans due to the swap carried out in April 2015.

Lastly, the increase in financial income is attributable mainly to the interest of 0.60% paid on the time deposits and the investment of temporary excess cash resulting from the €300 million bond loan, restricted until 28 November 2016, and paying interest of 0.60%.

The average cost of debt at 31 December 2016, excluding recurring and non-recurring transaction costs, was 3.30%, down from the 3.67% reported in the previous year, while the weighted average effective cost of debt went from the 4.00% reported at 31 December 2015 to 3.86%.

The interest coverage ratio (ICR), calculated by dividing Ebitda by financial expenses, went from the 2.15x recorded in the prior year to 2.24x.

→ **Equity investments/non-recurring transactions**

The result posted at 31 December 2016, -€366 thousand, is attributable mainly to: (i) the sale of the interest in UnipolSai Investimenti Sgr following exercise of the call option granted to UnipolSai Investimenti Sgr; (ii) the results posted by equity investments accounted for using the equity method; (iii) the purchase price adjustment linked to the sale of the RGD joint venture and the second earn-out paid and (iv) the write-down of the loan granted to Iniziative Bologna Nord s.r.l., now in liquidation.

→ **Taxes**

TAXES	31/12/2016	31/12/15	CHANGE
Current taxes	1,117	1,072	45
IRAP tax credit	(326)	(1,191)	865
Deferred tax liabilities	2,276	(1,640)	3,916
Deferred tax assets	(111)	1,349	(1,460)
Out-of-period income/charges - Provisions	88	100	(12)
Total income taxes for the period	3,044	(310)	3,354

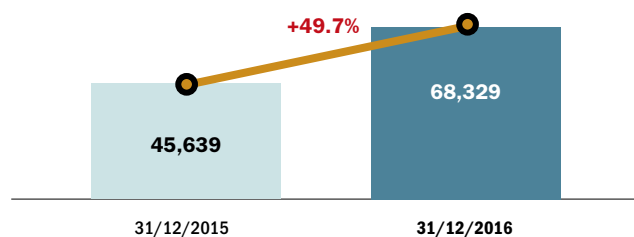
The tax burden, current and deferred, reached €3,044 thousand at 31 December 2016, an increase of €3,354 thousand against 31 December 2015.

The change is attributable primarily to the adjustment made to deferred tax assets and liabilities in order to align the fair value with the tax assessed value of a few real estate investments held by subsidiaries as a result of changes in fair value. The amount due for IRAP (corporate income tax), slightly higher than in 2015, allowed for an additional conversion of the unused ACE benefit into a tax credit to be taken against IRAP.

→ Group net profit

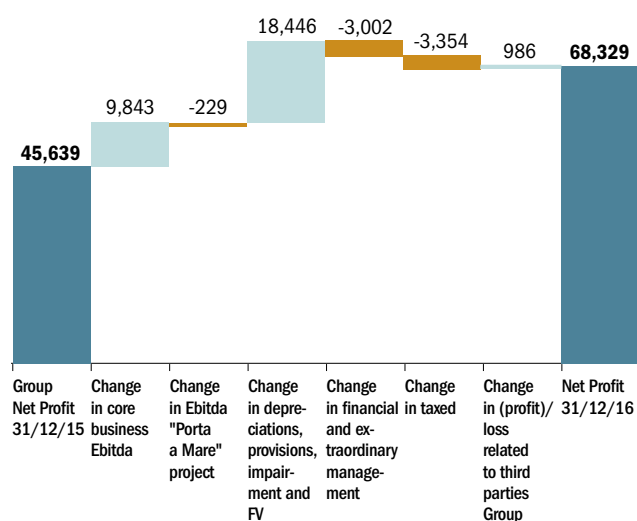
As a result of the above the Group's net profit came to €68,329 thousand, an increase of 49.7% against the €45,639 thousand recorded in 2015.

GROUP NET PROFIT



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

CHANGE IN NET PROFIT BETWEEN 2015 AND 2016

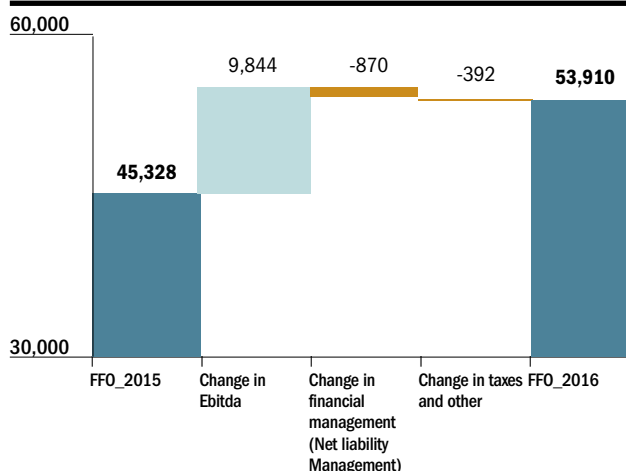


→ Core business FFO

FFO (Funds from Operations), an indicator used widely in the real estate sector (REITs), measures the cash flow generated by a company's core business. The figure posted at 31 December 2016 shows a substantial increase of €8,582 thousand or 18.9% with respect to the prior year. This performance reflects the noticeable increase in core business Ebitda described above. More in detail, financial expenses were adjusted by €2,095 thousand as a result of the unamortized transaction costs on the early repayment of the €135 million loan which was taken to the income statement.

FUNDS FROM OPERATIONS	CONS_2015	CONS_2016	Δ VS CONS_2015	Δ %
Core business Ebitda	85,011	94,855	9,844	11.6%
Adj. financial management	-38,946	-39,817	-870	2.2%
Adj. Extraordinary management	218	-125	-343	n.a.
Adj. Current taxes for the period	-956	-1,004	-49	5.1%
FFO	45,328	53,910	8,582	18.9%

FFO GESTIONE CARATTERISTICA



2.2.2 Statement of financial position and financial review

The IGD Group's statement of financial position at 31 December 2016 can be summarized as follows:

SOURCES-FUNDS	31/12/2016	31/12/2015	Δ	%
Fixed assets	2,050,728	1,970,028	80,700	4.10%
Assets under construction and advances	75,004	50,533	24,471	48.43%
Intangible assets	12,720	12,736	(16)	(0.13%)
Other tangible assets	11,049	11,899	(850)	(7.14%)
Sundry receivables and other non-current assets	89	90	(1)	(1.11%)
Equity investments	1,685	6,366	(4,681)	(73.53%)
NWC	56,378	51,797	4,581	8.84%
Funds	(7,494)	(6,734)	(760)	11.29%
Sundry payables and other non-current liabilities	(24,656)	(26,460)	1,804	(6.82%)
Net deferred tax (assets)/liabilities	(21,901)	(18,247)	(3,654)	20.03%
TOTAL USE OF FUNDS	2,153,602	2,052,008	101,594	4.95%
Shareholders' equity	1,060,701	1,022,053	38,648	3.78%
Non-controlling interests in capital and reserves	8,725	10,150	(1,425)	(14.04%)
Net (assets) and liabilities for derivative instruments	28,748	34,990	(6,242)	(17.84%)
Net Debt	1,055,428	984,815	70,613	7.17%
TOTAL SOURCES	2,153,602	2,052,008	101,594	4.95%

The principal changes in 2016, compared to 31 December 2015, are summarized below:

- **Investment property:** the increase of €80,700 thousand is explained, for €46,584 thousand, by the acquisition of the Maremà mall on 13 December 2016 and, for around €9,089 thousand, by work carried out and completed, including: (i) purchase of land and continuation of urban development works at Chioggia Retail Park, for €976 thousand; (ii) restyling and fit outs, as well as the roofing of the multiplex cinema, at Centro Sarca, for around €733 thousand; (iii) construction work at Esp shopping center, for around €653 thousand; (iv) fit-out work at Città delle Stelle shopping center in Ascoli, for around €661 thousand; (v) extraordinary maintenance at a few of the Romanian shopping centers and the work done to accommodate a premiere retailer at the Ploiesti mall, for around €2,345 thousand; (vi) roofing and fit-out work at Mondovì retail park, amounting to around €331 thousand; (vii) construction work at Portogrande shopping center, for around €359 thousand; (viii) roofing and construction work at Tiburtino shopping center, for around €1,041 thousand, and (ix) other minor improvements (mostly at Conè mall, Centro Borgo mall and Lugo hypermarket) for around €1,990 thousand, along with work capitalized in prior years reclassified under investment property upon completion amounting to €381 thousand (fit outs, multiplex roof, Breeam certification at the Centro Sarca mall for €344 thousand and extraordinary maintenance in Romania for €22 thousand). On 30 November, the "palazzina San Benedetto" (with a carrying value of €237 thousand) was sold for €240,000; this, along with other minor decreases, reduced investment property by a total of €390 thousand. As for fair value adjustments, investment property was revalued in the amount of €52,389 thousand and

written down by €27,353 thousand, for a net positive impact of €25,036 thousand.

- **Work in progress,** which increased by €24,471 thousand as a result of the investments made and still in course, for a total of around €21,963 thousand, which included: (i) work on the expansion of the Gran Rondò mall in Crema for around €134 thousand; (ii) continuation of work on Officine Storiche, for a total of approximately €6,146 thousand; (iii) the work done on the ESP extension in Ravenna for €14,029 thousand; (iv) earthquake protection work at Darsena for around €648 thousand and other minor improvements for €1,006 thousand, relating primarily to work on the roof at the Katanè shopping center. The increase in down payments of around €547 thousand is attributable to the down payments made in the year. The decrease refers to a drop of €1,764 thousand in down payments due primarily to the progress made on the Esp extension and Officine Storiche.). Because of the variance to the Officine Storiche construction permit (see section 2.4 Significant events - Porta a Mare project), it was necessary to reclassify around €5,880 thousand from Work in progress inventory and advances to Assets under construction (Officine Storiche retail section). This item also includes the investments completed during the year and reclassified to Investment property in the amount of €381 thousand, bringing the balance of reclassifications to +€5,499 thousand. The Porto Grande expansion, recognized using the adjusted cost method, was written down by €127 thousand to bring carrying amounts in line with the lower of cost and appraised fair value. Of the projects nearing completion, which are measured at fair value, the Esp expansion in Ravenna was revalued by €1,570 thousand and the Officine Storiche section of Porta a Mare was written down by €3,217 thousand.

- **Other plant, property and equipment and intangible assets changed** in the period due primarily to amortization and depreciation recognized in the period.

- The change in **equity investments**, of around €4,681 thousand, is attributable primarily to the sale of UnipolSai Investimenti SGR S.p.A., on 9 September, following exercise of the call option by UnipolSai Assicurazioni S.p.A on the remaining 20% held by IGD, for €4,466 thousand.

- **Net working capital** showed a decrease of €4,581 thousand against 31 December 2015 explained primarily by:
 - (i) for €1,201 thousand, security deposits received connected to the opening of the Grosseto shopping center;
 - (ii) for €1,393 thousand, a decrease in trade receivables;
 - (iii) for approximately €2,258 thousand, a decrease in trade receivables with third parties and related parties. This decrease was partially offset by (i) an increase in current assets of around €9,980 thousand explained by higher VAT credits connected to the Maremà mall acquisition; (ii) an increase in trade receivables with related parties of around €25 thousand; (iii) a decrease in current liabilities with related parties of €6,903 thousand due mainly to the advances on invoices made in the prior year but relative to first quarter 2016 by Coop Alleanza 3.0 Soc. Coop recognized in the income statement; (iv) a decrease in tax liabilities of around €1,840 thousand, relating primarily to a decrease in VAT and income taxes payable by Punta di Ferro. The drop in working capital is also explained by the work in progress inventory which dropped by €9,315 thousand in the period as a result of (i) work done in the year for a total of around €2,360 thousand; (ii) the sale of 6 residential units and 6 parking places for a total of approximately €2,113 thousand; (iii) the reclassification following the variance of a construction permit for €5,880 thousand; and (iv) a write-down of €3,681 thousand made in the period in order to bring the carrying amount in line with the lower of cost and appraised fair value.

- **Provisions** dropped by €760 thousand due primarily to adjustments made to provisions for employee severance, potential liabilities arising from litigation in course, as well as the bonus provision net of utilization in the year.

- **Non-current debt and other liabilities** increased by €1,804 thousand due primarily to the reclassification as current of the portion of the substitute tax payable by Punta di Ferro under the SIINQ regime.

- **Net deferred tax assets and liabilities**, went from €18,247 thousand to €21,901 thousand which changed primarily as a result of tax misalignments relating to (i) adjustments to the fair value of investment properties and projects which are not included in the SIQ perimeter (ii) taxed provisions (iii) hedges (IRS).

- The Group's **net equity** amounted to €1,060,701 thousand at 31 December 2016. The change of +€38,648 thousand is explained primarily by:

- for €32,522 thousand, the distribution of the dividend for 2015;
- for approximately -€30 thousand, movements in the translation reserve for the translation of foreign cur-

rency financial statements;

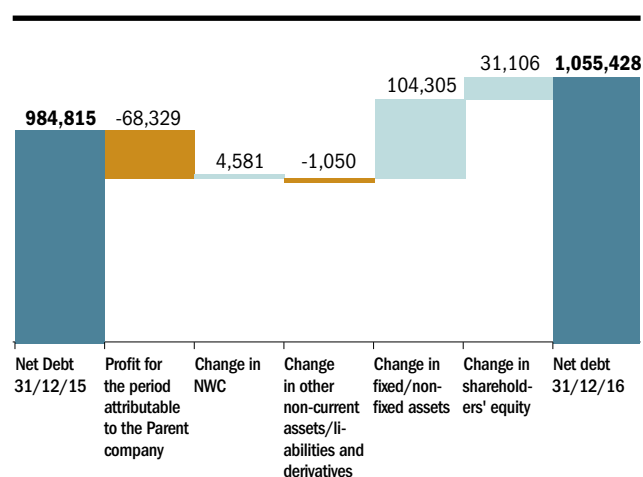
- adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around +€567 thousand for the parent company and around +€2,524 thousand for a subsidiary;
- for -€220 thousand, adjustment of the reserve for the redetermination of defined benefit plans;
- for €68,329 thousand, the profit for the period allocable to the Parent Company.

- **Non-controlling interests in capital and reserves** fell as a result solely of the non-controlling interests' portion of the loss recorded in the year of - €1,425 thousand.

- **Net (asset) liabilities for derivatives** were down against the prior year. The fair value measurement of hedging instruments at 31/12/2016 was less than the prior year by €6,242 thousand.

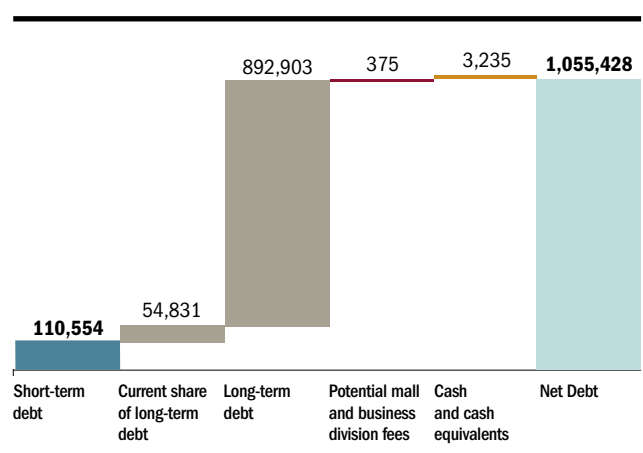
- **Net financial position** at 31/12/2016 was higher than in the prior year by around €70,613 thousand. The changes are shown below:

RECONCILIATION OF THE NET FINANCIAL POSITION



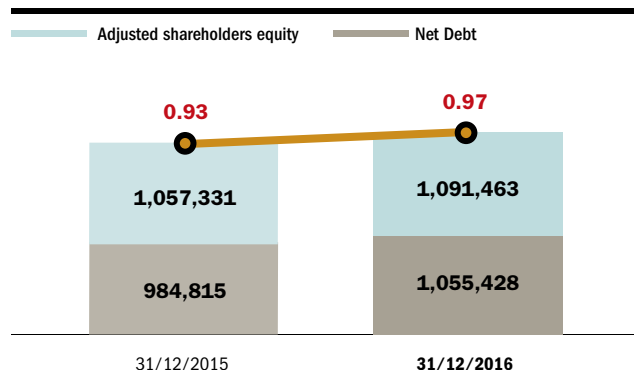
The breakdown of the net financial position is shown below:

BREAKDOWN OF THE NET FINANCIAL POSITION



The gearing ratio reflects the debt to equity ratio, but does not include the accounting (non-monetary) effects of the CFH reserves. The ratio came to 0.97 at 31 December 2016, a slight increase against the 0.93 recorded at 31 December 2015.

GEARING RATIO



→ EPRA Performance Indicators

The IGD Group decided to report on a few of the EPRA¹⁰ performance indicators in accordance with the recommendations found in in "EPRA Best Practices Recommendations"¹¹.

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

EPRA Net Asset Value (NAV): is the fair value of the net assets calculated over the long term and on a going concern basis, based on the equity pertaining to the Group (as shown in the financial statements in accordance with IFRS standards) net of certain assets and liabilities that

are not part of normal operations, like the fair value of hedges or the deferred taxes on market appraisals of the properties.

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

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

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

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

EPRA PERFORMANCE MEASURES	31/12/15	31/12/16
1) Vacancy Rate		
Italy (malls)	4.7%	4.0%
Italy (hypermarkets)	0.0%	0.0%
Italy	3.2%	2.7%
Romania	6.1%	3.9%
2) NAV (per share)	€1.32	€1.37
3) NNNAV (per share)	€1.25	€1.29
4) Cost Ratios		
including direct vacancy costs	23.1%	21.0%
excluding direct vacancy costs	20.1%	18.7%
5) Earnings		
Total (€'000)	40,770	52,864
per share	€0.05	€0.07

The NAV and NNNAV per share calculations are shown below:

EPRA NNNAV CALCULATION	31/12/2015		31/12/2016		Δ %
	€ 000	€ p.s.	€ 000	€ p.s.	
TOTAL NUMBER OF SHARES	813,045,631		813,045,631		
1) GROUP SHAREHOLDERS' EQUITY	1,022,053	1.26	1,060,701	1.30	3.8%
<i>Excludes:</i>					
Financial instruments fair value	34,990		28,748		-17.8%
Deferred taxes	19,917		23,633		18.7%
Goodwill as a results of deferred taxes					
2) EPRA NAV	1,076,960	1.32	1,113,083	1.37	3.4%
<i>Includes:</i>					
Financial instruments fair value	(34,990)		(28,748)		-17.8%
Fair value of debt	(9,560)		(15,749)		64.7%
Deferred taxes	(19,917)		(23,633)		18.7%
3) EPRA NNNAV	1,012,492	1.25	1,044,952	1.29	3.2%

¹⁰ European Public Real estate Association

¹¹ See www.epra.com

The NAV was up against the figure posted at 31 December 2015 (+3.4%) due primarily to the change in net equity (see section 2.2.2.).

The NNNNAV was also up against the prior year (+3.2%). The increase is attributable primarily to the rise in FFO and the increase in the fair value of the properties while the fair value measurement of debt, calculated by discounting cash

flows at a risk free rate and applying the market spread, had a negative impact. This change is explained by the use of the risk free rate and a spread which were updated to reflect market conditions at 31 December 2016, as well as by a change in the duration and cost of debt.

The calculations used to determine the Epra Cost Ratios are shown below:

EPRA COST RATIOS	31/12/2015	31/12/2016
Include:		
(i) Administrative/operating expense line per IFRS income statement	-41,967	-42,652
(ii) Net service charge costs/fees	2,173	2,593
(iii) Management fees less actual/estimated profit element	4,561	4762
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits	51	203
(v) Share of Joint Ventures expenses		
Exclude (if part of the above):		
(vi) Investment Property depreciation		
(vii) Ground rent costs	10,068	10,145
(viii) Service charge costs recovered through rents but not separately invoiced		
EPRA Costs (including direct vacancy costs) (A)	-25,114	-24,950
(ix) Direct vacancy costs	-3,114	-2,735
EPRA Costs (excluding direct vacancy costs) (B)	-22,000	-22,214
(x) Gross Rental Income less ground rent costs - per IFRS	111,074	121,151
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) (x)	-2,173	-2,593
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		
Gross Rental Income (C)	108,901	118,559
EPRA Cost Ratio (including direct vacancy costs) (A/C)	23.1%	21.0%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	20.2%	18.7%

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

rental income.

The Epra Earnings per share calculation is shown below:

EPRA EARNINGS & EARNINGS PER SHARE	31/12/2015	31/12/2016
Earnings per IFRS income statement	45,639	68,329
<i>EPRA Earnings Adjustments:</i>		
(i) Changes in value of investment properties, development properties held for investment and other interests	-1,538	-19,582
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	535	211
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	-108	190
(iv) Tax on profits or losses on disposals	34	-60
(v) Negative goodwill / goodwill impairment	-557	0
(vi) Changes in fair value of financial instruments and associated close-out costs	87	2,095
(vii) Acquisition costs on share deals and non-controlling joint venture interests	191	0
(viii) Deferred tax in respect of EPRA adjustments	-3,787	334
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	0	0
(x) Non-controlling interests in respect of the above	276	1,348
EPRA Earnings	40,770	52,864
<i>Company specific adjustments:</i>		
(a) General provisions and depreciations	1,675	1,273
(b) Non-controlling interests in respect of the above	-714	-2,772
(c) Tax on profits or losses on disposals	-34	60
(d) Contingent tax	-1,091	-245
(e) Other deferred tax	3,496	1,838
(f) Capitalized interests	0	0
(G) Current Tax	241	308
(H) Other Adjustment for no core activities	985	585
Company specific Adjusted Earnings	45,328	53,910
Earnings Per Share		
Numero azioni	813,045,631	813,045,631
Earnings Per Share	€0.05	€0.07

The EPRA Earnings indicator is calculated by excluding non-monetary items (write-downs, fair value gains and losses on properties and financial instruments recognized in the income statement, any impairment or revaluations of goodwill), as well as non-recurring items (gains or losses from the disposal of investment properties, profits generated by trading along with current tax, costs relating to the advance repayment of any loans), deferred tax relating to the fair value of properties and financial instruments recognized in the income statement, as well as the portion of these items that pertains to non-controlling interests. The main differences with respect to FFO relate to generic

amortization, depreciation and provisions, as well as the above EPRA adjustments, the non-recurring tax recognized in the income statement and the deferred tax that does not relate to the fair value of properties and financial instruments recognized in the income statement. The figure posted at 31 December 2016 shows a significant increase of €12,094 thousand or +29.7% against the same period of the prior year. This increase is higher than the increase in FFO due, in particular, to the impact of the deferred tax relating to the fair value of properties which amounted to a negative €334 thousand, versus a positive €3,787 thousand in the prior year.

2.3

THE STOCK

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

The minimum lot is €1.00 and its specialist is Intermonte

IGD's stock symbols:

- **RIC: IGD.MI**
- **BLOOM: IGD IM**
- **ISIN: IT0003745889**

IGD SIIQ SpA 's share capital subscribed and paid-in at 31 December 2016 amounted to €599,760,278.16, broken down into 813,045,631 ordinary shares without a stated par value. There were no changes in amount of share capital in 2016.

Indices in which IGD's stock is included:

- **FTSE All-Share Capped, FTSE Italia All-Share, FTSE Italia STAR, FTSE Italia Mid Cap, FTSE Italia Finanza, FTSE Italia Beni Immobili**
- **FTSE EPRA/NAREIT Global Real Estate Index**
EPRA: European Public Real Estate Association
- **IEIF Europe, IEIF Eurozone, IEIF Eurozone hors-France, IEIF Europe Continentale, IEIF Italie**
IEIF: Institut de l'Epargne Immobilière et Foncière
- **FTSE ECPI Italia SRI Benchmark**

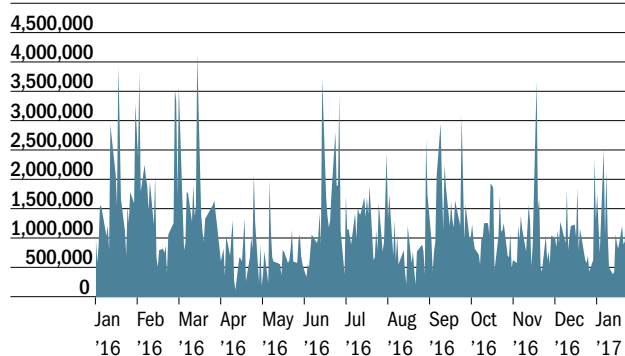
IGD'S STOCK PRICE SINCE 4 JANUARY 2016



Source: Italian Stock Exchange data compiled by IGD

In 2016, IGD's stock price fell 18.3% from the €0.8865 reported at 30 December 2015 to €0.7240 at 30 December 2016. The price reached the high for the year of €0.880 on 5 January and the low of €0.618 on 21 November: there was a 29.8% differential between high and low.

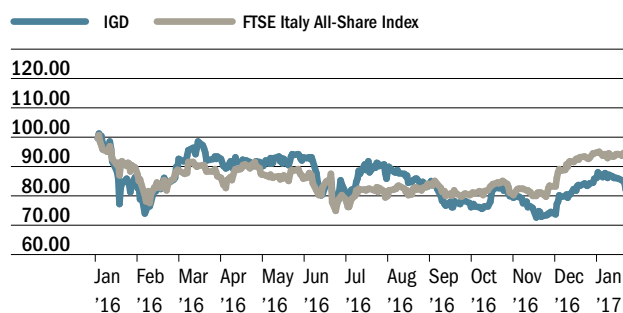
VOLUMES OF IGD STOCK TRADED SINCE 4 JANUARY 2016



Source: Italian Stock Exchange data compiled by IGD

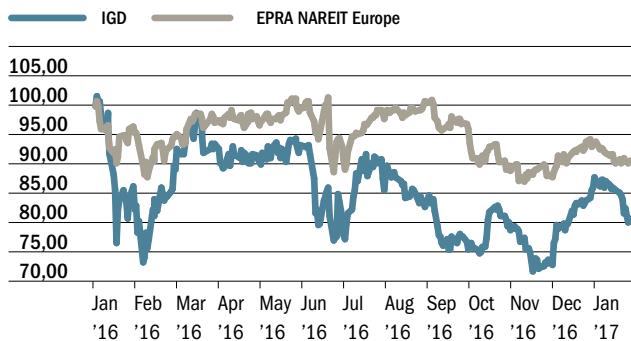
In 2016 an average of approximately 1,223,756 IGD shares were traded each day, down against the average of 1,726,572 shares per day in 2015, but in line with the average of 1,257,000 shares recorded in 2014.

IGD'S STOCK VS. THE ITALIAN STOCK MARKET INDEX (FTSE ALL-SHARE INDEX) (BASE 4.1.2016 = 100)



Source: Italian Stock Exchange data compiled by IGD

**IGD'S STOCK PRICE VS. THE EUROPEAN REAL ESTATE SECTOR INDEX
(BASE 4.1.2016 = 100)**



Source: EPRA and Italian Stock Exchange data compiled by IGD

The comparison of IGD's stock price with the Italian stock exchange index and the European real estate index shows that IGD was impacted by the increased aversion to Italy's country risk and, more recently, by perceptions which influenced the performance of the property sector. Both of the reference indices recorded negative performances in the period between year-end 2015 and 30 December 2016: the FTSE Italy All-Share Index was down 9.9%, while the EPRA NAREIT Europe Index fell 7.7%.

2016 opened with a large sell-off fueled by concerns about possible Fed rate hikes and the impact of a less robust Chinese economy on global growth. The sudden collapse in oil prices also resulted in lower revenue from the export of crude oil which forced a few sovereign funds to sell assets, including of excellent quality, without any adequate control over prices. At the beginning of 2016 the correction in IGD's stock was in line with the Italian market. Beginning in the second week in February the stock recovered and outperformed both reference indices which resulted in a performance that was in line with the EPRA NAREIT Europe index, including as a result of the expectations that the results for FY 2015 would be favorable.

The solid fundamentals that also emerged from the publication of the Annual Report on 3 March 2016 further boosted IGD's upward trend and the price reached its period high of €0.855 on 18 March. The performance of the Italian index, however, reflected the significant weight of the banking sector which was subject to a generalized sell-off triggered by the critical situation of the non-performing loans, while the real estate sector was one of the sectors that benefitted the most from the decision made by the ECB to continue with Quantitative Easing (QE) through March 2017.

The 23 June result of the English referendum, which sanctioned leaving the EU, was part of an environment that was already relatively unfavorable to equity investments. While concerns about the economic growth in China and the Fed's monetary policy continued, the threats linked to large scale immigration and international terrorism caused a noticeable increase in the equity risk premium.

In the period just after Brexit there was an increase in market volatility. In the following months the Italian stock

exchange continued to be dominated by concerns about the recapitalization of banks deemed necessary in light of the stress test results.

The European real estate sector index, on the other hand, bounced back quickly to pre-Brexit levels. Even though the exit of the UK from the EU resulted in downward revisions of investment pipelines and growth in rents, the conviction that the P/NAV levels reached after 23 June were already discounting most of the possible repercussions of a hard-Brexit scenario gradually took hold.

In a similar environment, IGD's stock, which in July had already returned to pre-23 June levels, as had the sector index, continued to outperform the Italian index through the end of August. From that time forward, charts show that IGD's stock price was impacted by both country risk and sector rotation which caused large portfolio managers to underweight the real estate sector.

With regard to the domestic situation in Italy, while the concerns about a phase of political instability following the negative outcome of the constitutional referendum voted on 4 December were overcome thanks to the quick formation of a new government, international institutional investors continued to be concerned about the ability of Italy to implement the reforms called for by the EU without further weakening Italian GDP growth. With more than 90% of its assets in Italy, IGD was not immune to the skepticism demonstrated over the last few months by investors, particularly foreign which represent the majority of IGD's institutional shareholders.

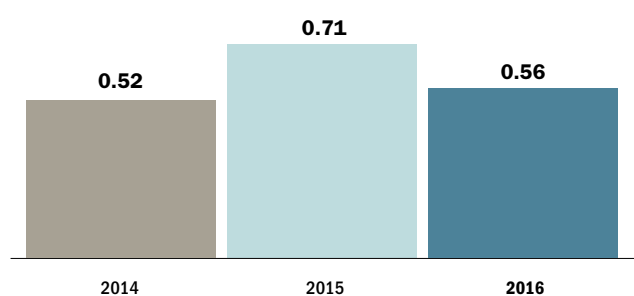
As for the sector, the new global market situation that emerged at the beginning of September resulted in a generally unfavorable view of European real estate equities. The conviction that the ECB would not extend QE beyond March 2017 and would start tapering caused European sovereign bond yields to rise significantly. Expectations for "reflation" – namely economic recovery accompanied by inflation - gradually took hold. In September investors began sector rotation of their portfolios, known as big rotation. Consequently, asset managers purchased cyclical stocks and sold defensive ones like utilities, telecoms and real estate. Many financial analysts stressed that property companies have a natural shield against the risk of inflation, namely the indexed leases and added that the higher financial costs linked to increased interest rates would not immediately impact these companies thanks to the gradual extension of the average debt maturities carried out by property companies at a time when the cost of debt was extremely low. The underperformance of IGD with respect to the Italian index in the last few months is linked to the lack of enthusiasm that investors have for the real estate sector in general and is not specific to the Company.

The publication of the results for the last quarter of 2016 will provide new insights as to how the cyclical stocks might benefit from "reflation" and will help to increase the weight of fundamentals in stock valuations, including in light of the significant re-rating that the sector underwent, on average, in terms of P/NAV.

→ P/EPRA NNAV

The chart below shows the gradual improvement of the stock price (at the last day of the year) versus the EPRA NNAV over the last three years.

SHARE PRICE/EPRA NNAV



→ Dividend

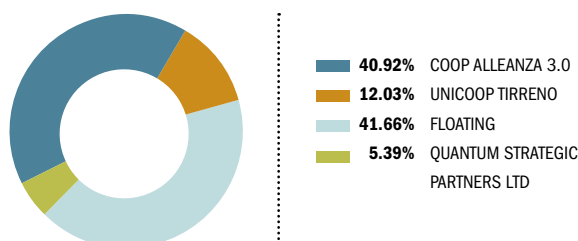
The dividend for 2015

During the Annual General Meeting held on 14 April 2016 IGD's shareholders approved a dividend for 2015 of €0.04 per share. Shares went ex-div on 23 May 2016 and the dividend was payable as from 25 May 2016. The shareholders of IGD at the record date (24 May 2016) were entitled to receive the dividend.

The dividend for 2016

IGD's Board of Directors will propose that the shareholders, meeting on 12 April 2017 (in first call and, if necessary, in second call on 13 April 2017), approve a dividend of €0.045 per each of the 813,045,631 shares outstanding. In 2016 total earnings of €36.59 million will be distributed. In 2015 a dividend of €0.04 was paid on a total of 813,045,631 shares for a total of €32.52 million meaning that the dividend for 2016 is 12.5% higher.

MAIN SHAREHOLDERS



Source: IGD SIIQ SPA's shareholder register

In 2016 there were no changes in the shareholders holding more than 5% of the share capital.

→ Investor relations and financial communications

Analyst coverage

At year-end 2016 IGD was covered by seven brokers, four domestic and three international.

Analyst coverage increased in the year to include Banca IMI, beginning 2 March, while Kepler Cheuvreux announced the Initiation of Coverage on 13 December.

Presentations and meetings with investors

In 2016 IGD organized four conference calls:

- 3 March, to discuss the FY 2015 results;
- 10 May, to discuss the results for first quarter 2016 and the Business Plan 2016-2018;
- 5 August, to discuss results for first half 2016;
- 8 November, to discuss the results for the first nine months of 2016.

Thanks to the collaboration of seven different brokers, in 2016 IGD participated in conferences and completed roadshows in seven different financial centers (Frankfurt, London, Edinburgh, Milan, Miami, Paris and New York).

The Company also met in reverse roadshow with different investors at its headquarters in Bologna and organized field trips to a few of its shopping centers in Emilia Romagna and Centro Sarca in Milan.

In 2016 management met more than 100 institutional investors, including a number of portfolio managers specialized in bond investments during the roadshow in May when IGD's 5-year €300 million issue was placed.

In 2016 IGD's management went to the United States twice: in March for the conference organized by Citibank in Miami and in November for the Italian Equity Roadshow organized by Borsa Italiana in New York.

Online communication

In 2016 IGD worked hard on making its website www.gruppoigd.it a veritable hub of communication for all its stakeholders, rich in regularly updated content. Great progress was also made in terms of functionality. Based on the results of a careful analysis of the areas in need of improvement carried out at the beginning of February, a great effort was made to increase the accessibility of the press release archive which was transposed entirely into html format. As more and more users tend to connect via mobile devices the PDF format is, in fact, not always the best one for easy reading. The internal search engine was also revised in 2016. As for digital channels, IGD continued to communicate via Twitter on a regular basis.

In the 2016 Italian Webranking, the ranking that Comprend does each year to measure the quality of listed companies' online communication, IGD was ranked 15th versus 17th in the prior year. The 58 points awarded to IGD in 2016 were above the average of 43.5 points awarded to the 70 Italian companies that were ranked: a fact that demonstrates how the desire for clarity, completeness and transparency that underlies the content and means of communication used by IGD produced results worthy of recognition. Most of the listed companies ranked between 1st and 16th place had large market capitalizations.

Information produced by the IR team

2016 was also the ninth consecutive year in which the investor newsletter was made available on the website in Italian and English each quarter.

The Investor Relations department also regularly conducts a Peer Analysis of a panel of European retail real estate companies in order to provide management with a summary of the operating results and trading multiples of its peers. Lastly, every quarter the Board of Directors receives an IR Board Report which describes any changes in the institutional shareholder base, analysts' consensus and IGD's stock valuations in comparison with its peers.

Awards received for corporate reporting

In September 2016 IGD received two prestigious awards from EPRA (European Public Real Estate Association) relating to its financial reporting. More in detail, for the second time IGD received the EPRA sBPR Gold Award for its 2015 Corporate Sustainability Report and was also awarded the EPRA BPR Silver Award for its 2015 Annual Report, an improvement with respect to the Bronze Award received for

its Annual Report in the prior year.

The evaluation process was done by analyzing the annual reports of 117 European real estate companies. The high degree of IGD's compliance with EPRA's Best Practice Recommendations reflects the continuous work done by the Company to improve disclosure and the quality of communication with all its stakeholders. Receiving these awards, symbolic of performances in line with EPRA's highest standards, also provides investors with a way to compare IGD's performance with the other sector companies that use EPRA performance indicators.

Thanks to the thorough way in which IGD presented its past performances and future prospects, in 2016 the Company was a finalist in the Small – Medium Sized Enterprises section of the *Oscar di Bilancio*, a competition organized by the Italian Public Relations Federation. The content relative to strategy and changes in the core market were particularly appreciated. IGD also stood out for the extensive information provided in the Governance and Risk-Management sections.



2.4

SIGNIFICANT EVENTS

The main events for the year are described below.

Corporate events

On 5 January 2016, in accordance with and pursuant to Articles 129 and 131, paragraph 4.b, of the Regulations adopted by Consob in resolution n. 11971 of 14 May 1999, the shareholders' agreement stipulated on 9 March 2015 by Coop Alleanza 3.0 and Unicoop Tirreno Company Cooperativa which established a voting block comprised of shares of Immobiliare Grande Distribuzione SIIQ S.p.A. (registered offices in Ravenna, Via Agro Pontino 13, Tax ID and Ravenna Company Register no. 00397420399) ("IGD"), pursuant to Art. 122 paragraphs 1 and 5 A) and B), of Legislative Decree n. 58/1998 (the "**Agreement**") expired on 31 December 2015.

The Agreement pertained to 430,498,768 ordinary IGD shares (the syndicated shares) of which 385,741,707 shares were bound by a voting block.

Notice of dissolution of the Agreement was also communicated to Consob and on 4 January 2016 was filed with the Ravenna Business Register's office.

On 3 March 2016 the Board of Directors approved the draft separate and consolidated financial statements for FY 2015 and resolved to submit a proposed dividend of €0.04 per outstanding share to the AGM for approval.

IGD's Board of Directors also approved the Annual Report on Corporate Governance and Ownership Structure, included in the annual report, as well as the Board of Director's Compensation Report.

Furthermore, based on the proposal of the Nominations and Compensation Committee, the Board of Directors resolved to substitute John William Vojticek, who resigned in November 2015, by co-opting Luca Dondi dall'Orologio to act as an independent non-executive director of the Board of Directors pursuant to Art. 2386 of the Italian Civil Code. During the Annual General Meeting held on 14 April 2016 IGD's shareholders approved the 2015 Annual Report, as presented during the Board of Directors' meeting of 3 March

2016, and resolved to pay a dividend of €0.04 per share. The dividend was payable as from 25 May 2016 (record date 24 May 2016) with shares going ex-div on 23 May 2016 (detachment of coupon n. 16).

The total dividend paid of €0.040 per share (for a total of €32,521,825.24) comprises:

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

Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 3 March 2016, pursuant to Art. 123-ter of Legislative Decree. 58/98, and renewed the authorization granted to the Board of Directors to buy and sell treasury shares, on one or more occasions for up to the maximum allowed under the law.

Shareholders also confirmed the appointment of Luca Dondi Dall'Orologio as an independent non-executive director who will remain in office through the end of the current Board of Directors' term, namely through the AGM called to approve the financial statements for the year ending 31 December 2017.

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

On 15 December Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A.'s Board of Directors approved the merger plan for the incorporation of the wholly-owned subsidiaries IGD PROPERTY SIIQ S.p.A. and PUNTA DI FERRO SIIQ S.p.A..

The transaction is part of the program to streamline and simplify the current corporate structure of the IGD SIIQ S.p.A. Group. As a result of the merger a single, more efficient and economically viable corporate structure will be formed which will allow for the full expression of the assets' value thanks to the direct management by the Issuer of the activities so far carried out by the Incorporated Entities.



Investments

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

→ “Porta a Mare” Project

Work on the residential portion of the Officine Storiche area continued in the year for a total of around €2,360 thousand. Work on the retail portion, which is expected to be completed by second half 2018, amounted to approximately €6,146 thousand. During the year the subsidiary Porta Medicea S.r.l. filed for a variance to the construction permit for Officine Storiche which, after having received the favorable opinion of the Superintendent, was authorized by the municipality of Livorno in December 2016. All the preliminary opinions were also received (Superintendent, VVFF, ASL) relative to the variance to the construction permit which is in the process of being issued. In addition to increasing the space for services in order to include a gym of around 4,400 m², the variance calls for a reduction of the residential area

which drops from a GLA of around 8,300 m² to a little less than 5,200 m². Consequently, the perimeter to be acquired by the parent company IGD (Officine Storiche retail portion) was recalculated.

→ ESP Ravenna extension

Structural and construction work, as well as work on systems, started in the year for a total of around €14,029 thousand. Work is expected to be completed in first half 2017.

→ Grosseto

On 13 December 2016, pursuant to the preliminary purchase agreement signed in the prior year with Unicoop Tirreno Soc. Coop., the mall in the Maremà shopping center in Grosseto was purchased. The mall covers a gross leasable area (GLA) of approximately 17,110 m², houses 45 stores and 6 midsize areas and is 100% pre-let. The center was opened on 27 October 2016. Consideration amounted to approximately €46.58 million, including ancillary charges.

1, 2. Officine Storiche, Porta a Mare, Livorno

3. Extension of ESP Shopping Center, Ravenna

4. Opening of Maremà Shopping Center, Grosseto



→ Other

In 2016 work was completed on: the restyling, fit outs, as well as the remodeling of the multiplex cinema roof, at Centro Sarca for approximately €733 thousand; the mall in the ESP shopping center for around €653 thousand; fit outs at the Città delle Stelle Shopping Center in Ascoli, for around €661 thousand; extraordinary maintenance at a few Romanian centers and the work done to accommodate a premiere retailer at the Ploiesti mall, for around €2,345 thousand; the roof and fit outs at the retail park in Mondovì for around €331 thousand; the work done at the Portogrande center for around €359 thousand; the work and the roof done at the Tiburtino shopping center for around €1,041 thousand and other minor projects (the most important ones involved Conè mall, Centro Borgo and the Lugo hypermarket) for a total of €1,990 thousand, in addition to the purchase of a plot of land and continuation of the urbanization work at the Retail Park in Chioggia for €976 thousand.

Extraordinary maintenance continued, and is still underway, relating to (i) work on the expansion of the Gran Rondò mall in Crema for around €134 thousand; (ii) earthquake protection work at Darsena for around €648 thousand and other minor improvements for €1,006 thousand, relating primarily to earthquake protection work at a few Italian shopping centers and work on the roof at the Katanè shopping center.

The investments made at 31 December 2016 are shown below:

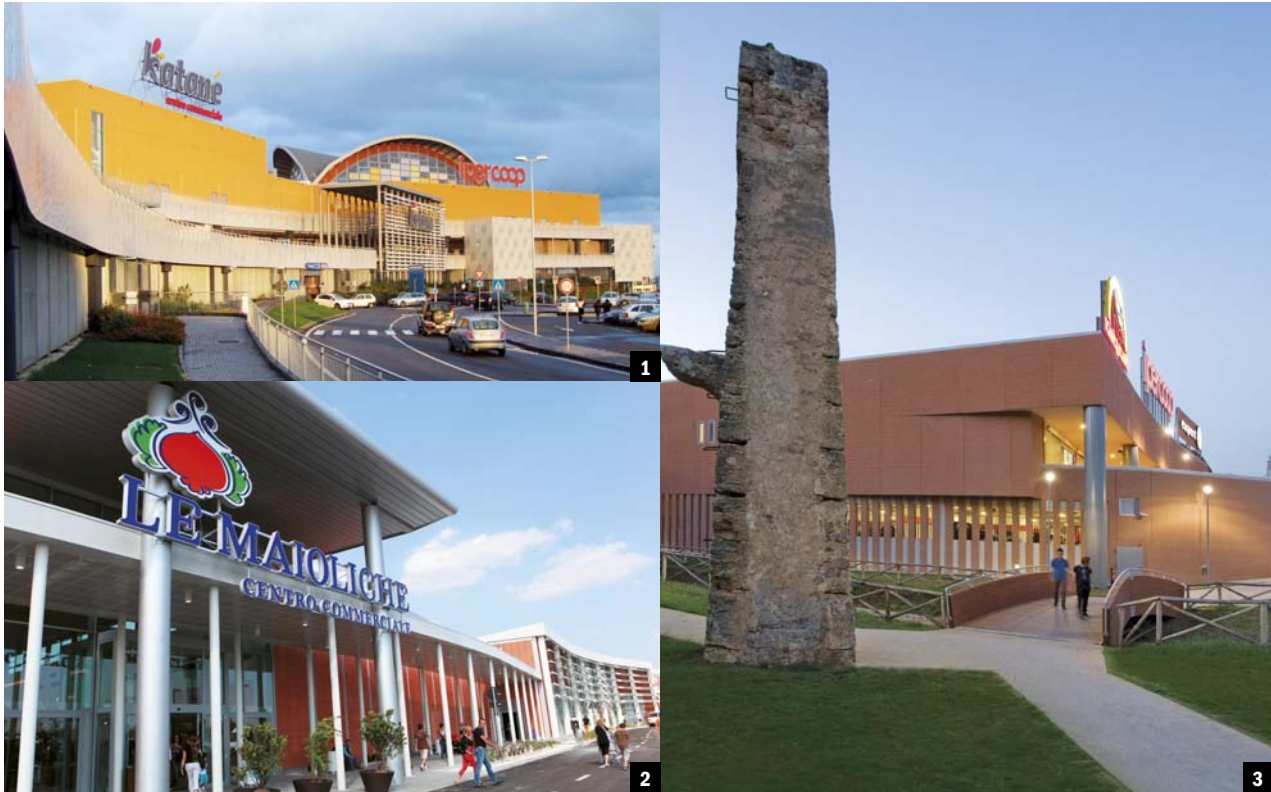
Investments - 2016

REAL ESTATE INVESTMENTS	9.09
REAL ESTATE INVESTMENTS - MAREMÀ ACQUISITION	46.58
ASSETS UNDER CONSTRUCTION	21.96
INTANGIBLE FIXED ASSETS	0.01
OTHER TANGIBLE FIXED ASSETS	0.29
TOTAL INVESTMENTS IN FIXED ASSETS	77.94
INVENTORIES ON WORK IN PROGRESS PORTA A MARE PROJECT	2.36

€80.30 million

Total investments

.....



Commercial agreements

→ Solar energy

On 13 May IGD, along with *Consorzi dei Proprietari*, signed an agreement with Elettra Investimenti S.p.A. based on which three PV systems will be installed for a total capacity of 1.4 MWp at three different shopping centers: Katanè in Catania, La Torre in Palermo and Le Maioliche in Faenza. The three systems will be installed in 2017 following the direct investment of Alea Energia S.p.A., a Gruppo Elettra Investimenti company, a subsidiary of which (EPC Alea Quotidia S.p.A.) will install the rooftop solar energy facilities which will then be leased to the shopping centers for 15 years

Sustainability

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

In June, Centro Sarca obtained Breeam environmental certification, one of the first existing shopping centers in Italy to receive it.

On 6 September IGD obtained a Legality Rating of three stars from the Italian Competition Authority ("AGCM"), the maximum score awarded for this type of rating.

Disposals

On 9 September, following exercise of the call option by UnipolSai Assicurazioni S.p.A on the remaining 20% held by IGD, UnipolSai Investimenti SGR S.p.A. was sold for €4,465,737.40.

On 30 November, the "palazzina San Benedetto" (with a carrying value of €237 thousand) was sold for €240 thousand.

Loans

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

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



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

On 25 May IGD completed the placement with qualified investors of the €300 million unsecured and non-convertible bond approved by the Board of Directors on 17 May 2016.

The newly issued bond has the following characteristics:

- Nominal value of €100,000 each and multiples of €1,000 up to a maximum amount of €199,000;
- Duration of 5 years and expiring on 31 May 2021;
- Gross coupon of 2.50%;
- Issue price of 99.93.

The notes settled on 31 May 2016 and will be listed on the Irish Stock Exchange.

The purpose of the issue is to partially refinance existing debt, as well as finance general corporate transactions, including the financing of possible investments to be made in the future by the Company.

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

On 1 June 2016 the Company was granted two new 3-year Committed Revolving Credit Facilities for a total of €60 million.

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

On 28 November 2016 the Company exercised the option to repay in advance the balance outstanding on a loan granted by BNP Paribas of €105.4 million.

On 1 December the Board of Directors approved the issue of a Euro 100,000,000.00 seven-year unsecured, non-convertible bond reserved exclusively for qualified investors, with duration of 7 years and a gross coupon of 2.25%. The placement was completed on 7 December and settled on 11 January 2017.

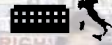
1. Katanè Shopping Center, Catania

2. Le Maioliche Shopping Center, Faenza (RA)

3. La Torre Shopping Center, Palermo

4. Centro Sarca Shopping Center, Milan, obtained the BREEAM environmental certification

5. Porta a Mare project and Piazza Mazzini area, Livorno



CENTRO ESP

Ravenna

Opening 1998

Restyling 2005

Mall GLA sq.m 14,882

Food anchor GLA sq.m 16,536



4,013,467 visitors in 2016



WINMARKT PIATRA NEAMT

Piatra Neamt - Romania

Restyling 2014

GLA sq.m 6,055



1,632,763 visitors in 2016

2.5

THE REAL ESTATE PORTFOLIO

For a better understanding of IGD SIIQ SPA Group's real estate portfolio in both markets, below is a brief description of how the Italian and Romanian real estate markets performed in 2016.

→ **The Italian real estate market**

In 2016 there was a sustained recovery in the retail real estate market with respect to the prior year with investments totaling €2.6 billion, +89% compared to 2015. The recovery was moderate in the first half of 2016 (investments reached €700 million) and much more noticeable in the second half (€1.9 billion).

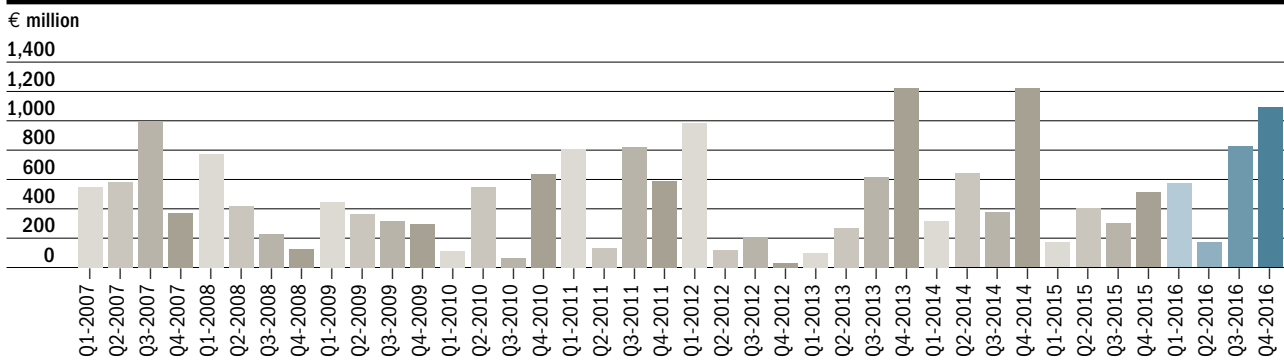
In 2016 the impact of Brexit, the European economic situation and the difficulties of the Italian banking system caused a slowdown in a few negotiations, but did not cool the interest of investors in Italian properties. Based on a survey conducted by CBRE, the Italian real estate market is expected to hold in with a shift to core investments due to the increased risk perceived by investors.

The peak in investments recorded in the last quarter of 2016 was reflected in yields which, after remaining basically unchanged for four quarters in a row, in 4Q2016 fell 25 bps for prime & secondary High street properties and RP good secondary and by 10bps for SC good secondary.

REAL ESTATE NET YIELDS IN ITALY, RETAIL (%)	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16
High Street Prime	4.00	3.50	3.50	3.50	3.50	3.25
High Street Secondary	5.75	5.00	5.00	5.00	5.00	4.75
Shopping Center Prime	5.50	5.00	5.00	5.00	5.00	5.00
S.C. Good Secondary	6.50	6.00	6.00	6.00	6.00	5.90
Retail Park Prime	7.00	6.00	6.00	6.00	5.90	5.90
Retail Park Good Secondary	7.50	7.25	7.25	7.25	7.00	7.00

Source: CBRE

RETAIL INVESTMENTS IN ITALY 2007-2016



The most important retail real estate investments in 2016 are shown below:

MOST IMPORTANT RETAIL REAL ESTATE INVESTMENTS IN 2016	CITTÀ	TIPOLOGIA	ACQUIRENTE
SINGLE ASSET DEALS			
SC COLLESTRADA	PERUGIA	SHOPPING CENTRE	EUROCOMMERCIAL PROPERTIES
I PETALI	REGGIO EMILIA	SHOPPING CENTRE	TIKEHAU IM
MERAVILLE RP	BOLOGNA	RETAIL PARK	TH HENDERSON
MERIDIANA	BOLOGNA	SHOPPING CENTRE	BENSON ELIOT
HYPERMARKET AND PORTION OF I GIGLI SC	FIRENZE	SHOPPING CENTRE	EUROCOMMERCIAL PROPERTIES
SC BUONVENTO	BENEVENTO	SHOPPING CENTRE	HIG
L. DA VINCI RP	ROMA	RETAIL PARK	M&G REAL ESTATE AND GWM GROUP
VICOLUNGO E CASTELGUELFO	NOVARA - BOLOGNA	FOC	NEIVER - TH REAL ESTATE
SC MONGOLFIERA	LECCE	SHOPPING CENTRE	CBRE GLOBAL INVESTOR
DEVELOPMENT			
VALLE AURELIA	ROMA	SHOPPING CENTRE (DEVELOPMENT)	ORION CAPITAL MANAGERS
PROGETTO ADIGE	VERONA	SHOPPING CENTRE (DEVELOPMENT)	ECE
PORTFOLIOS			
NAVILE RP+METROPOLIS	BOLOGNA - COSENZA	RETAIL PARK E SHOPPING CENTRE	TPG CAPITAL & PARTNERS GROUP
FONDO MERCURY	VARIOUS	HYPERMARKET	CONAD/CATTOLICA ASSICURAZIONI

Source: Cushman&Wakefield-Cbre

→ The stock and the retail sector pipeline

In 2016 250,000 m² new GLA were completed bringing the total new retail stock to around 17.1 million m².

In the first half of 2016 the most important opening was "Il Centro" Shopping Center in Arese, which has a GLA of around 90,000 m²; in the second half the main openings were Centro Elnos (BS), with a GLA of around 88,000 m², Villanova RP with a GLA of around 6,800 m², Scalo Milano with a GLA of around 43,000 m², Maremà Shopping Center with a GLA of around 24,100 m², Grandapulvia Shopping Center (near Foggia) and the Le Cotoniere Shopping Center (near Salerno). The last two openings confirm the renewed interest of developers and projects in projects in Southern Italy.

If we look at the openings slotted for 2017-2019, there is an

estimated 110,000 m² GLA in the pipeline, along with another 280,000 m² in the design phase.

The interest of retailers in the Italian market is still lively with rents for prime centers stable.

→ ROMANIA

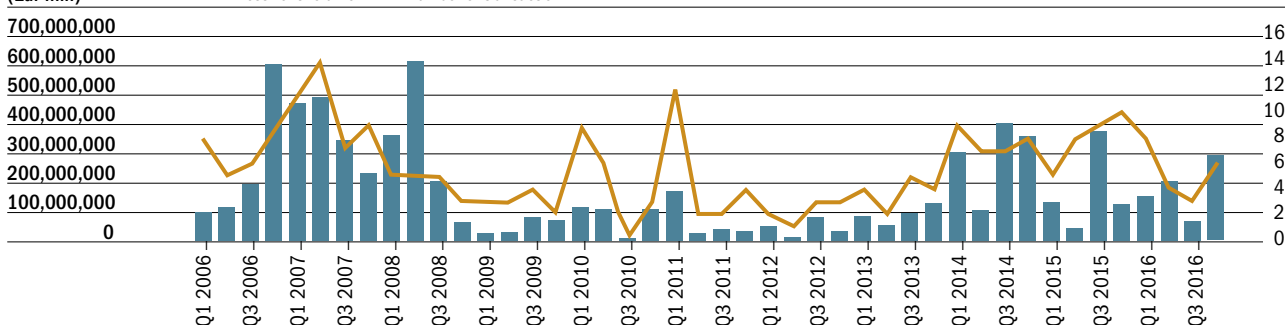
Investments in commercial real estate amounted to around €714 million in 2016, basically in line with 2015 but 34% less than 2014.

The main single asset retail transactions in the year were the purchase of the shopping center in Sibiu by NEPI for approximately €100 million and the sale of Electroputere Park to Catinvest for around €60 million.

INVESTMENTS IN ROMANIA 2006-2016

Investment volume

(Eur mln)



Source: CBRE

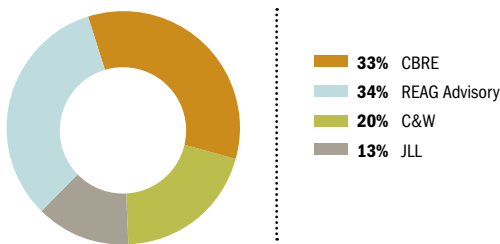
The only new shopping center opened in 2016 was Mercur Craiova, with a GLA of 20,000 m², in the first half of the year; the remaining m² of new GLA reported in 2016 related to extensions of existing shopping centers. Average yields for prime shopping centers were stable at 7.25%.

In 2017 the volume of transactions will depend on the completion of the projects under construction and the appetite foreign investors have for the Romanian real estate market which is offering increasingly better conditions in terms of loans and better returns with respect to similar investments in nearby ECC countries.

Freehold assets

The IGD SIIQ SPA Group's real estate portfolio is specialized in commercial retail properties, the majority of which are found throughout in Italy and already generating revenue. The IGD Group's real estate portfolio was appraised by CBRE, REAG, Cushman & Wakefield and JLL. The breakdown of the appraisals done by the independent experts by percentage of the IGD Group's portfolio at 31 December 2016 is shown below:

BREAKDOWN OF PORTFOLIO APPRAISERS AT 31 DECEMBER 2016



The fees paid at 31 December 2016 to the independent appraisers are shown below:

FEES AS AT 31/12/2016		€/thousands
CBRE Valuation SPA	Fees for appraisals	143.5
	Other compensation	0.0
	Total compensation	143.5
REAG Advisory Group Spa	Fees for appraisals	217.6
	Other compensation	99.8
	Total compensation	317.4
Cushman&Wakefield	Fees for appraisals	74.7
	Other compensation	0.0
	Total compensation	74.7
JLL	Fees for appraisals	31.4
	Other compensation	0.0
	Total compensation	31.4

Based on the appraisals at 31 December 2016, the fair value of the IGD SIIQ SPA Group's real estate portfolio came to around €2,177.77 million.

The asset classes comprising the Group's real estate portfolio at 31 December 2016 are described below:

- **“Hyper and super”**: 25 properties with a total GLA of about 270,000 m², found in 8 regions in Italy;
- **“Malls and retail parks”**, 22 properties with a total GLA of about 335,000 m², found in 10 regions in Italy. The perimeter of this asset class increased in the second half of 2016 by one mall following the opening of the mall in the RP Maremà Shopping Center in Grosseto with GLA of 17,110 m². The shopping center, which was opened to the public on 27 October 2016, has 45 shops, 6 midsize stores and approximately 3 thousand parking places. There is also an Ipercoop food anchor at the center (not owned by the IGD Group);
- **“City center”**, commercial properties located along the main shopping streets of urban centers. At 31 December 2016 this asset class comprised the Piastra Mazzini retail complex in Livorno which has a GLA of about 7,500 m²;
- **“Other”**: five mixed use properties which are part of freehold shopping centers or office units with a total GLA of about 2,600 m². In the first half of 2016 the wholesale area of the Malatesta center was reclassified under Hyper/Super following the merger with the Malatesta hypermarket. In the second half of 2016 the office building near the Porto Grande Shopping Center of San Benedetto del Tronto (GLA of 300 m²) was sold.
- **“Porta a Mare Project”**, a mixed-use real estate complex under construction covering an area of approximately 60,350 m² located near Livorno's waterfront;
- **“Development projects”**, 2 areas found near the ESP center and the Porto Grande center which are to be used for future extensions of approximately 23,800 m² GLA;
- **“Winmarkt”** a portfolio of 14 properties used primarily for retail purposes, and an office building, found throughout Romania covering a total area of approximately 92,000 m². The properties belonging to this asset class are centrally located in thirteen of Romania's largest cities, but none are found in the capital, Bucharest.

Analysis of the Freehold Assets

→ Geographical breakdown and composition of the portfolio

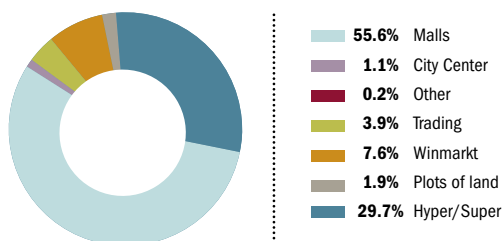
IGD's properties in **Italy** total 56 (including 50% of the "Darsena" Shopping Center) and can be broken down by asset class as follows:

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

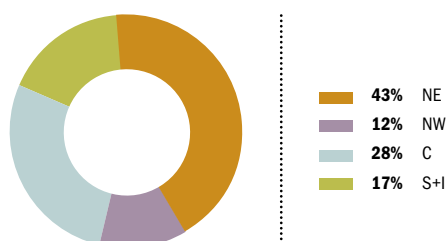


The fair value of the IGD SIIQ Group's Italian real estate portfolio can be broken down by asset class and geographic area as follows:

PORTFOLIO BREAKDOWN AT 31/12/2016

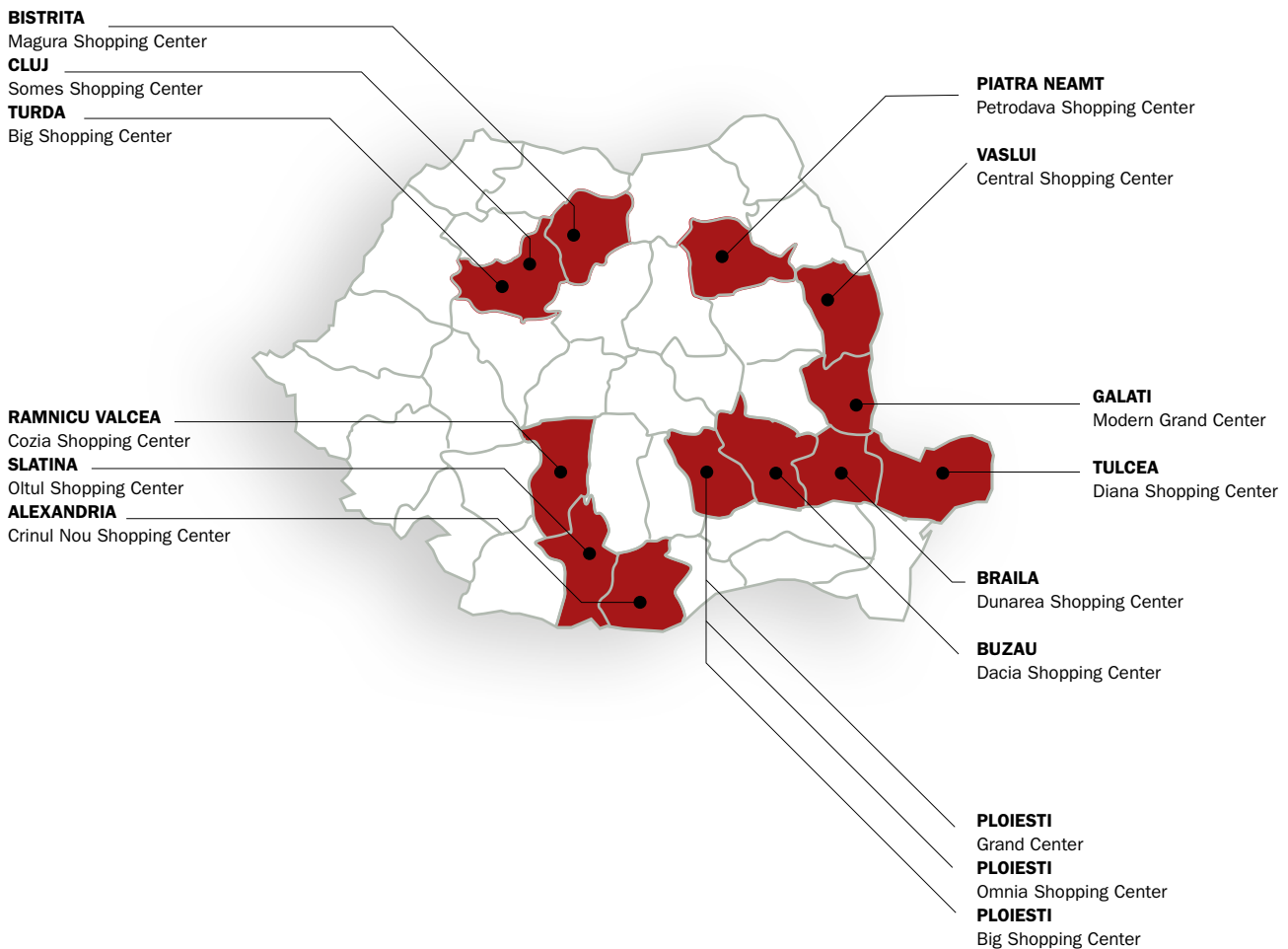


ITALIAN PORTFOLIO GEOGRAPHICAL DISTRIBUTION AT 31/12/2016

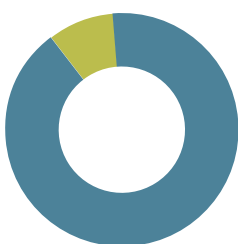


IGD's real estate assets in **Romania** total 15, broken down as follows:

- **14 shopping centers**
- **1 office building**



PORTFOLIO BREAKDOWN ITALY AND ROMANIA AT 31/12/2016



92.4% Italy
7.6% Romania

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

Italy

ASSET	LOCATION	MALL AND RETAIL PARKS GLA (SMQ)	OTHER/ EXTERNAL AREAS (SMQ)	OWNERSHIP	OPENING DATE	LAST EXTENSION/ RECYCLING/ REMODELING DATE	% OWNED
Centro Commerciale D'ABRUZZO	SAN GIOVANNI TEATINO (CH)	12,571	3,610	IGD SIIQ SPA	2001	2014	100
Centro Commerciale BORGIO	BOLOGNA (BO)	6,975	//	IGD PROPERTY SIIQ SPA	1989	2015	100
Centro Commerciale CASILINO	ROMA (RM)	4,265	760	IGD PROPERTY SIIQ SPA	2002	//	100
Centro Commerciale ESP	RAVENNA (RA)	11,682	3,200	IGD PROPERTY SIIQ SPA	1998	2012	100
Centro Commerciale PORTO GRANDE	PORTO D'ASCOLI (AP)	7,555	543	IGD SIIQ SPA	2001	//	100
Centro Commerciale CITTÀ DELLE STELLE	ASCOLI PICENO (AP)	17,185	1,850	IGD SIIQ SPA	2002	//	100
Centro Commerciale DARSENA CITY	FERRARA (FE)	12,552	//	IGD SIIQ SPA	2009	//	50
Centro Commerciale e Retail Park CONÈ	CONEGLIANO (TV)	18,162	//	IGD SIIQ SPA	2010	//	100
Centro Commerciale KATANÈ	GRAVINA DI CATANIA (CT)	14,912	//	IPER IGD SIIQ SPA/GALLERIA IGD PROPERTY SIIQ SPA	2009	//	100
Centro Commerciale LA TORRE	PALERMO (PA)	15,250	//	IGD SIIQ SPA	2010	//	100
Centro Commerciale LE MAIOLICHE	FAENZA (RA)	22,313	//	IGD SIIQ SPA	2009	//	100
Centro Commerciale LE PORTE DI NAPOLI	AFRAGOLA (NA)	16,983	//	IGD SIIQ SPA	1999	2014	100
Centro Commerciale LUNGO SAVIO	CESENA (FC)	2,928	//	IGD SIIQ SPA	2002	//	100
Centro Commerciale TIBURTINO	GUIDONIA MONTECELIO (RM)	33,496	//	IGD SIIQ SPA	2009	//	100
Centro Commerciale e Retail Park MONDOVICINO	MONDOVÌ (CN)	17,197	//	IGD SIIQ SPA	2007	//	100
Galleria Commerciale GRAN RONDO	CREMA (CR)	11,696	//	IGD SIIQ SPA	1994	2006	100
Galleria Commerciale I BRICCHI	ISOLA D'ASTI (AT)	15,994	245	IGD SIIQ SPA	2009	//	100
Galleria Commerciale MILLENNIUM	ROVERETO (TN)	7,683	//	MILLENNIUM SRL	2004	//	100
Galleria Commerciale PUNTA DI FERRO	FORLÌ (FC)	21,223	//	IGD SIIQ SPA	2011	//	100
Galleria Commerciale SARCA	SESTO S. GIOVANNI (MI)	23,773	//	IGD MANAGEMENT SRL	2003	2015	100
Ipermercato CC FONTI DEL CORALLO	LIVORNO (LI)	//	//	IGD SIIQ SPA	2003	//	100
Ipermercato CC GLOBO	LUGO DI ROMAGNA (RA)	//	//	IGD SIIQ SPA	1997	2005	100
Ipermercato CC I MALATESTA	RIMINI (RN)	//	882	IGD SIIQ SPA	2005	//	100
Ipermercato CC IL MAESTRALE	CESANO DI SENIGALLIA (AN)	//	//	IGD SIIQ SPA	1999	//	100
Ipermercato CC LAME	BOLOGNA (BO)	//	//	IGD SIIQ SPA	1996	//	100
Ipermercato CC LEONARDO	IMOLA (BO)	//	//	IGD SIIQ SPA	1992	//	100
Ipermercato CC MIRALFIORE	PESARO (PU)	//	56	IGD SIIQ SPA	1992	//	100
Ipermercato SCHIO	SCHIO (VI)	//	//	IGD SIIQ SPA	2008	//	100
Piastra Commerciale MAZZINI	LIVORNO (LI)	6,097	//	IGD SIIQ SPA	2014	//	100
Retail Park CLODI	CHIOGGIA (VE)	9,323	//	IGD SIIQ SPA	2015	//	100
Galleria Commerciale e Retail Park MAREMA	GROSSETO (GR)	17,110	//	IGD SIIQ SPA	2016	//	100
Supermercato AQUILEIA	RAVENNA (RA)	//	//	IGD SIIQ SPA		//	100
Supermercato CECINA	CECINA (LI)	//	//	IGD SIIQ SPA	1994	//	100
Supermercato CIVITA CASTELLANA	CIVITA CASTELLANA (VT)	//	//	IGD SIIQ SPA	2010	//	100
CENTRO PIAVE	SAN DONÀ DI PIAVE (VE)	11,618	//	CSII SPA	1995	2003	//
CENTRO NOVA	VILLANOVA DI CASTENASO (BO)	12,740	//	CSII SPA E COPAIN HOLDING SPA	1995	2008	//
Galleria Cc FONTI DEL CORALLO	LIVORNO (LI)	7,313	//	FONDO MARIO NEGRI	2003	//	//



FORM OF OWNERSHIP	NO. OF SHOPS	NO. OF MEDIUM SIZE AREAS	NO. OF OTHER/ EXTERNAL AREAS	PARKING PLACES	MAIN BRANDS	FOOD ANCHOR	GLA FOOD ANCHOR
FREEHOLD PROPERTY	43	7	3	1,730	DECATHLON, EURONICS, LIBRERIE COOP, PIAZZA ITALIA, TER-RANOVA, INTERSPORT, SCARPAMONDO	IPERCOOP	14,127
FREEHOLD PROPERTY	32	4		1,550	LIBRERIE COOP, UNIEURO, C6, SCARPE&SCARPE	IPERCOOP	11,480
FREEHOLD PROPERTY	22	3	1	1,260	EURONICS, BATA, PIAZZA ITALIA	IPERCOOP	14,567
FREEHOLD PROPERTY	38	6	1	2,456	DEICHMANN, GAME 7 ATHLETICS, LIBRERIE COOP, PIAZZA ITALIA, UNIEURO	IPERCOOP	16,536
FREEHOLD PROPERTY	36	2	1	1,730	DECATHLON, DEICHMANN	IPERCOOP	15,290
FREEHOLD PROPERTY	42	4	1	2,200	PIAZZA ITALIA, UNIEURO, MULTIPLEX STELLE	IPERCOOP	14,381
50% FREEHOLD PROPERTY OF MALL AND HYPERMARKET	31	2		1,320	-	DESPAR	3,715
FREEHOLD PROPERTY	59	9		1,550	MAISON DU MONDE, CONBIPEL, H&M, LIBRERIE COOP, EURONICS, SCARPE&SCARPE, STRADIVARIUS	IPERCOOP	9,498
FREEHOLD PROPERTY	64	6		1,320	ADIDAS, EURONICS, H&M, CONBIPEL, PIAZZA ITALIA,	IPERCOOP	13,663
FREEHOLD PROPERTY	44	6		1,700	EXPERT, SCARPE&SCARPE, PIAZZA ITALIA, H&M, MCDONALD	IPERCOOP	11,217
FREEHOLD PROPERTY	41	8		2,400	DEICHMANN, H&M, TRONY, C&A, DECATHLON, BRICOFER	IPERCOOP	9,277
FREEHOLD PROPERTY	66	8		2,650	DESIGUAL, EURONICS, H&M, PIAZZA ITALIA, ROSSO POMODORO	IPERCOOP	9,570
FREEHOLD PROPERTY	23	1		850	LIBRERIE COOP, MOTIVI, PRIMIGI, KIKO	IPERCOOP	7,476
FREEHOLD PROPERTY	99	13		3,800	DESIGUAL, BATA, AZZURRA SPORT, H&M, PIAZZA ITALIA, OBI, SCARPAMONDO, NEWYORKER, EURONICS	IPERCOOP	7,663
FREEHOLD PROPERTY (excluding hypermarket)	43	8		4,500	JYSK, OVS, LIBRERIE COOP: BRICO IO, FOOT LOKER	IPERCOOP (not owned)	//
FREEHOLD PROPERTY (excluding hypermarket)	38	3		1,280	OVIESSE, PROMENADE CALZATURE	IPERCOOP (not owned)	//
FREEHOLD PROPERTY (excluding hypermarket)	24	7		1,450	DEICHMANN	IL GIGANTE (not owned)	//
FREEHOLD PROPERTY (excluding supermarket and a portion of the mall)	28	4		900	GAME 7 ATHLETICS, OVIESSE, TRONY, BATA	SUPERSTORE COOP (not owned)	//
FREEHOLD PROPERTY	94	3		2,854	H&M, UNIEURO, TOYS, MCDONALD, DEICHMANN, BENETTON	CONAD (not owned)	//
FREEHOLD PROPERTY (excluding hypermarket)	72	8		2,500	OVS, H&M, PIAZZA ITALIA, SKYLINE CINEMA, ROADHOUSE, SCARPE&SCARPE, ROSSO POMODORO	IPERCOOP (not owned)	//
FREEHOLD PROPERTY (only hypermarket)					//	IPERCOOP	15,371
FREEHOLD PROPERTY (hypermarket)					//	IPERCOOP	7,937
FREEHOLD PROPERTY (hypermarket + wholesale area + fitness area)					//	IPERCOOP	10,435
FREEHOLD PROPERTY (hypermarket)					//	IPERCOOP	12,551
FREEHOLD PROPERTY (hypermarket)					//	IPERCOOP	15,681
FREEHOLD PROPERTY (hypermarket)					//	IPERCOOP	15,862
FREEHOLD PROPERTY (hypermarket + shop)					//	IPERCOOP	10,356
FREEHOLD PROPERTY (only hypermarket)					//	IPERCOOP	8,176
FREEHOLD PROPERTY	30	1			UNIEURO/COOP	COOP	1,440
FREEHOLD PROPERTY	9	6		1,465	OVS, SCARPE&SCARPE, PIAZZA ITALIA, DECATHLON	IPERCOOP	7,490
FREEHOLD PROPERTY	45	6		3,000	ZARA, DECATHLON, PULL&BEAR, PIAZZA ITALIA	IPERCOOP	//
FREEHOLD PROPERTY (supermarket)					//	COOP	2,250
FREEHOLD PROPERTY (only supermarket)					//	COOP	5,749
FREEHOLD PROPERTY (only supermarket)					//	COOP	3,020
MASTER LEASING	48	5		1,500	CISALFA, LIBRERIE COOP, OVIESSE, PIAZZA ITALIA, SCARPE&SCARPE, MCDONALD	IPERCOOP	15,826
MASTER LEASING	55	7		2,400	H&M, LIBRERIE COOP, BERSHKA, PITTAROSSO, BENETTON, MCDONALD	IPERCOOP	18,188
MASTER LEASING	55	2		1,600	OVIESSE, LIBRERIE COOP, BATA, SWAROVSKI	IPERCOOP	15,371

Romania

SHOPPING CENTER	LOCATION	SHOPPING CENTER GLA (SQM)	NET SALLING AREA	CIRCULATION (SQM) RENTED	RENTABLE WAREHOUSE/ OFFICE	OWNERSHIP	OPENING DATE	DATE OF EXTENSION/ RESTYLING	EXTENSION AREA	% OWNED
WINMARKT GRAND OMNIA CENTER	PLOIESTI	18,308	16,870	309	1,129	WIN MAGAZIN SA	1986	2015		100
WINMARKT BIG	PLOIESTI	4,233	2,776	442	1,016	WIN MAGAZIN SA	1976	2013		100
WINMARKT	GALATI	7,962	7,490	106	367	WIN MAGAZIN SA	1973	2005		100
WINMARKT	RAMNICU VALCEA	7,902	7,684	51	166	WIN MAGAZIN SA	1973	2004		100
WINMARKT	PIATRA NEAMT	6,055	4,879	337	839	WIN MAGAZIN SA	1985	2014		100
WINMARKT	BRAILA	7,263	6,349	93	821	WIN MAGAZIN SA	1978	2004		100
WINMARKT	BUZAU	5,300	4,953	32	314	WIN MAGAZIN SA	1975	2013		100
WINMARKT	TULCEA	3,964	3,777	5	182	WIN MAGAZIN SA	1972	2002		100
WINMARKT	CLUJ NAPOCA	7,299	5,704	85	1,510	WIN MAGAZIN SA	1983	2011		100
WINMARKT	BISTRITA	5,252	4,799	61	392	WIN MAGAZIN SA	1984	2005		100
WINMARKT	ALEXANDRIA	3,410	3,302	33	74	WIN MAGAZIN SA	1978	2013		100
WINMARKT	SLATINA	5,965	4,833	29	1,102	WIN MAGAZIN SA	1975	2005		100
WINMARKT	VASLUI	3,667	3,452	23	192	WIN MAGAZIN SA	1973	2006		100
WINMARKT	TURDA	2,515	2,231	-	284	WIN MAGAZIN SA	1981	2007		100
TOTAL SHOPPING MALLS		89,094	79,099	1,607	8,388					
WINMARKT JUNIOR	PLOIESTI	3,012	2,137	544	331	WIN MAGAZIN SA				100
TOTAL		92,106	81,236	2,151	8,719					



FORM OF OWNERSHIP	NO. OF SHOPS	NO. OF MIDDLE SIZED AREA	PARKING PLACES	MAIN BRAND	FOOD ANCHOR	FOOD ANCHOR GLA	SALES AREA FOOD ANCHOR
FREEHOLD PROPERTY	109	//	400	ADIDAS, LEVI'S, DOMO, VODAFONE, CARREFOUR MARKET, DM DROGERIE, LEONARDO, JOLIDON, EPONGE, BANCA TRANSILVANIA, KFC, FLANCO, PEPCO	CARREFOUR	1,215	1,215
FREEHOLD PROPERTY	82	//		BANCA TRANSILVANIA, CARREFOUR MARKET	CARREFOUR	882	700
FREEHOLD PROPERTY	36	//		H&M, B&B, SEVDA, JOLIDON, BIGOTTI, MASSINI, PEPCO, CGS	BILLA	827	569
FREEHOLD PROPERTY	35	//		H&M, CARREFOUR MARKET, EPONGE, LEONARDO, JOLIDON, DM DROGERIE MARKET, DOMO	CARREFOUR	900	900
FREEHOLD PROPERTY	67	//		H&M, SEVDA, B&B COLLECTION, BILLA, LEONARDO, EPONGE, PEPCO, RESHOES	BILLA	878	520
FREEHOLD PROPERTY	45	//		CARREFOUR MARKET, LEONARDO, JOLIDON, ALTEX, VODAFONE, SEVDA, PEPCO	CARREFOUR	673	550
FREEHOLD PROPERTY	29	//		H&M, CARREFOUR MARKET, LEONARDO, PEPCO	CARREFOUR	800	650
FREEHOLD PROPERTY	27	//		H&M, B&B COLLECTION, LEONARDO, ALTEX, FRAHER, VODAFONE	FRAHER	405	405
FREEHOLD PROPERTY	36	//		CARREFOUR MARKET, DM DROGERIE, LEONARDO, BIG FITNESS	CARREFOUR	1,338	1,188
FREEHOLD PROPERTY	33	//		ALTEX, LEONARDO, DM DROGERIE, FAST-FOOD PIZZAMANIA, PEPCO			
FREEHOLD PROPERTY	31	//		CARREFOUR MARKET, PEPCO, EPONGE, LEONARDO, JOLIDON, VODAFONE	CARREFOUR	680	680
FREEHOLD PROPERTY	22	//		ALTEX, TELEKOM, B&B	CARREFOUR	553	505
FREEHOLD PROPERTY	26	//		CARREFOUR, RESHOES, JOLIDON	CARREFOUR	527	527
FREEHOLD PROPERTY	9	//		PEPCO			
FREEHOLD PROPERTY	2						

Italy - Analysis by asset class

2016 was a positive year for the valuation of the IGD Group's real estate portfolio with fair value rising both overall and like-for-like. The financial occupancy rate also increased, while the gross cap out and discount rates were stable. The main changes for each asset class in the year are described below.

→ Hypermarkets and supermarkets

IGD's freehold hypermarkets and supermarkets are leased on a long-term basis to Coop Alleanza 3.0 (formerly Coop Adriatica Scarl), Unicoop Tirreno Soc. Coop. and Coop Sicilia. Rent is indexed to 75% of the ISTAT index. Tenants are responsible for all routine and extraordinary maintenance of systems and the building interiors.

The hypermarkets and supermarkets were valued at 31 December 2016 by the appraisers CBRE, REAG, Cushman & Wakefield and JLL based on the following percentages of FV:

HYPER/SUPER	31/12/2016
CBRE	31%
REAG	17%
Cushman&Wakefield	34%
JLL	18%
TOTAL	100%

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

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

In first half 2016 the Malatesta wholesale asset, previously classified as "Other", was added to this asset class as it was fully absorbed by the Malatesta hypermarket in Rimini.

The fair value of this class of property at 31 December 2016 reached €646.09 million, an increase of 1.97% (+€12.46 million) against 31 December 2015 explained primarily by the lower discount rate applied of 6.97% (-0.05% vs. 31.12.15). The gross initial yield came to 6.17%, down - 0.17% against 31.12.15, a direct consequence of the increase in the fair value of this asset class.

The average gross cap out rate was basically unchanged at 6.28%, a marginal increase of 0.01%.

The occupancy rate of the hyper/supermarkets was unchanged at 100%.

→ Shopping malls and retail parks

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

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

Shopping malls and retail parks were valued at 31 December 2016 by the appraisers CBRE, REAG, Cushman & Wakefield and JLL based on the following percentages of FV:

MALLS/RP	31/12/2016
CBRE	24%
REAG	45%
Cushman&Wakefield	17%
JLL	14%
TOTAL	100%

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

In CBRE's, C&W's and JLL's DCF model a standard duration of 10 years was used for all assets; Reag used a standard duration of 15 years for this asset class, with the exception of the Darsena Shopping Center for which as standard duration of 18 years was used.

The fair value of this asset class reached €1,211.60 million at 31 December 2016, an increase of +6.58% (+74,79 million) with respect to 31 December 2015.

Like-for-like, namely net of the RP Maremà mall, the increase reached +1.47% against the prior year (+€16.68 million).

The gross initial yield for this asset class (Like for Like) was down -0.12% against 31.12.2015 due primarily to the increase in fair value.

The weighted average discount rate (Like for Like) dropped -0.06% against the prior year to 7.13%. The discount rate for this asset class has fallen for five consecutive halves.

The average gross cap out rate (Like for Like) reached 6.69%, down -0.09% against the prior year. The average gross cap out rate for this asset class has fallen for four consecutive halves.

The malls that showed the largest increase in fair value include ESP, Borgo, Katané, Porte di Napoli, Punta di Ferro, Sarca and Coné due a drop in the discount and/or cap rates and improved expectations for the performance over the next 10 years.

The malls for which fair value fell include Maioliche, Bricchi, La Torre and Gran Rondò as a result of a higher gross cap out and a decrease in the estimated revenue over the next ten years.

The financial occupancy rate at 31 December 2016 was up + 0.73% against 31.12.2015, coming in at 96.03%.

→ City center

This asset class comprises solely the "Piastra commerciale Mazzini" located in Livorno the fair value of which came to €23.5 million at 31 December 2016, -0.84% or €0.2 million against 31.12.2015.

The gross initial yield fell by 0.32% against 31 December 2015 due to a decrease in the ERV estimate linked to an increase in the length of time estimated to rent space.

The discount rate has not changed in the last three halves, coming in at 6.70%, while the gross cap out fell -0.25% to 6.93%.

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

The City Center property at 31 December 2016 was appraised 100% by CBRE who used the DCF method with a standard duration of 10 years.

→ Development projects

This asset class comprised two plots of land at 31 December 2016 on which the following retail projects are underway:

- ESP extension: extension of the mall in the ESP Shopping Center in Ravenna by a GLA of 19,000 m². In 2016 the Group's focus was on the most important construction work.
- Porto Grande extension: extension of the Porto Grande Shopping Center in P.rto d'Ascoli (AP) as a result of the construction of two midsize stores with a GLA of 5,000 m². Planning has been completed for this project and all the permits obtained.

"Development projects" were valued at 31 December 2016 by the appraisers CBRE and Cushman & Wakefield based on the following percentages of FV:

DEVELOPMENT PROJECTS		31/12/2016
CBRE		93%
Cushman&Wakefield		7%
TOTAL		100%

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

The total FV of this asset class amounted to €42.12 million, an increase of 58.1% or +€15.48 million against 31 December 2015.

→ Porta a Mare project

The assets of Porta Medicea, owner of the Porta a Mare Project, were valued at 31 December 2016 entirely by the independent appraiser CBRE using the conversion method.

The project can be broken down into the following areas:

- Mazzini (residential, offices, parking and public parking) which has a total GLA of 8.036 m². Sales of residential units began in 2013;
- Officine storiche (retail, residential, parking and public parking) which has a total GLA of 20,321 m². Work began in first half 2015 and is expected to be completed by year-end 2018;
- Lips (retail, tourist services, accommodations and temporary residences) which has a total GLA of 15,867 m². Work is expected to begin in the second half of 2018.
- Molo Mediceo (retail, services and temporary residences) which has a total GLA of 7,350 m². Work is expected to begin in the second half of 2018.

- Arsenale (retail, temporary residences and parking) which has a total GLA of 7,771 m². Work is expected to begin in the second half of 2018.

The fair value of this asset class reached €84.93 million at 31 December 2016, a decrease of €0.44 million explained by the increase in value linked to the progress made on the work at the Officine area net of residential units sold at Mazzini and the write-downs made of the non-retail sections. The fair value of the Porta a Mare Project at 31 December 2016 includes the retail properties not destined for sale which will continue to be owned by the IGD Group.

→ Other

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

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

The class of assets was valued at 31 December 2016 by the appraisers CBRE, REAG and Cushman & Wakefield based on the following percentages of FV:

OTHER		31/12/2016
CBRE		82%
REAG		4%
Cushman&Wakefield		14%
TOTAL		100%

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

The market value of this class of property at 31 December 2016 amounted to €4.63 million, a drop of 8.41% like-for-like (-€0.42 million) against 31 December 2015 explained primarily by the fitness center.

Romania

The Winmarkt properties were valued at 31 December 2016 by the appraisers CBRE and REAG based on the following percentages of FV:

WINMARKT		31/12/2016
CBRE		49%
REAG		51%
TOTAL		100%

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

The market value of this asset class at 31 December 2016 was €164.91 million, a decrease of 3.34% against 31

December 2015 (-€5.69 million) attributable almost entirely to shopping malls.

The fair value of the shopping malls was €162.31 million at 31 December 2016, a decrease of -2.98% (-€4.99 million in absolute values).

The fair value of the Junior office building in Ploiesti was €2.6 million at 31 December 2016, a decrease of -21.2%.

After falling in the first half, the gross initial yield at 31 December 2016 for the Winmarkt malls rose 0.26% against the prior year to 6.48%. The discount rate dropped to 8.46% (-0.05% against 31.12.2015), while the gross cap out fell -0.51% against 31.12.2015 to 7.96%. The financial occupancy rate at the Winmarkt malls reached 96.1%, an increase of +2.2% against the prior year.

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

REAL ESTATE INVESTMENTS IGD GROUP Amounts in million of Euro	BOOK VALUE AT 31/12/2016	ACCOUNTING METHOD	MARKET VALUE AT 31/12/2016	DATE OF LAST APPRAISALS
Hypermarkets and supermarkets	646.09	<i>fair value</i>	646.09	Feb-17
Shopping malls Italy	1,211.60	<i>fair value</i>	1,211.60	Feb-17
City Center	23.50	<i>fair value</i>	23.50	Feb-17
Other	4.63	<i>fair value</i>	4.63	Feb-17
Total Italy	1,885.82		1,885.82	
Shopping malls Romania	162.31	<i>fair value</i>	162.31	Feb-17
Other Romania	2.60	<i>fair value</i>	2.60	Feb-17
Total Romania	164.91		164.91	
TOTAL IGD GROUP	2,050.73		2,050.73	

DIRECT DEVELOPMENT INITIATIVE	BOOK VALUE AT 31/12/2016	ACCOUNTING METHOD	MARKET VALUE AT 31/12/2016	DATE OF LAST APPRAISALS
Direct development initiative	42.12	Adjusted cost / fair value	42.12	Feb-17

PORTA A MARE PROJECT	BOOK VALUE AT 31/12/2016	ACCOUNTING METHOD	MARKET VALUE AT 31/12/2016	DATE OF LAST APPRAISALS
Porta a Mare project*	84.93	Adjusted cost / fair value	84.93	Feb-17

TOTAL	INVESTMENT PROPERTIES, PLOTS OF LAND AND DEVELOPMENT INITIATIVES, ASSETS HELD FOR TRADING	MARKET VALUE OF FREEHOLD PROPERTIES, PLOTS OF LAND AND DIRECT DEVELOPMENT INITIATIVES, ASSETS HELD FOR TRADING	CHANGE
Total**	2,177.77	2,177.77	0.00

* The figure includes the portion of the retail units included in preliminary sales agreements with IGD SIIQ S.p.A. classified in the financial statements as works in progress and down payments.
** The market value of freehold properties, plots of land and development projects, as well as assets held for trading, free of liens amounted to around €1,406.9 million.

The details of the main developments are shown below:

PROJECT	TYPE	LOCATION	GLA	COMPLETION DATE	ESTIMATED INVESTMENTS	BOOK VALUE AS AT 31/12/2016 (Euro/Mn)	% HELD	STATUS
ESP	EXTENSION	RAVENNA	19.000 sqm	1 H 2017	APPROX. 53 MLN/€	39.10	100%	Signing of the Urban planning and obtaining of marketing authorisations. Progress of the construction work
PORTO GRANDE	EXTENSION	PORTO D'ASCOLI (AP)	5.000 sqm	2 H 2017	APPROX. 9.9 MLN/€	3.02	100%	Planning stage completed. All the construction permits and authorisation have been issued.
					TOTAL	42.12		

2.6

APPRAISALS



CBRE VALUATION S.P.A.
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Milan, February, the 6th 2017

I.G.D.

Immobiliare Grande Distribuzione S.p.A.

Via Trattati Comunitari Europei 1957-2007, n.13
40127 Bologna (BO)

VALUATION CERTIFICATE

INTRODUCTION

Instruction

In accordance with our proposals 105/16, 106/16 and 107/16 dated 27 April 2016 countersigned on 11 May 2016, we have determined the Market Value of operating Shopping Galleries, Hypermarkets office portions and plots of land owned by IGD SIQ SpA as at 31st December 2016. The scope of work is to value on the basis of the Market Value the freehold interest in the Properties of the Portfolio for balance sheet purposes. The Portfolio is composed as follows:

Italian Portfolio :

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

Winmarket Portfolio:

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

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c.c.i.a.a. Milano 1004000

Società soggetta all'attività di direzione e coordinamento da parte della Società CBRE Ltd

The contents of this Valuation Report may only be relied upon by:

- I. Addressees of the Report; or
- II. Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 6. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

Compliance with Valuation Standards

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

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

Moreover, our valuation are carried out in accordance with Title V, Chapter IV, Section II, Paragraph 2.5 criteria, included with the Bank of Italy Regulation dated January, 19th 2015 (Regolamento Banca d'Italia).

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

Assumptions

We have carried out our work based upon information supplied to us by IGD SIIQ, which we have assumed to be correct and comprehensive. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. No special assumptions have been made for this Valuation.

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

Market Conditions

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

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. (or other companies forming part of the same group of companies within Italy from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Italian revenues.

Conflicts of Interest

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

Reliance and publication

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

Sources of Information

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

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

Inspections

As instructed, we have not re-inspected all the properties for the purpose of this valuation. For the purpose of this valuation exercise, we have inspected the following properties: Centro Esp, Piazza Mazzini and Porta a Mare.

With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their location, since the last inspection. We have assumed this advice to be correct.

Areas

We have not measured the property nor we have made check measurements, but as instructed, we have relied upon floor areas provided to us by di IGD SIIQ SpA, which we assume to be correct and comprehensive and which we understand have been calculated in accordance to best Italian market practices using the Gross Leasable Area (GLA).

The Gross Leasable Area (GLA) is defined as the amount of floor space available to be rented in a commercial property. It does not include portions which do not produce income for the property owner

such as vertical connections (stairwells, lifts and landings), technical spaces, shafts, common spaces (lobby, meeting rooms).

Environmental Matters

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

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

Repair and Condition

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

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

Town Planning, Titles, Tenures and Lettings

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

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

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

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

LIMITATIONS AND ASSUMPTIONS TO THE SUBJECT REPORT

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

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

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

All measurements, areas and ages quoted in our report are approximate.

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

either in lots or as a whole.

Rental Values

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

Environmental Matters

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

VALUATION CRITERIA

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

Shopping galleries, Hypermarkets and office portions:

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

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

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

Valuation Methodology

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

Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 31st December 2016 is:

Euro 727,039,500.00

(Seven Hundred and Twenty-Seven Million Thirty-Nine Thousand Five Hundred Euro/00)

exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.



Mirko Baldini
(Managing Director)

For and on behalf of
CBRE Valuation Spa

Ref. 8613, 8614, 8615



Elena Gramaglia MRICS
(Director)
RICS Registered Valuer
For and on behalf of
CBRE Valuation Spa

LEGAL NOTICE

This Valuation Report (the "Report") has been prepared by CBRE Valuation S.p.A. ("CBRE") exclusively for IGD SIIQ S.p.A. (the "Client") in accordance with the terms of engagement entered into between CBRE and the addressee no. 105/16, 106/16, 107/16 dated 27 April 2016 countersigned on the 11 May 2016 ("the Instruction"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

- i. 25% of the value of the property to which the Instruction relates on the date of the Instruction; or
- ii. €10 million (Ten Million Euro); and

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.





CBRE VALUATION S.P.A.
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Milan, February, the 6th 2017

I.G.D.

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40127 Bologna (BO)

VALUATION CERTIFICATE

INTRODUCTION

Instruction

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The scope of work is to value on the basis of the Market Value the freehold interest in the Properties of the Portfolio for balance sheet purposes. The Portfolio is composed as follows:

Italian Portfolio :

ASSET CLASS	NAME	TOWN	PROVINCE
Shopping gallery	ESP	Ravenna	RA
Hypermarket	ESP	Ravenna	RA
Shopping gallery	Centro Borgo	Bologna	BO
Hypermarket	Centro Borgo	Bologna	BO
Hypermarket	Centro Lame	Bologna	BO
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Hypermarket	La Torre	Palermo	PA
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City Center	Piazza Mazzini	Livorno	LI

Winmarket Portfolio:

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

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

on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

Compliance with Valuation Standards

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Moreover, our valuation are carried out in accordance with Title V, Chapter IV, Section II, Paragraph 2.5 criteria, included with the Bank of Italy Regulation dated January, 19th 2015 (Regolamento Banca d'Italia).

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

Assumptions

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

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. No special assumptions have been made for this Valuation.

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

Market Conditions

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

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. (or other companies forming part of the same group of companies within Italy from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Italian revenues.

Conflicts of Interest

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

Reliance and publication

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

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

Sources of Information

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

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

Inspections

As instructed, we have not re-inspected all the properties for the purpose of this valuation. For the purpose of this valuation exercise, we have inspected the following properties: CentroEsp and Piazza Mazzini.

With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their location, since the last inspection. We have assumed this advice to be correct.

Areas

We have not measured the property nor we have made check measurements, but as instructed, we have relied upon floor areas provided to us by di IGD SIIQ SpA, which we assume to be correct and comprehensive and which we understand have been calculated in accordance to best Italian market practices using the Gross Leasable Area (GLA).

The Gross Leasable Area (GLA) is defined as the amount of floor space available to be rented in a commercial property. It does not include portions which do not produce income for the property owner such as vertical connections (stairwells, lifts and landings), technical spaces, shafts, common spaces (lobby, meeting rooms).

Environmental Matters

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

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

Repair and Condition

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

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

Town Planning, Titles, Tenures and Lettings

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

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

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

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

LIMITATIONS AND ASSUMPTIONS TO THE SUBJECT REPORT

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

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

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

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

All measurements, areas and ages quoted in our report are approximate.

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

Rental Values

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

Environmental Matters

In the absence of any information to the contrary, we have assumed that the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law; that any processes which are carried out on the Properties which are regulated by environmental legislation are

properly licensed by the appropriate authorities; that the Properties possess current energy performance certificates as required under government directives.

VALUATION CRITERIA

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

Shopping galleries, Hypermarkets and office portions:

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

Valuation Methodology

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

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

Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 31st December 2016 is:

Euro 603,010,000.00

(Six Hundred and Three Million Ten Hundred Thousand Euro/00)

exclusive of transfer costs and VAT.

Yours faithfully


CBRE VALUATION S.p.A.



Mirko Baldini
(Managing Director)

For and on behalf of
CBRE Valuation Spa

Rif. 8613, 8614, 8615



Elena Gramaglia MRICS
(Director)

RICS Registered Valuer
For and on behalf of
CBRE Valuation Spa

LEGAL NOTICE

This Valuation Report (the "Report") has been prepared by CBRE Valuation S.p.A. ("CBRE") exclusively for IGD SIQ S.p.A. (the "Client") in accordance with the terms of engagement entered into between CBRE and the addressee no. 105/16, 106/16, 107/16 dated 27 April 2016 countersigned on the 11 May 2016 ("the Instruction"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

- i. 25% of the value of the property to which the Instruction relates on the date of the Instruction; or
- ii. €10 million (Ten Million Euro); and

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

REAG Real Estate Advisory Group SpA a socio unico
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C.F. / Reg. Imprese / P. IVA 0588168015
Italy@reag-aa.com



DUFF & PHELPS
Real Estate Advisory Group

Agrate Brianza, 14 February 2017

Ref. n° 20454,01-20455,01-20456,01-20460,01

Messrs

GRUPPO IGD S.p.A.

Immobiliare Grande Distribuzione

Via Trattati Comunitari Europei 1957-2007, n. 13
40127 Bologna

To the kind attention of Mr Roberto Zoia

Subject: Determination of the Market Value as of December 31st 2016 of a real estate portfolio consisting of of n. 10 real estate assts intended for commercial use and located on the italian territory and n. 6 real estate assets located on the romanian territory, indicated as owned by GRUPPO IGD S.p.A.

Dear sirs,

in compliance with Your request, REAG – Real Estate Advisory Group carried out the valuation of a real estate portfolio, indicated as owned by GRUPPO IGD S.p.A. (hereinafter the Client), in order to determine the market value as of December 31st 2016.

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

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





DUFF & PHELPS
Real Estate Advisory Group

Definitions

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

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

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

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

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



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

Valuation criteria

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

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





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

- **Market/Sales Comparison Approach:** is predicated on actual sales transaction data. Sales are adjusted for comparability including time, location, size, condition, utility and intangible benefits.
- **Income Capitalization Approach:** takes two different methodological approaches into consideration:
 - ✓ Direct Capitalisation: based on capitalisation of future net incomes generated by the property at a rate deduced from the real estate market;
 - ✓ Discounted Cash Flow Method (DCF) based:
 - ❖ on the calculation of future net incomes derived from Property renting for a period of "n." years;
 - ❖ on the determination of the Market Value of the property by means of the capitalisation in perpetuity of the net income at the end of this period;
 - ❖ on the discounted back net incomes (cash flow) as of the evaluation date.





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REAG moreover:

- Carried out during November and December 2016 site inspections on the Properties of Roma (Casilino), Gravinia di Catania (Katanè) e Ferrara (La Darsena), to find out all the information (building qualities, preservation condition, etc,) necessary to elaborate the appraisals themselves, in addition to the information given by Client; no site inspections were carried on the other properties, REAG based the appraisals on the informations already known.

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

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

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

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

- Considered the rental situation at the date of the appraisal and indicated by the Client;





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- Specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes;
- No environmental impact study has been ordered made.
- Did not make specific compliance survey and analysis of the property to determine whether or not it is compliant with the various detailed requirements of the law, concerning the possibility for disabled people to enter work places.





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Report content

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

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

Conclusions

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

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

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





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Given the above considerations

It is our opinion that, as of December 31st, 2016, the **Market Value** of the subject Properties can reasonably be expressed as follows:

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



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

Euro 741.500.000,00

(Euro Seven hundred forty one million five hundred thousand/00)

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

Performed by:
Gianluca Moli
Gianluca Moli
Project Manager

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

Simone Spreafico
Simone Spreafico
Managing Director Advisory & Valuation Dept.



Milan, February 7th 2016

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

For the attention of: Mr. R. Zoia

Subject: Valuation as at 31st December 2016 of a Retail Portfolio held by IGD SiiQ S.p.A. comprising three hypermarkets, one supermarket and three retail galleries.

Dear Mr. Zoia,

In accordance with the instruction dated 28th April 2016 and with the integration letter dated 29th November 2016, we have performed the necessary analysis aiming to determine the Market Value and Market Rental Value (as defined in Section 2) of the properties identified in Section 1 of the present letter.

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

1 *Subject Properties*

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

<i>Asset</i>	<i>Address</i>	<i>Use</i>	<i>GLA m²</i>
Fonti Del Corallo	Via Graziani, 6 Loc. Porta a Terra (LI)	Hypermarket	15,371
Super Cecina	Via Pasubio, 33 Cecina (LI)	Supermarket	5,749
Centro d'Abruzzo	Via Po, San Giovanni Teatino (CH)	Hypermarket	14,127
Centro d'Abruzzo	Via Po, San Giovanni Teatino (CH)	Retail Gallery	16,181
Centro Leonardo	Viale Amendola, 129 Imola (BO)	Hypermarket	15,862
Gran Rondò	Via Giorgio La Pira, 12 Crema (CR)	Retail Gallery	11,996
Centro Maremà	Via Commendone, Grosseto (GR)	Retail Gallery	17,109

2 *Scope of the Valuation Analysis*

The scope of the valuation analysis is to provide you with our professional opinion of the following values as at market conditions available at the valuation date, 31st of December 2016:

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



- Market Rent of each property in its current state of repairs and use as at the valuation date.

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

3 *Basis of the Valuation*

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

Market Value

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

Market Rent

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

4 *General Principles*

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

4.1 *Sources of Information*

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

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

- Tenancy Schedules;
- Turnover figures (net of VAT) of each retail unit divided per year and per months for the years of 2014, 2015 and for the first 9 months of 2016;
- Non recoverable Landlord costs;
- Summary schedule of all additional income;
- Forecast turnover rent generated in 2017;
- Cadastral Documentation (Cadastral Certificate "Visura" and/or extract from cadastral maps, etc);
- Asset summary identification schedules;
- Cadastral plans.

We would like to bring to your attention that we have assumed that we are entitled to use and to elaborate the

information and details provided to us for the purposes of the subject valuation exercise and to report them in the subject valuation report¹.

4.2 Measurements and Areas

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

4.3 Titles

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

4.4 Town Planning and Other Statutory Regulations

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

4.5 Site Visit

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

4.6 Structural Survey

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

4.7 Deleterious materials and Pollution

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

4.8 Environmental Contamination

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

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

4.9 *Geotechnical Conditions*

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

4.10 *Disposal Costs and Liabilities*

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

4.11 *Confidentiality to Third party and Liabilities*

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

5 *Valuation Method*

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

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

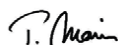
6 *Valuation*

Please note that the sum of the Net Market Values of each subject property, listed in Section 1 ("Subject Properties"), is in the amount of € 273,110,000, which corresponds to a total Gross Market Values of € 279,430,000.

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

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

Yours sincerely,



Pierre Marin MRICS
CEO - Jones Lang LaSalle Spa





Via Filippo Turati, 16/18
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Fax +39 02 63799 250
PEC: finance@pec.cwllp.it
cushmanwakefield.it

TO: **GRUPPO IGD**
ATTENTION: **MR. ROBERTO ZOIA**
PROPERTY: **REAL ESTATE PORTFOLIO**
REPORT DATE: **12 JANUARY 2017**
VALUATION DATE: **31 DECEMBER 2016**

1. INSTRUCTIONS

1.1 THE PROPERTIES

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

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

Detailed reports relating to the Properties are enclosed under Attachment I of Ref: *IGD-GruppoIGD-CertVal-161231-01-ITA*.

1.2 PURPOSE OF VALUATION

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

Cushman & Wakefield LLP è iscritta nel ruolo degli agenti d'affari in mediazione al N. 14936 del 8/5/2008 C.C.I.A.A. di Milano – Registro Imprese di Milano N. 06159600961 – R.E.A. N. 1873621. Sede legale e amministrativa: Via Filippo Turati 16/18, 20121 Milano - Codice Fiscale e Partita IVA N. 06159600961.
Cushman & Wakefield LLP è una partnership a responsabilità limitata (Limited Liability Partnership) registrata in Inghilterra e Galles con il N. OC328588, con sede legale a Londra, EC2N 1AR, 125 Old Broad Street. Ne sono membri Cushman & Wakefield (U.K.) Ltd e DTZ Debenham Tie Leung Limited.

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

1.3 COMPLIANCE WITH RICS "RED BOOK"

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

1.4 DISCLOSURE OF CONFLICT OF INTEREST

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

1.5 BASIS OF VALUATION

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

MARKET VALUE

VS 3.2 defines the Market Value as follows:

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

MARKET RENT

VS 3.3 defines the Market Rent as follows:

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

1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

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

IGD-GRUPPOIGD-CERTVALPERBILANCIO-161231-01-ENG

1.7 THIRD PARTY LIABILITY

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

1.8 VALUERS

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

2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

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

This valuation is not subject to any Special Assumptions.

3. DATE OF VALUATION

The date of valuation is 31 December 2016.

4. INSPECTIONS

As described in the relevant valuation reports hereto attached enclosed under Attachment 1 of Ref: *IGD-GruppoIGD-CertVal-161231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the previous valuation dated 30 June 2016.

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

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

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

5. INFORMATION SUPPLIED

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

Details on the information supplied for each Property is provided within the Full Property Reports Ref. *IGD-GruppoIGD-CertVal-161231-01-ITA*.

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

6. GENERAL PRINCIPLES

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

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-161231-01-ITA*, our valuations assume the Properties are effectively freehold. We have assumed that the Properties have a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances.

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

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-161231-01-ITA*, our valuations are on the basis that the Properties have been erected in accordance with a valid planning permission and are being occupied and used without any contravention.

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

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

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

7. VALUATION METHODOLOGY

In the following paragraph we provide a brief description of the methodology used to arrive at the Market Value of the Properties. For further details, please refer to the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-161231-01-ITA*.

7.1 DCF ANALYSIS (DISCOUNTED CASH FLOW ANALYSIS)

This methodology takes into account the income generated by the lease contract/s in place for the Property, the annual costs to be borne by the Landlord (e.g. management fees, IMU property tax, insurance costs), the expenses relating to the extraordinary maintenance, the

IGD-GRUPPOIGD-CERTVALPERBILANCIO-161231-01-ENG

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

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

8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio and split as per your request, as at 31 December 2016, may fairly be estimated as:

€423,590,000

(Fourhundredtwentythreemillionfivehundredninetyninethousand Euros)

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

More details are included in the Full Valuation Reports *Ref: IGD-GruppoIGD-CertVal-161231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €429,805,034.

9. CONFIDENTIALITY

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

IGD-GRUPPOIGD-CERTVALPERBILANCIO-161231-01-ENG

10. DISCLOSURE AND PUBLICATION

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

FOR AND ON BEHALF OF CUSHMAN & WAKEFIELD LLP


JOACHIM SANDBERG FRICS
Partner


MARIACRISTINA LARIA MRICS
Partner


FRANCESCA PRANDI MRICS
Partner

Attachments that form part of this report:

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

ATTACHMENT II INSTRUCTION LETTER ADDENDUM AND CONFIRMATION FAX



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

TO: GRUPPO IGD
ATTENTION: MR. ROBERTO ZOIA
PROPERTY: REAL ESTATE PORTFOLIO (excluding buildable land)
REPORT DATE: 12 JANUARY 2017
VALUATION DATE: 31 DECEMBER 2016

1. INSTRUCTIONS

1.1 THE PROPERTIES

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

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

More details relating to the Properties are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*.

1.2 PURPOSE OF VALUATION

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

Cushman & Wakefield LLP è iscritta nel ruolo degli agenti d'affari in mediazione al N. 14936 del 8/5/2008 C.C.I.A.A. di Milano – Registro Imprese di Milano N. 06159600961 – R.E.A. N. 1873621. Sede legale e amministrativa: Via Filippo Turati 16/18, 20121 Milano - Codice Fiscale e Partita IVA N. 06159600961.
Cushman & Wakefield LLP è una partnership a responsabilità limitata (Limited Liability Partnership) registrata in Inghilterra e Galles con il N. OC328588, con sede legale a Londra, EC2N 1AR, 125 Old Broad Street. Ne sono membri Cushman & Wakefield (U.K.) Ltd e DTZ Debenham Tie Leung Limited.

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

1.3 COMPLIANCE WITH RICS "RED BOOK"

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

1.4 DISCLOSURE OF CONFLICT OF INTEREST

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

1.5 BASIS OF VALUATION

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

MARKET VALUE

VS 3.2 defines the Market Value as follows:

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

MARKET RENT

VS 3.3 defines the Market Rent as follows:

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

1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

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

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1.7 THIRD PARTY LIABILITY

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

1.8 VALUERS

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

2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

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

This valuation is not subject to any Special Assumptions.

3. DATE OF VALUATION

The date of valuation is 31 December 2016.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment 1 of *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the previous valuation dated 30 June 2016.

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

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

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

5. INFORMATION SUPPLIED

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

Details on the information supplied for each Property is provided within the Full Property Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*.

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

6. GENERAL PRINCIPLES

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

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*, our valuations assume the Properties are effectively freehold. We have assumed that the Properties have a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances.

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

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*, our valuations are on the basis that the Properties have been erected in accordance with a valid planning permission and are being occupied and used without any contravention.

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

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

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

7. VALUATION METHODOLOGY

In the following paragraph we provide a brief description of the methodology used to arrive at the Market Value of the Properties. For further details, please refer to the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*.

7.1 DCF ANALYSIS (DISCOUNTED CASH FLOW ANALYSIS)

This methodology takes into account the income generated by the lease contract/s in place for the Property, the annual costs to be borne by the Landlord (e.g. management fees, IMU property tax, insurance costs), the expenses relating to the extraordinary maintenance, the

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

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

8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio (excluding buildable land and development project) and split as per your request, as at 31 December 2016, may fairly be estimated as:

€420,620,000

(Fourhundredtwentymillionsixhundredtwentythousand Euros)

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

More details are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-161231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €426,788,359.

9. CONFIDENTIALITY

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

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10. DISCLOSURE AND PUBLICATION

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

FOR AND ON BEHALF OF CUSHMAN & WAKEFIELD LLP



JOACHIM SANDBERG FRICS
Partner



MARIACRISTINA LARIA MRICS
Partner



FRANCESCA PRANDI MRICS
Partner

Attachments that form part of this report:

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

ATTACHMENT II INSTRUCTION LETTER, ADDENDUM AND CONFIRMATION FAX

2.7

THE SIIQ REGULATORY ENVIRONMENT

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

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

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

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

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

More in detail, with regard to eligibility requirements, the decree resulted in (i) more stringent **Ownership Requirements**, raising the threshold for a single shareholder from 51% to 60% of the voting and dividend rights (the so-called "**Control limit**") and the percentage of shareholders who must have interests of less than 2% of voting and dividend rights when the option is exercised was lowered from 35% to 25% (the so-called "**Float requisite**"), and (ii) the scope of the parameters relating to the economic elements and assets (the so-called "**Asset Test**" and "**Profit Test**") used to satisfy the **Objective requirements** was broadened. The distribution requirement, namely the amount of the income generated by exempt operations that must be distributed each year upon approval of the annual report, was lowered from 85% to 70%.

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

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

Subjective requirements

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

Statutory requirements

The corporate by-laws must include:

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

Ownership requirements

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

Objective requirements

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

The failure to comply with the most important conditions for 3 consecutive years will result in ineligibility under the special regime and the ordinary rules and regulations will be applied beginning as of the second of the years considered.

The primary characteristic of this special regime is the possibility, after having satisfied certain legal requirements, to be eligible for a tax regime under which income is subject to income tax only when distributed to shareholders rather than when generated by the company itself.

Given the fact that income generated by the SIIQ is subject to income tax solely when distributed to shareholders, the law requires that a minimum of the rental income must be distributed (the percentage was reduced pursuant to Decree 133/2014 from 85% to 70%).

With regard to the verification of eligibility, based on the same law the subjective, statutory and ownership requisites

must be met before the option is exercised while the verification of the objective requisites is done after the close of the financial statements for the year in which the option was exercised.

In April 2008, once it was clear that all the subjective, statutory and ownership requisites had been satisfied, IGD exercised the option to be treated under the special regime effective 1 January 2008

Furthermore, for the purposes of SIIQ status, the total capital gains, net any losses, resulting from the difference between the normal value of the rental assets, the real property rights on same, the plots of land and the value for tax purposes at the end of the fiscal year, are subject to IRES (corporate income tax) and IRAP (regional business tax) at a tax rate of 20 per cent (the **Entry Tax**). Pursuant to paragraph 128, Art. 1 of the Founding Law, IGD opted to pay the Entry Tax of €30,797,217 in five yearly installments. The payment of each installment coincides with the deadline for IRES payments related to the prior tax period. The installments subsequent to the payment of the first installment will be paid with the interest matured calculated based on the discount rate plus one percentage point. As mentioned above, pursuant to the law the income generated by rental activities is exempt from IRES and IRAP as long as the company distributes at least 70% of same. In this regard, during the Annual General Meeting held on 14 April 2016 shareholders approved payment of a dividend for 2015 of €32,521,825.24 attributable to: (i) for €28,354,966.38, exempt operations; and (ii) for €4,166,858.86, capital reserves.

Based on the parent company's financial statements at 31 December 2016 both the asset test, based on which the value of freehold rental properties must represent more than 80% of the total value of the real estate assets, and the profit test, based on which revenues from the rental of freehold properties or other property rights rental activities must total at least 80% of the positive entries in the income statement, were satisfied.

→ **Disclosure regarding compliance with corporate by-law requirements (art. 3, P. 2, ministerial decree n. 174 of 7 July 2007)**

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

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

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

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

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

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

The income from a single tenant or tenants belonging to a single group did not exceed 60% of total rental income.

With regard to limits on the maximum financial leverage permitted, it is expressly provided in Art. 4.3 lett. ii) of the Company's by-laws that:

- *"the maximum permitted financial leverage, at a company or group level, is 85 percent of equity".*

Financial leverage, either at the group or single level, never exceeded 85% of equity.

2.8

ORGANIZATION AND HUMAN RESOURCES

In 2016 the IGD Group increased the number of its employees from 118 to 123 as a result of network expansion (2 new shopping centers) and consolidation of corporate functions.

The only change in the workforce for the Winmarkt Group was the substitution of one shopping center manager.

→ Organizational structure

In 2016 two malls were added to the Italian commercial network: the new Maremà Shopping Center in Grosseto and

the Poseidon di Carini Center (Palermo), which is now managed by IGD. At headquarters work was done to guarantee a stable organizational structure and develop replacement charts.

At the Winmarkt Group an internal resource was transferred to the newly created Internal Control unit with a view to monitoring and improving the efficiency of company processes.

→ Staff and turnover

The staff increased by five heads.

IGD GROUP ITALY AT 31/12/2016	EXECUTIVES	MIDDLE MANAGERS	JUNIOR MANAGERS	CLERKS	OF WHICH FIXED TERM	TOTAL	PERCENTAGE
MEN	5	13	26	12	(3)	56	46%
WOMEN	1	7	24	35	(2)	67	54%
TOTAL	6	20	50	47	(5)	123	
Percentage	5%	16%	41%	38%		100%	100%
Percentage of total employees					(4%)		

TURN OVER ITALY 2016 (INCLUDING FIXED TERM RESOURCES)	HIRES	RESIGNATIONS	DIFFERENCE
Managers	1	0	1
Middle managers	0	0	0
Junior managers	1	-1	0
Clerks	8	-4	4
TOTAL	10	-5	5

The importance attached to job security was demonstrated by the number of indefinite contracts which came to 96% of the total and unchanged in absolute terms. The number of fixed term contracts increased (+5).

As a result of the resignation of 3 employees with indefinite contracts, the turnover rate rose slightly to 2.5%.

WINMARKT GROUP ROMANIA 31/12/2016	EXECUTIVES	MIDDLE MANAGERS	JUNIOR MANAGERS	CLERKS	TOTAL
MEN	0	3	14	2	19
WOMEN	0	2	6	20	28
TOTAL	0	5	20	22	47
%	0%	11%	42%	47%	100%

TURN OVER ROMANIA 2016	HIRES	RESIGNATIONS	DIFFERENCE
Managers	0	1	-1
Middle managers	0	0	0
Junior managers	2	2	0
Clerks	2	3	-1
TOTAL	2	3	-1

Turnover continued to decline at Winmarkt due to the choice to maintain a stable structure and encourage professional growth. 100% of the employees have indefinite contracts.

→ Compensation policies and professional development

67 employees or 59.8% of the full-time staff were involved in the yearly personnel evaluations and 17 merit based pay raises were granted (15.2% of the employees considered). In addition to the 6 career paths which ended with employees being promoted effective January 2016, 2 career paths begun in 2015 were terminated and 11 new ones were begun, 3 of which resulted in promotions effective January 2017.

In order to promote the growth and development of resources within the Winmarkt Group, in 2016 four merit based pay raises were granted (for having achieved targets/seniority) and 1 new position was created (new regional commercial director).

→ Training

In 2016 the training offered by the IGD Group was focused on refresher courses and strengthening the specialized technical expertise in order to support specific company operations. The training provided during the year involved the following activities:

“Building a Marketing Plan”, in order to share the new method for preparing marketing plans for shopping centers which focuses on a single planning model;

english, with courses being offered to a group comprised of an increasingly diverse number of people and not just to managers;

refresher/advance courses in regulations - specializations for single divisions;

safety, with

- General training for new hires;
- Periodic updates, in accordance with regulations, for the workers' safety representatives;
- specific fire safety courses for the safety team at headquarters and for 5 network employees;

corporate social responsibility with

- seminars on innovative topics relating to corporate welfare, integrated reporting and reputational risks.

In 2016 99 employees or 80% of the company were involved in at least one training course. A total of 1,787 hours of training was offered with a total cost of approximately €36,516.

Training within the Winmarkt Group focused on:

- 4 commercial/technical/administrative workshops held when at the close of interim reporting periods;
- the real estate market: refresher courses regarding the latest international and local market trends and developments, including relating specifically to the retail sector;
- professional refresher courses: training courses focused on individual professional development for the members of the commercial, technical, legal and administrative departments;
- motivational/professional team building for the entire staff;
- visits to Italy in order to learn more about key roles (Commercial Manager, Area Manager).

In 2016, 100% of Winmarkt employees were involved; a total of 1,202 hours of training was offered with a total cost of €20,000.

2.9

SUBSEQUENT EVENTS

On 19 January 2017 the Igd Siiq S.p.A.'s Board of Directors resolved - pursuant to art. 2505, second paragraph of the Italian Civil Code and art. 22 of the corporate by-laws - to approve the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI

FERRO SIINQ S.p.A. On the same date, the merger was approved by the shareholders of the respective incorporated companies meeting in extraordinary session. The merger deed will be executed by the end of March 2017.

2.10

OUTLOOK

In light of the positive operating and financial results posted at 31 December 2016, as well as having reached the first key targets of the business plan, the Company expects to continue along its growth path and for assets to generate higher revenue, with the cost of debt down against FY 2016. Core business FFO is expected to increase between 18% and 19% by year-end 2017.

2.11

IGD SIIQ SPA'S AND THE GROUP'S PRIMARY RISKS AND UNCERTAINTIES

In the future the Group's earnings and financial situation could be influenced by a series of risk factors.

In order to systematically assess and monitor its risks, IGD SiiQ SpA implemented an Enterprise Risk Management (ERM) system which conforms to the highest international standards and the COSO framework (promoted by the Committee of Sponsoring Organizations of the Treadway Commission). This system provides a systematic approach to identifying the primary corporate risks, making it possible

to assess the potential negative effects in advance and organize control mechanisms. The ERM model used also makes it possible to test different risk scenarios with a view to assessing the total risk appetite.

The Company monitors the different risks in light of the strategic, operational and financial goals, as well as compliance, using a model based on Key Risk Indicators, which assists management in assessing the level of exposure.

The primary risks that IGD faces and manages are listed below.

1. Strategic risks

→ 1.1 Risks associated with change in the macro and micro economic scenarios or consumer trends

Risk factors:

- change in growth rates;
- inflation;
- change in consumer volumes and trends;

which could negatively impact the Group's revenue and the value of its assets.

Risk management:

Periodically the Company monitors the Italian economic situation, particularly when defining or updating the Business plan or annual budget. The analyses include a study of Italy's principal macroeconomic indicators (GDP, consumption, family income, inflation, etc.).

While these studies are being conducted, the Company also carries out in depth analyses of the competition: the Company monitors the performance of the main competitors and peers as part of specific initiatives or when the Business Plan or the Budget are presented by examining the most important economic, financial and performance indicators.

When a new shopping center/location is opened the Company normally, including with the help of specialized professionals, completes economic and geomarketing studies of the catchment area involved in order to have a complete vision of the specific market that the Company will be entering and doing business in.

Great attention is also paid to the tenants' results. Management carefully monitors the sales statistics and the indicators that could point to any problems the tenants might be experiencing, paying particular attention to the impact that contract renegotiations could have on the clients: the steps taken to support the retailers and any operational changes are shared with the Commercial Division and are, at any rate, subject the budget approved by the Board of Directors.

The positioning with respect to the targets for each shopping

center is monitored and any changes that are made to the merchandising mix/tenant mix during the renewal phase, expansion and remodeling are in line with the targets.

Monitoring of the indicators defined in the enterprise risk management system supports the Company's evaluation of how this risk is likely to evolve

In the prior year controls for this type of risk were also subject to monitoring as part of the Group's enterprise risk management system based on which a sensitivity analysis was conducted relating to possible changes in the assumptions underlying the plan.

With regard to the Romanian market, over the years the Company has carried out extraordinary maintenance, in addition to work on revised layouts and fit outs in order to introduce new tenants (both national and international), increase the shopping centers' appeal, respond to the actions taken by competitors and meet customers' new needs.

→ 1.2 Loss of asset value

Risk factors:

- Exogenous factors;
- Global economic crisis;
- Changes in the domestic/international market which results in a significant devaluation of the asset portfolio.

Risk management:

The shopping centers are located throughout the country which reduces the exposure to risks connected to regional phenomenon.

The analysis of sales figures, along with the monitoring of commercial dynamics, receivables, renegotiations, traffic volume, support of the independent expert with the appraisal of the assets, help the management spot signs that changes are taking place in the retail real estate market.

Periodically the Company also runs sensitivity analyses

involving the valuations of the portfolio assets in order to constantly monitor the effects that changes due to changes in the global economic environment on the discount or cap rate or revenue would have on the value of the assets. The controls for this type of risk were also monitored as part of the Group Enterprise Risk Management initiative.

→ 1.3 Country risk

Risk factors:

The risk pertains to investments made in the companies operating in Romania, in relation to the following events:

- changes in the Country's market conditions;
- geopolitical problems in the Country;
- change in the Country's growth rates;
- inflation within the Country;
- change in the Country's consumer trends and volumes;
- third party restitution claims requesting the return of real property;

which could have an impact on revenue and on the value of the Group's assets.

Risk management:

IGD's Romanian portfolio is spread out throughout the country; the 15 assets, an office building and 14 shopping centers, are found in 13 midsize cities. This makes it possible to diversify the risks linked to consumer volatility, while the fact that the centers are centrally located helps to minimize risk of decreased consumption which could affect the outlying shopping areas.

Top Management of the Romanian subsidiaries monitors the country's economic trends constantly, verifying that the principal indicators of economic and political stability (interest rates, the political scenario, implementation of EC subsidies and the local regulatory environment) are stable and that no problems for IGD's business have developed. The Company maintains relationships with the financial and business community, with institutional bodies, as well as local and international chambers of commerce, in order to increase the information it has access to and the understanding of the local market.

The management of WinMarkt also uses structured tools to monitor dynamics of the local competition.

The Company has also adopted a commercial strategy designed to improve the quality of the tenants by selecting

DIRECTORS' REPORT

2.11 IGD SIIQ SPA'S AND THE GROUP'S PRIMARY RISKS AND UNCERTAINTIES

high profile international partners. In 2016 the Company continued with its strategy to attract international tenants resulting in the introduction of new retailers and the opening of new retail spaces with retailers with whom the Company already has a contractual relationship.

As part of the Enterprise Risk Management project, the Company implemented a structured risk management program based on risk indicators relative to the local competitive environment.

With regard to third party restitution claims, please note that the statute of limitations for filing such claims has run. The Group, however, stipulated a "Title Insurance" policy to protect against risks linked to this type of claim in order to protect the value of the assets held in Romania.

→ 1.4 Risk - Return on the non-retail development projects fails to meet expectations (ex. "Porta a Mare" Project)

Risk factors:

The risk pertains to the non-retail development initiatives (ex. "Porta a Mare" Project) and relates to the following events:

- Delay in/failure to sell non-retail sections;
- Delays in starting work;
- Possible writedown of the assets;

which could have an impact on revenue and on the value of the Group's assets.

Risk management:

The Company avails itself of independent experts who every six months appraise the fair value of the different "Porta a Mare" initiatives underway (retail, services, residential, temporary residences, parking and garages).

The risk associated with delays in the work scheduled for the Officine section is constantly monitored by the Head of Asset Management and Porta Medicea S.r.l.'s Chief Executive Officer by way of the technical personnel on the field and contact with the construction companies and Livorno's municipal administration in order to have timely access to information that could affect the project's development.

As part of the Enterprise Risk Management project, a scenario analysis was conducted in order monitor the impact of this risk on the Company's Business Plan.

2. Operational risks

→ 2.1 Risk - Inadequate planning and positioning/merchandise/tenant mix which do not meet expectations

Risk factors:

- the shopping center fails to attract the target customers found in the catchment area;
- merchandising mix does not meet the needs of the customers in the catchment area;
- tenant mix does not meet the needs of the customers in the catchment area;

which could impact sales and the ability of the tenants to fulfill their contractual obligations with IGD.

Risk management:

The Company's commercial divisions and operational units evaluate the planned positioning in order to limit the risks connected to tenant and merchandising mixes which fail to meet the needs of each shopping center's potential customers.

The commercial planning is carried out in accordance with internal procedures. The company constantly monitors, including through the use of the updated internal sales data, the tenants' sales and the vacancy rates. All of the commercial choices made respect the policy defined by the Commercial Division and any atypical allocation of the space must be approved by the Commercial Division. Toward this

end the Commercial Division meets periodically in order to coordinate and check the steps taken in the region.

A tenant mix that meets qualitative standards is defined based on an assessment of the shopping center's location and a survey conducted, including with the support of specialized professional, of the center's intrinsic characteristics and an evaluation of the region.

The Company also strengthened its ability to process data by creating a specific position within the organization which guarantees a more detailed flow of information and allows for targeted commercial policies on different levels: shopping center, tenants, merchandise. Periodically the Company also conducts surveys over the phone and in the centers in order to assess the level of customer satisfaction with the services offered and the events organized.

→ 2.2 Credit risk

Risk factors:

- client default;
- credit recovery problems.

Risk management:

The tenants are subject to pre-contractual selection based on parameters linked to the business's financial soundness and P&L forecasts.

The analyses of potential clients are done with the help of specialized consultants and focus on understanding potential risks for the Company. Monthly analyses are also done in order to assess the level of risk associated with each tenant and to monitor solvency.

All clients must guarantee their contractual obligations with sureties and/or security deposits. The Company constantly monitors the contractual relationship to ensure that the contractual obligations are being respected and in the event of default the company follows the internal procedures for credit management; in a few instances, involving well-known tenants, remedial measures may be taken.

The credit positions are constantly monitored through the use of a tenant payment schedule, developed each quarter, but monitored daily in order to follow constantly the measures taken or that need to be taken in terms of debt collection. The Commercial Division also prepares periodic reports on credit collection for the control bodies and processes statistics that are shared with the Legal and Corporate Affairs Division.

The ERM model used also calls periodic monitoring in order to assess the adequacy of the risk management measures in place with respect to the actual level of risk.

→ 2.3 Contract risk

Risk factors:

- problems managing the contractual relationship with tenants;
- Increased costs or loss of income.

Risk management:

The Company conducts preliminary evaluations of potential tenants, referring also to third party credit analyses through the Lince system.

Guarantees in the form of sureties and security deposits are also requested once the agreement has been finalized. The

Commercial Division is constantly in touch with the tenants by telephone, through meetings, including at headquarters, and any critical situations are analyzed to determine the steps that need to be taken. Each tenant is subject to selection based on parameters linked to financial solidity and the economic prospects of the business.

The Company, furthermore, uses standard rent/lease agreements that may be revised/amended based on the conditions agreed upon with the tenant; if need be the Company may avail itself of outside consultants or the internal legal department in order to define specific contractual clauses.

→ 2.4 Pre-letting risk

Risk factors:

- chance that the property remains partially vacant and the target occupancy rates are not hit, which could impact both revenue and the value of the Group's assets.

Risk management:

The Company controls pre-letting risk through promotional activities and incentive schemes involving current and potential tenants.

Intense public relations activities are carried out with the tenants in order to ensure that the space is let and investments are made in promotional activities and launches.

The surface coverage ratios are constantly monitored throughout the management and life of a shopping center. The commercial team is comprised of highly experienced sector professionals who work to reach the Group's objectives in terms of revenue and filling vacant space.

During its weekly meetings, the Commercial Division analyses the occupancy rates of the different shopping centers and determines any steps that need to be taken to reach a vacancy rate that is close to zero.

In the event tenants are sought that are not part of the Company's typical tenant portfolio, the Company will work with specialized professionals.

→ 2.5 Risks associated with natural disasters (i.e. earthquakes, floods, fires) or damages caused by third parties and third party liability

Risk factors:

- natural disasters (for example, floods, earthquakes, etc.);
 - catastrophic events (for example, fires);
 - damages caused by third parties;
 - damages incurred by third parties in the course of business or related activities;
- which could impact the value of the Group's assets or cash flow.

Risk management:

Given the type of business and its unique portfolio, the Company has taken out All Risk policies with a primary sector insurance company based on which each shopping center has annual coverage.

Based on the Group's risk management policy vis-à-vis damage to assets, each consortium of tenants and/or owners must stipulate its own All Risk policy with an insurance company.

With regard to third party liability, the insurance covers civil damages for which the Company may be liable in the event an accident should occur during the normal course of business and related activities. The consortia, the Sales & Marketing, Network Management and Asset Management and Development Divisions all constantly check the quality and maintenance the properties in order to understand if

further steps must be taken to limit risk.

The Company's policy is to invest significantly in the maintenance and quality of its properties. When renewing the insurance for its buildings, the Company added and/or changed coverage as needed. The Company also developed a procedure for the updating and monitoring of outstanding claims on a quarterly basis.

3. Compliance risk

→ 3.1 Liability pursuant to Legislative Decree 231/01

Risk factors:

- sanctions associated with corporate liability for crimes committed pursuant to Legislative Decree 231/01.

Risk management:

The Company adopted the "Model for organization, management and control" pursuant to Legislative Decree 231/01 which defines the guidelines, rules and conduct that should govern the company's activities and which must be complied with in order to minimize the risk that the crimes referred to in Legislative Decree 231/01 are committed, and which ensures maximum transparency and fairness in the company's business dealings.

When Legislative Decree 231/01 took effect, the Company also prepared a Code of Conduct applicable to all IGD employees, without exception, who must ensure that they perform their duties in accordance with the standards included in the Code.

Toward this end, pursuant to this decree the Supervisory Board verifies adoption of the protocols called for and avails itself of a specialized consultant to monitor compliance with the Model.

The Supervisory Board constantly updates and amends the Model to ensure that it complies with the law and that it adequately reflects the Group's organizational and business structure.

Training courses were also provided to employees following the changes made to the Legislative Decree 231/01 Model which introduced the offence of money laundering in accordance with Law 186/2014.

In 2015 the Company updated its Model in order to comply with changes in the law.

Lastly, as of 2014, following the introduction of new offences relating to corruption, each year the top management sign statements attesting to the lack of any conflicts of interest.

→ 3.2 Regulatory risk associated with being a listed company (Consob, Borsa)

Risk factors:

- Sanctions for violations of the regulations issued by the stock exchange and regulatory agencies relating to companies with financial instruments traded on a regulated market.

Risk management:

The Company pays great attention to the norms and regulations governing listed companies.

More in detail, Corporate & Legal Affairs and Investor Relations work to comply with the norms and regulations issued by the stock exchange and the regulatory agencies, while also organizing the disclosure of any information to the market. This process, which calls for the close collaboration of the internal divisions involved in compiling, checking and disclosing data and information regarding the company's administration, accounts and operations, is done in accordance with internal procedures and under the supervision of the Chief Executive Officer and the Financial Reporting Officer.

The market rules and regulations are constantly monitored in order to understand the possible ramifications for the Company. The Legal and Corporate Affairs Division also avails itself of a timetable relative to financial reporting requirements which is shared with all the divisions involved in extraordinary transactions.

→ 3.3 Liability pursuant to Law 262/05

Risk factors:

- Sanctions associated with violations of the Financial Reporting Officer's responsibilities pursuant to Law 262/05.

Risk management:

The Company, in accordance with Legislative Decree n. 262 dated 28 December 2005, the Uniform Savings Act, adopted administrative and accounting control procedures related to financial disclosures in order to (i) ascertain whether or not the current Internal Control System provides reasonable certainty that the information represented in the financial statements is accurate and reliable; (ii) implement adequate administrative and accounting procedures to be used in drafting the separate and consolidated financial statements, as well as any other financial disclosures (in accordance with Law 262/2005); (iii) ensure that the administrative and accounting procedures are complied with during the period in which the above documents are being drawn up.

The implementation and verification of the Internal Control System pursuant to Legislative Decree 262/05 are carried out by internal resources as instructed by and under the supervision of the Financial Reporting Officer appointed by the Board of Directors in accordance with the law; verifications are carried out by the Internal Auditor.

The administrative-accounting system adopted pursuant to L.262/05 is monitored periodically in order to understand if the risk controls implemented as per risk assessments are effectively applied, as well update the same in light of activities carried out by the Administrative and Corporate and Legal Affairs Divisions.

The Company, therefore, has adopted a specific model to assess administrative - accounting risks associated with financial reporting and updates this model continuously. The Company tests the adequacy and effective application of the administrative - accounting processes each year. The manual for the Financial Reporting Officer was also revised and all the administrative-accounting procedures were updated. The observations that emerged during the Testing 262 activities are being analyzed and the Company will work to implement the suggested Remediation Plans in order to continuously improve the administrative - accounting activities.

→ 3.4 Tax risk – requirements under the SIIQ regime

Risk factors:

- Application of sanctions linked to violations of tax regulations,
- failure to meet the profit and asset requisites necessary to be eligible for SIIQ status,

resulting in being ineligible for treatment under the SIIQ regime (in the event this situation should be prolonged for the period provided for at law).

Risk management:

The Company, which was awarded SIIQ status beginning in 2008, has since then carefully monitored the associated tax risks; the valuations made regarding the taxation models used are prepared with the assistance of carefully selected specialized professionals and the Head of Administration, Legal and Corporate Affairs constantly monitors any regulatory changes and the internal accounting procedures. More in detail, the accounts for the taxable and exempt operations are maintained separately; the division also frequently conducts asset and profit tests in order to ensure compliance with the SIIQ regulations.

The results of the tests are shared with management. In 2016 the Company updated the administrative-accounting and tax procedures.

4. Financial risks

→ 4.1 Risks associated with funding and cash management

Risk factors:

- problems managing liquidity;
- financial resources fail to meet the company's needs;
- problems maintaining existing loans and in obtaining new ones.

Risk management:

Liquidity risk is managed through careful management of cash flow and is mitigated by the availability of substantial credit lines.

The Finance Division monitors cash flow through the use of quarterly financial forecasts (updated on a rolling basis) and ensures that available liquidity is sufficient to meet the company's business needs, and also establishes the correct ratio between bank borrowings and capital market funding. With regard to medium/long term debt, each line of credit finances a project which minimizes the risk associated with refinancing. Medium/long term loans may contain covenants and the Finance Division monitors this aspect constantly including together with company management through the use of the Enterprise Risk Management system in order to understand the impact that any breaches of these covenants could have on strategic, operational, compliance and financial risks.

Financial commitments are covered by funding made available by financial institutions and available credit lines.

This risk is managed on the basis of the principle of prudence in order to avoid, in the event unexpected events should occur, excessive expense which could have a further negative impact on the company's market reputation.

The Company implemented a tool which makes it possible to i) analyze and measure interest rate risk, ii) understand the methods used to gather data and information relative to executed contracts iii) develop a single model for risk assessment and management, iv) identify and measure financial risk taking into account:

- a) fair value
- b) cash flow sensitivity
- c) stress test
- d) default risk of financial counterparties
- e) VAR estimates.

All the information pertinent to cash management and funding are now managed by a single division. The figures found in the Business Plan, relating specifically to Planning and Control, are also integrated with the economic – financial figures of the Finance and Treasury Division. The specific tools used as part of the ERM process to address this type of risk are monitored periodically.

→ 4.2 Interest rate risk

Risk factors:

- volatile interest rates which could impact the financing of operations as well as the use of available liquidity.
- The Group uses primarily short term credit lines and floating rate medium/long term mortgages, therefore if interest rates are raised it is exposed to the risk that financial expense could increase and that any refinancing could be more costly.

Risk management:

Interest rate risk is monitored constantly by the Finance Division and Top Management, as well as through the assessment and analysis tools developed as part of the Group's Enterprise Risk Management initiative. The Finance Division monitors any changes in the main financial-economic indicators that could possibly impact the company's performance. Reports are periodically presented to Top Management regarding the following indicators:

- Gearing Ratio
- Loan to Value
- Interest Cover Ratio
- Average Cost of Debt
- Average Length of Long Term Debt

- Mid/Long Term Debt
- Hedging on Long Term Debt plus Bond
- Banking Confidence Available (committed/ Uncommitted)
- Mkt Value of Unencumbered Assets
- Net Financial Position

To manage this risk, the Group purchases interest rate swaps with which it is able to cover about 93.8% of its medium/long term interest rate risk.

The Finance Division analyzes and measures interest rate risk and liquidity constantly in order to understand possible risk management solutions; furthermore, scouting activities are carried out periodically in order to find way to reduce financing costs through bank borrowings and the debt capital markets.

The specific tools used as part of the ERM process to address this type of risk are monitored periodically.

→ 4.3 Foreign exchange risk

Risk factors:

- fluctuations in the Romanian currency, Leu; which could result in the portfolio being written down and the default of Romanian retailers whose contracts are in Leu, but anchored to the Euro.

Risk management

The Romanian tenants' rents are in Leu but anchored to the euro; therefore the company is exposed to the risk that the tenants could default if the currency fluctuations result in the weakening of the Leu.

Currently IGD works to mitigate this risk by working constantly on the optimal merchandising and tenant mix, as well as on the management of the portfolio with a view to sustaining value, including through improvements. With a view to understanding the correct policies to adopt, the Company holds weekly meetings in order to monitor the credit profile of the different shopping centers and tenants. The Company holds weekly meetings in order to monitor the credit profile of the different shopping centers and tenants. The Company monitors the rent as a percentage of the tenant's sales on a monthly basis. The commercial policies are carefully defined and based on in depth research as to the market needs and the habits of the local consumers.

Toward this end the Group is assisted by a group of specialized corporate and local resources in order to understand the correct trade-off between acquired know-how, corporate development and understanding of the local needs.

2.12

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to related party and intercompany transactions, there are no transactions which qualify as unusual or atypical, as they fall within the Group's ordinary sphere of operations and take place under arm's-length conditions.

With regard to the rules of corporate governance and the

"Procedures for Related Party Transactions", please refer to Section 3.12, "Report on Corporate Governance and Ownership Structure".

Details of related party transactions carried out in 2016 are provided in a section of the notes to the financial statements.

2.13

TREASURY SHARES

The Company did not own any treasury shares at 31 December 2016.

2.14

RESEARCH AND DEVELOPMENT

IGD SIIQ and the Group companies do not perform research and development activities.

2.15

SIGNIFICANT TRANSACTIONS

During the year ended 31 December 2016, no significant non-recurring transactions or atypical/unusual transactions, as defined in CONSOB's notice of 28 July 2006, were carried out with third parties or between companies in the Group.

2.16

RECONCILIATION BETWEEN THE SEPARATE AND CONSOLIDATED ACCOUNTS

RECONCILIATION BETWEEN THE PARENT COMPANY AND THE CONSOLIDATED ACCOUNTS Amounts in thousands of Euro	NET PROFIT		NET EQUITY	
	GROUP	MINORITIES	GROUP	MINORITIES
BALANCES AS IN THE PARENT COMPANY'S FINANCIAL STATEMENT	42,229		1,026,357	
Elimination of dividends	(10,739)		0	
Elimination of consolidated equity investments writedowns	15,713		107	
Evaluation at Net Equity of companies recorded in the financial statements at cost	(108)		(107)	
Book value of consolidated equity investmens			(715,117)	
Effect of subsidiaries CFH reserve			(673)	
Effect of subsidiaries ' defined benefit plans restatement			(115)	
Net equity and profits of consolidated companies	21,822	(1,425)	739,251	8,725
Allocation of differences to the assets of consolidated companies				
- Goodwill from consolidation Porta Medicea S.r.l. (allocated to work in progress)	(281)		0	
- Goodwill from consolidation Millennium Gallery S.r.l.			3,952	
- Goodwill from consolidation Winmagazin S.A.			5,410	
- Goodwill from consolidation Winmarkt management S.r.l.			1	
- Effects disposal of UnipolSai Investimenti SGR S.p.A.	(218)		0	
- Capitalized interests on work in progress	0		350	
- Fair value changes on investment property and assets under construction	(95)		1,291	
- Sale of assets to group companies (amortization effect)	5		(10)	
- Other adjsments	1		6	
BALANCE AS IN THE CONSOLIDATED ACCOUNTS	68,329	(1,425)	1,060,701	8,725

2.17

COMMENT ON THE PARENT COMPANY'S FINANCIAL AND ECONOMIC PERFORMANCE

The financial statements for the year ending 31 December 2016 being submitted to the shareholders for approval show a net profit of €42,228,687.00. Total revenue and operating income amounted to €76.8 million, an increase of €1.8 million or 2.47%, against the prior year, while operating costs including general expenses were in line with the prior year and improved as a percentage of revenue, going from 29.5% to 29%.

The increase in revenue reflects the full year contribution of the "Clodi" Retail Park in Chioggia and the opening of the "Maremà" Shopping Center in Grosseto in October 2016.

Net of the negative changes in fair value, the writedowns of work in progress and amortization and depreciation, EBIT amounted to €62.6 million, down slightly against the €63.2 million recorded in 2015 due to the decrease in fair value.

A dividend of €8,738,581.00, generated entirely by exempt operations, was also received in the year from the subsidiary Igd Property SIINQ S.p.A..

Financial expenses amounted to €29 million at 31 December 2016, an increase of €2.7 million explained primarily by the increase in financial expenses linked to the bond loan issued on 31 May 2016 and rating costs, offset by a drop in financial expenses as a result of the repayment in advance of a few loans.

The net financial position was higher as a result of the investments and acquisitions made in the year. The bond issued in May, which substituted short-term credit lines, made it possible to extend debt maturity and, subsequently, in November, to repay the CMBS expiring in 2018 held by the subsidiary Igd Property SIINQ in full, in advance.

2.18

PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS, THE ALLOCATION OF NET PROFIT FOR 2016 AND THE PAYMENT OF DIVIDENDS

Dear Shareholders,

We submit for your approval the separate financial statements of IGD SIIQ S.p.A. at 31 December 2016 which closed with a net profit of €42,228,687. The Board of Directors proposes, subject to the approval of the financial statements for the year ended 31 December 2016:

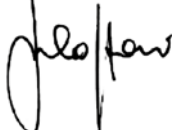
- to allocate €20,372,124 of the earnings to the fair value reserve. The fair value reserve will, therefore, increase from €232,522,451 to €252,894,575
- to allocate €270.35 to the reserve for retained earnings generated entirely by exempt operations
- to pay a dividend of €0.045 per ordinary share outstanding when the shares go ex-div.

The total dividend payout, calculated based on the number of shares outstanding at 28 February 2017 (813,045,631), amounts to €36,587,053.40 to be taken from:

- for €21,856,292.65 or €0.026882 per share, distributable income generated entirely by exempt operations
- for €14,730,760.65 or €0.018118 per share, partial use of the bond issue reserve, a capital reserve.

Bologna, 28 February 2017

THE CHAIRMAN
GILBERTO COFFARI





CENTRO D'ABRUZZO

San Giovanni Teatino - Chieti

Opening 2001

Extension 2014

Mall GLA sq.m 16,181

Food anchor GLA sq.m 14,127



3,890,644 visitors in 2016

Environmental certification:

UNI EN ISO 14001



REPORT ON CORPORATE
GOVERNANCE AND
OWNERSHIP STRUCTURE

03

Glossary

CODE/CORPORATE GOVERNANCE CODE:

the Corporate Governance Code for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

CIV. COD./C.C.:

the Italian Civil Code.

BOARD:

the Issuers' Board of Directors.

ISSUER OR THE COMPANY:

issuer of stock referred to in this Report.

YEAR:

financial year referred to in this Report.

CONSOB REGULATIONS FOR ISSUERS:

the regulations for issuers approved CONSOB in Resolution n. 11971 of 1999, as amended.

CONSOB MARKET REGULATIONS:

market regulations issued by CONSOB pursuant to Resolution n.16191 of 2007, as subsequently amended.

CONSOB REGULATIONS FOR RELATED PARTY TRANSACTIONS:

the Regulations issued by CONSOB pursuant to Resolution n. 17221 of 12 March 2010, as subsequently amended, for related party transactions.

REPORT:

the Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Art. 123-bis TUF.

TUF/"TESTO UNICO DELLE DISPOSIZIONI IN MATERIA DI INTERMEDIAZIONE FINANZIARIA":

Legislative Decree n. 58 dated 24 February 1998 (as subsequently amended).



3.1

COMPANY PROFILE

The Company has a traditional system of management and control founded on the centrality of the Board of Directors. The financial audit is performed by external auditors, in accordance with the law.

The Company's Corporate Governance model is based on: (i) the guiding role of the Board of Directors in matters of corporate strategy, as a whole and through specifically appointed committees with advisory and consulting functions; (ii) the transparency of business decisions within the Company and vis-à-vis the market; (iii) the definition of a remuneration policy for the directors and the managers with strategic responsibilities which complies with the Code; (iv) the efficiency and efficacy of the internal control and risk management system; (v) the strict governance of potential conflicts of interest; and (vi) clear procedures for transac-

tions with related parties and for the treatment of corporate information

The Company's mission is to create value for all its stakeholders: shareholders, employees, clients and suppliers. The Company believes this is possible through sustainable growth.

In 2017 the Company approved the Corporate Sustainability Report which describes the characteristics of the IGD Group, its recent growth, the objectives for future development and the main results achieved in 2016 relating to economic, environmental and social sustainability.

Every year the Company makes the Corporate Sustainability Report, approved by IGD SIIQ Spa's Board of Directors, available to the public on its website at <http://eng.gruppoigd.it/Sustainability/Sustainability-Report-and-Documents>.

3.2

INFORMATION ON OWNERSHIP STRUCTURE

(pursuant to Art. 123-bis, par. 1, T.U.F) as at 28/02/2017

a) Share capital structure

(pursuant Art. 123-bis, par. 1, lett. a), TUF)

The share capital approved at the date of this Report totals €599,760,278.16 of which is fully paid-in and subscribed, divided in 813,045,631 ordinary shares without a stated par value (see chart 1).

b) Share transfer restrictions

(pursuant to art. 123-bis, par- 1, letter b), TUF)

There are no restrictions and all shares are freely transferable.

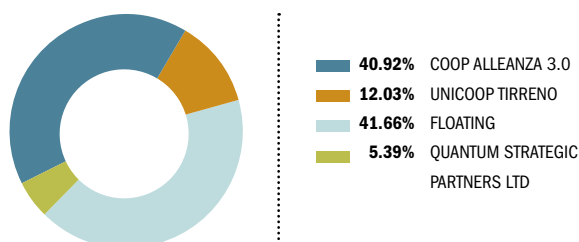
c) Significant interests in share capital

(pursuant to Art. 123-bis, par. 1, lett. c), TUF)

The company qualifies as a “SME” as defined in Art. 1, paragraph 1, lett. W-1) of TUF, introduced in Legislative Decree n. 91 of 24 June 2014 and converted, with amendments, into Law n. 116 on 11 August 2014. The minimum holding in the Company, therefore, subject to disclosure under Art 120 of TUF is 5%.

Based on the declarations received under art. 120 of TUF and other information available to the Company, the shareholders with voting rights holding more than 5% of the company’s ordinary share capital are those indicated in Table 1 “Significant interests in share capital” attached to this report. (see Chart 1)

IGD'S SHAREHOLDERS



Coop Alleanza 3.0 soc. coop. is the company formed following the merger of Coop Adriatica s.c.a r.l., Coop Consumatori Nordest soc.coop and Coop Estense s.c. effective 1 January 2016.

d) Shares granting special rights

(pursuant to Art. 123-bis, para. 1, lett. d), TUF)

The shares issued all have the same rights.

e) Employee share ownership: exercise of voting rights

(pursuant to Art. 123-bis, par. 1, letter e), TUF)

There are no specific mechanisms which provide for employee share ownership.

f) Restrictions on voting rights

(pursuant to Art. 123-bis, par. 1, lett. f), TUF)

There are no restrictions on voting rights.

g) Shareholder Agreements

(pursuant to Art. 123-bis, par. 1, lett. g), TUF)

At 28 February 2017 the Company is not party to any shareholder agreements deemed relevant pursuant to Art. 122 of TUF.

h) Provisions relating to change of control clauses

(pursuant to Art. 123-bis, par. 1, lett. h), TUF) and takeover bids (pursuant to Art. 104, par. 1-ter, and 104-bis, par. 1), TUF)

In the course of their normal business, the Company and group companies may stipulate agreements with financial partners which include clauses which grant each of the parties the right to rescind and/or amend said agreements and/or require repayment of the loan in the event the direct or indirect control of the company contracting party should change.

Without prejudice to the above, the Company:

- (i) on 7 May 2013, issued senior fixed rate notes “€144,900,000 4.335 per cent, notes due 7 May 2017”, the regulations for which call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;
- (ii) on 7 May 2014, completed a €150 million private placement of unsecured senior notes, due January 2019, the regulations for which call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;
- (iii) on 21 April 2015 an offer was made to exchange outstanding bonds “€144,900,000 4.335 per cent. Notes due 7 May 2017” and “€150,000,000 3.875 per cent. Notes due 7 January 2019” with new senior notes “€162,000,000 2.65 per cent. Notes due 21 April 2022”. The regulations for the new notes “162,000,000 2.65 per cent. Notes due 21 April 2022” call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change.
- (iv) on 31 May 2016, issued senior fixed rate notes “€300,000,000 2.500 per cent. Notes due 31 May 2021” the regulations for which call for a put option that may be exercised by the note holders in the event control of the Company should change;
- (v) on 11 January 2017, completed the private placement and the issue of an unsecured non-convertible bond loan, for a nominal amount of €100 million, expiring January 2024, the regulations for which call for a put option that may be exercised by the note holders in the event control of the Company should change.

With regard to the provisions found in the company by-laws relating to takeover bids, there are no clauses which provide for exceptions to the passivity rule nor application of the breakthrough rule.

i) Authority to increase share capital and authorizations to buy back shares (pursuant to Art. 123-bis, par. 1, lett. m), TUF)

The Board of Directors, pursuant to Art. 2443 of the Italian Civil Code has the right to, by 19 April 2017, increase share capital against payment, in one or more instalments, by up to 10% of the current share capital, to be subscribed by parties selected by the Board of Directors including qualified investors and/or business partners and/or financial partners in Italy and abroad or shareholders of the Company – excluding pre-emption rights pursuant to Art. 2441, paragraph 4 (2), as long as the issue price corresponds to the shares' market price which must be confirmed in a report issued by the external auditors.

During the meeting held on 28 February 2017, the Board of Directors resolved to propose to the shareholders, meeting in extraordinary session on 12 and 13 April 2017, in first and second call respectively, to grant, pursuant to art. 2443 of the Italian Civil Code (after revoking the previous authorization granted), the power to increase share capital, on one or more occasions, against payment and in divisible form, by up to a maximum of 10% of the company's pre-existing share capital, for a period of up to five years as from the date of the shareholders' resolution and, at any rate, by 12 April 2022, reserved for parties to be identified by the Board of Directors - including Italian or foreign qualified and/or industrial and/or financial investors or shareholders of the Company - excluding pre-emption rights pursuant to Art. 2441, fourth paragraph, second sentence, of the Italian Civil Code, provided that the issue price corresponds to the shares' market value and this is confirmed in a report prepared specifically by the external auditors.

The shareholders, meeting in ordinary session on 14 April 2016, granted the Board of Directors the power to buy and sell treasury shares, in accordance with art. 2357, second paragraph, of the Italian Civil Code. For more information about the authorization granted please refer to the report prepared for the ordinary session of the Annual General Meeting held on 14 April 2016 available at [http://eng.gruppoigd.it/Governance/Shareholders-Meetings/\(year\)/2016](http://eng.gruppoigd.it/Governance/Shareholders-Meetings/(year)/2016).

On 28 February 2017 the Company's Board of Directors, which approved this report, resolved to propose that the shareholders convened in ordinary session on 12 and 13 April 2017, respectively in first and second call, revoke the expiring authorization granted by the shareholders 14 April 2016 and grant a new authorization to buy and sell treasury shares in accordance with Art. 2357, second paragraph, of the Italian Civil Code. The purchase and disposal of treasury shares will be done in accordance with the means established by the shareholders as indicated in the Directors' Report. At 31 December 2016, the Company does not hold any treasury shares. As of the date on which this Report was approved, there has not been any change with respect to 31 December 2016.

l) Management and coordination (pursuant to Art. 2497 et seq. Italian Civil Code)

The Company is subject to the management and coordination of shareholder Coop Alleanza 3.0 soc.coop., the company formed as a result of the merger of the three cooperatives, Coop Adriatica, Coop Estense and Coop Consumatori Nordest, effective 1 January 2016, which controls 40.92% of the Company's share capital, pursuant to and in accordance with Art. 2497 of the Italian Civil Code.

→ **Other information**

Indemnity of Directors (pursuant to art. 123-bis, para 1, letter i), TUF)

With regard to information relative to any agreements between the Company and the Directors in the event of resignation, dismissal or termination following a takeover bid, please refer to the information found in the Remuneration Report published pursuant to Art. 123-ter of TUF and available on the Company's website: <http://eng.gruppoigd.it/Governance/Compensation>.

Norms applicable to the appointment and replacement of directors, amendments to the corporate by-laws (pursuant to Art. 123-bis, par. 1, lett. l),TUF)

The appointment and replacement of the directors, as well as amendments to the corporate by-laws, are conducted and governed in accordance with Title V of the bylaws (Board of Directors) made available on the company's website (www.gruppoigd.it). Please refer to the section "Board of Directors" of this report for further information.

3.3

COMPLIANCE

(pursuant to Art. 123-*bis*, par. 2, lett. a), T.U.F)

Since its IPO, on 11 February 2005, the Company has adopted the Corporate Governance Code and has structured its corporate governance, the rules and standards of conduct, in a way that ensures efficient and transparent corporate bodies and control systems in line with the code guidelines.

The code is published on Borsa Italiana's website (<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporate-governance/codice2015.pdf>).

In line with the best international practices relating to corporate governance and in light of the recommendations found in the Corporate Governance Code approved by Borsa Italiana's Corporate Governance Committee in July 2015, during the Board of Directors' meeting held on 5 August 2016, the Company resolved to update the Company's Rules for Corporate Governance which, along with the other documents (corporate by-laws, code of ethics, Decree 231/2001 Model for organization, management and control, Regulations for Shareholders' Meetings, Procedures for related party transactions, Procedures for the disclosure and treatment of confidential information, the Internal dealing code) – comprise the group of self-governance instruments used by the Company.

In accordance with the law, the Report contains a general description of the corporate governance system adopted by the Company, along with information on the shareholder structure and application of the Corporate Governance Code, as per the "comply or explain" standard set out in the "Guidelines and transitional phase" section found in the Code .

The structure of the company's governance is described in this section of the Directors' Report.

The Company's subsidiaries include two Romanian companies, WinMagazin S.A. and WinMarkt Management S.r.l., which, however, do not have any impact on the current structure of IGD's governance.

→ Corporate Governance structure

Insofar as it is an Italian company with shares listed on the stock exchange which adheres to the code referred to above, the governance structure is founded on a traditional model comprised of: Shareholders' Meetings, the Board of Directors, Board of Statutory Auditors and External Auditors. Financial audits are carried out by external auditors.

The Shareholders' Meeting is the forum used by the shareholders to express their wishes. The resolutions are made in accordance with the law and the bylaws while the meetings are governed by specific regulations adopted by the Company in order to ensure that the meetings are carried out in an orderly and efficient manner.

The Board of Directors defines the strategy for the Company and its subsidiaries and oversees the business operations. In accordance with the bylaws, the Board of Directors may take all measures it deems fit for implementing and achieving the corporate purpose, except for those that the law or the bylaws reserve for the shareholders.

The Board of Statutory Auditors oversees compliance with the law and the bylaws and ensures that the standards of correct administration are observed and, in particular, that the organizational, administrative and accounting structures are adequate, that they function correctly, that the corporate governance rules provided for in the Code are complied with and that the disclosures made by the Company to its subsidiaries comply with Art. 114, paragraph 2, of the TUF (public disclosures).

The financial audit assignment was granted to the registered audit firm appointed during the Annual General Meeting based on the motivated proposal submitted by the Board of Statutory Auditors.

3.4

BOARD OF DIRECTORS

3.4.1 Appointment and Replacement (pursuant to Art. 123-bis, para. 1, lett. I), TUF)

The Company is administered by a Board of Directors composed, as per the bylaws, of seven to nineteen members.

During the Annual General Meeting held on 15 April 2015, shareholders decided that the Board of Directors will be comprised of 13, rather than the previous 15, directors to serve for the three-year period ending on the date of the Annual General Meeting called to approve the financial statements for the year ending 31 December 2017.

The directors pursue the corporate purpose, acting independently and resolving with sound judgement, seeking out all available information, in order to achieve the priority goal of creating medium/long term value for the shareholders.

Pursuant to Articles 16.2 and 16.3 of the bylaws, the directors are elected on the basis of preference lists which comply with the current laws relating to gender equality. In accordance with Art. 16.3 of the bylaws, lists may be submitted by shareholders who, alone or together with others, hold the interest determined in accordance with CONSOB regulations n. 19856 of 25 January 2017 (for 2017 equal to 2.5% of the Company's share capital). The lists must be filed at the head office at least twenty-five days in advance of the first-call date of the meeting which will be mentioned in the notice of call.

Shareholders must prove possession of the shares needed to file voting lists by submitting the relative certification by the deadline for the publication of the list (namely at least 21 days prior to the Annual General Meeting). Pursuant to art. 147-ter, paragraph 1-bis, TUF, ownership of the minimum amount needed to participate in the filing of a list is based on the number of shares officially held by the shareholder on the day the lists are filed with the Issuer.

The candidates must be numbered sequentially in the lists up to the number of seats to be filled. In accordance with the latest version of Art. 147-ter, fourth paragraph, of the TUF, Art. 16.3, last passage, of the bylaws states that every list must include at least two clearly indicated candidates who qualify as independent in accordance with the law.

The lists which include three or more candidates must include candidates of both genders, as indicated in the notice of call for the Annual General Meeting, in order to ensure that the composition of the Board of Directors complies with current laws relating to gender equality.

In compliance with the bylaws, the lists must be filed

along with the candidates' irrevocable acceptance of office (should they be elected), curriculum vitae, and statements confirming that there are no reasons for ineligibility and/or disqualification and that they meet the requirements set by law.

Art. 16.4 of the bylaws, reflecting the provisions of Art. 147-ter, paragraph 3 of the TUF, prohibits any shareholder from submitting or participating in the submission of more than one list. In keeping with the above, Art. 16.7 of the bylaws states that if more than one list is submitted, at least one director must be appointed from the minority list. Thus, if the candidates ranked with the highest quotients come from a single list, the candidate from the minority lists who has earned the highest quotient will be elected in place of the candidate at the bottom of the ranking. Pursuant to art. 16.7-bis of the bylaws – as introduced by the amendments approved by the shareholders meeting in ordinary session on 18 April 2013 – if the law relating to gender equality fails to be complied with as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality without prejudice to the minimum number of independent directors required under the law. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the directors of the least represented gender with the majority of votes required by law.

Art. 16.8 of the bylaws, on the subject of filling vacancies on the Board of Directors, combines the co-optation system with the requirement that minority interests be represented and that at least two directors qualify as independent pursuant to Art. 147-ter, par. 3 of the TUF, as well as in accordance with the laws governing gender equality.

→ Succession plan

In light of the particular structure of its shareholder base, as well as the powers granted to the Board of Directors, at the date on which this report was approved, the Company had not yet adopted a specific succession plan for the executive directors as the Company can promptly activate the Board of Directors in order to adopt the appropriate resolutions.

3.4.2 Composition (pursuant to Art. 123-bis, para 2, lett. d) TUF)

The Board of Directors currently in office is comprised of 13 directors and was appointed during the Shareholders' Meeting held on 15 April 2015 for a period of three years, through the Annual General Meeting called to approve the financial statements for the year ending 31 December 2017.

During the Shareholders' Meeting held on 15 April 2015 two lists were presented, one by Coop Adriatica and Unicoop Tirreno ("List n. 1") and by Quantum Strategic Partners Ltd. ("List n. 2"). The lists were submitted with all the documentation relating to the personal and professional characteristics of the candidates along with the statements relating to the qualifications of some as independent and irrevocable acceptance of the appointment in the time period provided for under the law.

List n. 1 received 438,696,515 favorable votes, equal to approximately 76.83% of the participants; List n. 2 received 131,187,051 favorable votes, equal to approximately 22.98% of the participants.

As resolved by shareholders on 15 April 2015, the Board of Directors currently comprises the following members: from List n. 1 submitted by Coop Adriatica and Unicoop Tirreno, Gilberto Coffari (Chairman), Claudio Albertini (Chief Executive Officer), Aristide Canosani, Elio Gasperoni, Fernando Pellegrini (Vice Chairman), Leonardo Caporioni, Elisabetta Gualandri, Milva Carletti, Rossella Saoncella, Andrea Parenti and Livia Salvini; from List n. 2, submitted by the shareholder Quantum Strategic Partners Ltd, John William Vojticek and Matthew D. Lenz.

More in detail, List n. 1 was submitted by Coop Adriatica and Unicoop Tirreno in accordance with the shareholders' agreement they stipulated on 9 March 2015 which expired on 31 December 2015 (see Section 3.2, lett. g), of the Report). Based on this agreement the IGD's Board of Directors should be comprised of 13 members, comply with the current law relating to gender equality, and the parties should submit and vote on one list with 13 names, comprised of 7 directors designated by Coop Adriatica (of which 3 independent as defined in the Corporate Governance Code and one in possession of the requisites referred to in Art. 148, paragraph 3, of TUF), 5 directors designated by Unicoop Tirreno (of which 2 independent as defined in the Corporate Governance Code and at least one in possession of the requisites referred to in Art. 148, paragraph 3, of TUF) and one director designated jointly by Coop Adriatica and Unicoop Tirreno (independent as defined in the Corporate Governance Code).

During the meeting held on 3 March 2016, the Board of Directors resolved to substitute the resigned independent director John William Vojticek, pursuant to Art. 2386 of the Italian Civil Code, by co-opting Luca Dondi dall'Orologio to act as an independent non-executive director. On 14 April 2016 the shareholders, meeting in ordinary session,

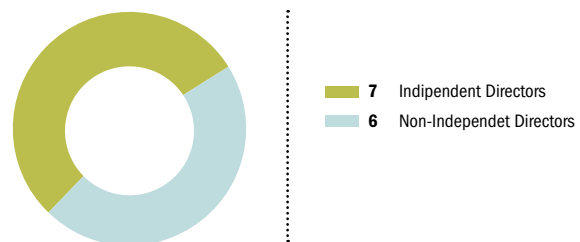
confirmed the appointment of Luca Dondi Dall'Orologi who will remain in office through the end of the current Board of Director's term, namely through the Annual General Meeting convened to approve the financial statements for the year ending 31 December 2017.

The members of the Board of Directors at 31 December 2016, along with their status as executive or non-executive and/or independent members as per the Corporate Governance Code and the committees formed as of the date in which this report was approved, can be found in Table 2 "Structure of the Board of Directors and Committees" attached.

The current Board of Directors is composed of members with different professional and personal characteristics, such as university professors, professionals, businessmen, as well as company executives. The majority of the directors appointed is in possession of the independence requirement under the provisions of the Code of Conduct and the TUF.

The composition of the Board of Directors also complies with the current law relating to gender equality. Toward that end, when the term of the Company's Board of Directors and control body expired on 31 December 2015, Coop Adriatica and Unicoop Tirreno presented their lists for the renewal of the Company's Board of Directors and control body which included candidates of the least represented gender as a result of voluntary and early compliance with the laws introduced in Law 120/2011.

DIRECTORS



GENDER QUOTAS IN THE BOD



The personal characteristics and professional experience of the single members of the Board of Directors currently in charge, are provided below.

GILBERTO COFFARI

Chairman of the Board of Directors

Gilberto Coffari, born in 1946, has been Chairman of IGD's Board of Directors since its formation in 2000. From 1998 through 2006 he was Vice Chairmand of Coop Adriatica and from 2006 through 2011 he was Chairman of Coop Adriatica. Currently he is Director of Federazione delle Cooperative di Ravenna. Mr. Coffari has acted as a Director and Chairman of the Board for a number of cooperatives (such as Legacoop Ravenna, Coop Italia, unipol-UGF, Unipol Banca and Banca Sai), a world he has been part of for more than 40 years. He also holds the offices listed in Table 4.

CLAUDIO ALBERTINI

CEO since May 2009 (Director since 2006)

He was born in 1958 and has been at the helm of IGD since May 2009, after having served as a member of the Company's Board for three years. For more than twenty years Mr. Albertini was part of the Gruppo Unipol where he ultimately acted as General Manager of Unipol Merchant. Mr. Albertini is a certified financial auditor registered in Bologna. He also holds the offices listed in Table 4.

FERNANDO PELLEGRINI

Vice Chairman

Born in 1964, Head of Finance, Asset Management and Financial Reporting for Unicoop Tirreno, Mr. Pellegrini has held various positions in the Unicoop Tirreno Group where he began his professional career in 1995 as part of administration, finance and control; he is currently Vice Chairman of the Board of Directors and Chairman of the Executive Committee of Simgest S.p.A.. He also holds the offices listed in Table 4.

ARISTIDE CANOSANI

Director

Born in 1935. Chairman of CreditRas Assicurazioni, until May 2014 and CreditRas Vita until May 2013, Mr. Canosani was in charge of UniCredit Banca for eight years after having worked in Rolo Banca 1473, Carimonte Banca and Banca del Monte di Bologna and Ravenna. Certified financial auditor, he makes a priceless contribution to IGD's BoD thanks to both his vast experience and expertise in finance. He also holds the offices listed in Table 4.

ELIO GASPERONI

Director

Born in 1953, Mr. Gasperini received a degree in philosophy from the University of Florence's History of Political Doctrine department in 1978. He has several offices and positions including as part of the public administration and local institutions. He is a member of Coop Alleanza 3.0's Board of Directors. His presence in IGD enhances and strengthens the dialogue with the local authorities. He also holds the offices indicated in Table 4.

LEONARDO CAPORIONI

Director

A Chartered Public Accountant and Financial Auditor, Mr. Caporioni, born in 1964, is head of Administration and Financial Reporting at Unicoop Tirreno, a group where he has worked since 1991 holding positions of increasing responsibility. He has matured important experiences as a director and statutory auditor for a number of national and regional (Tuscany) cooperatives. He also holds the offices listed in Table 4.

ELISABETTA GUALANDRI

Independent Director

Born in 1955, Ms. Gualandri has a degree in Business Economics from the University of Modena and a masters degree in Financial Economics from University College of North Wales (UK). A lecturer in financial intermediation at the University of Modena and Reggio Emilia, she also collaborates with CEFIN and Softech-ICT centers. Statutory auditor at the Bank of Italy from 2007 through 2012, she is a member of BPER's BoD since 2012. Since 2016 she is a member of Abi Servizi S.p.A.'s BoD. She has been acting as an advisor for the European Commission's program Horizon 2020, Access to Finance Group since 2013. She is also a member of the CTS and the Knowbel Incubator. The topics about which she has written numerous publications, participating also in national and international seminars, include banking regulation, the financial crisis, financing innovative SMEs and startups. She also holds the offices listed in Table 4.

MILVA CARLETTI

Independent Director

Born in 1963, Ms. Carletti has a degree in Political Science, with a specialization in economics, from the University of Bologna. She is currently an Independent Director of UnipolSai SpA. Through December 2016 she was with Manutencoop Facility Management SpA, Italy's main operator in Integrated Facility Management, where she acted as CFO, beginning in 2014 and, in 2016, she was also appointed Managing Director Finance. In the past she was head of the Business Unit Service of Centostazioni SpA, a company that manages more than 100 service properties in Italy. In her professional life she matured experience in M&A, corporate turnarounds and start-ups, control systems and planning. She served as an Independent Director on the Boards of in Gruppo UGF-Unipol Gruppo Finanziario (Premafin Finanziaria SpA and FondiariaSai SpA), as well as Executive Director of companies of the Manutencoop Group. She also holds the offices listed in Table 4.

ROSSELLA SAONCELLA

Independent Director

Born in 1954, Ms. Saoncella received a degree in Physics from the University of Bologna and in 1978 completed a masters in Business Administration at IFOA. She was General Manager of the Granarolo Group through 2011 and, prior to 1993, an executive of the CONAD Group. Over the past few years she has held administrative offices for municipalities in

Emilia Romagna and she has been a Directors at HERA S.p.A. She also holds the offices listed in Table 4.

ANDREA PARENTI
Independent Director

Born in Rome in 1957, Mr. Parenti holds a degree in Business Economics, University of Florence, he is a certified financial auditor registered in Prato. He acts as a court consultant. In 2006 he formed and founded a corporate tax consulting firm after leaving the international audit firm Ernst & Young where he began first as a manager to then become partner of the tax advisory firm for which he ran the Florence office for more than five years. During his professional career, begun in 1983, he matured experience as an auditor and in corporate structuring, with a focus on corporate earnings and extraordinary transactions. He worked as an appraiser of business divisions for the Monte dei Paschi di Siena Banking Group and for other important companies. As a director, he has worked on Boards of companies involved in the manufacture of defense systems, television broadcasting, distribution of audiovisual products, including with mandates relating to administrative and financial matters. He also holds the offices listed in Table 4.

LIVIA SALVINI
Independent Director

She was born in 1957. Professor of Tax Law at LUISS - Guido Carli University in Rome and Avvocato Cassazionista (the highest order of attorneys) as well as a PhD in Tax Law, Ms. Salvini boasts a twenty year academic career and has been part of numerous ministerial and government commissions and studies. Ms. Salvini is the author of two monographs on VAT and the relative procedures, assessment and application, as well as numerous studies on tax matters. She also holds the offices listed in Table 4.

MATTHEW DAVID LENTZ
Independent Director

Born in 1972, Mr. Lenz has a degree in History and has been acting as a strategist for Soros Fund Management from 2013 to May 2016. Prior to Soros, he was Chief Investment Officer of Simon Property Group, Managing Director at DuquesneCapital/Point State Capital and a real estate analyst at Fidelity Investments. He also holds the offices listed in Table 4.

LUCA DONDI DALL'OROLOGIO
Independent Director

Born in 1972, Mr. Dall'Orologio is an economist with experience in the valuation of investment projects relating, in particular, to the real estate sector and infrastructure. An expert in socio-economic and regional analysis, assessment of demand and application of applied economics, he is currently the Managing Director of Nomisma S.p.A., where he previously acted as Head of "Real Estate Systems and Urban Strategies" and Head of the unit "Real Estate Analyses and Valuations", as a result of which he coordinated the activities relating to assessment, monitoring and measuring of real estate investment risk. He is also a member of Nomisma Energia S.r.l.'s BoD and the special valuation unit at Jean Monnet LUM University.

In compliance with the Corporate Governance Code, the directors take office only when they believe that they will be able to dedicate the time needed to carry out their duties diligently, including in light of their roles in any Board committees, as well as the workload connected to their professional activities, the number of and time dedicated to other offices held as director or statutory auditor in other companies as per the limits on multiple assignments described below, ensuring that this condition remains throughout their term of office.

The Directors, aware of the responsibilities inherent in the office held, must be constantly updated on the newest legislative and regulatory developments affecting the Company and its business.

The directors must comply with the Ethical Code, the Code of Internal Dealing and any other provisions with which the Company regulates the directors' conduct; the directors, like the Statutory Auditors, must treat any documents and information to which they might have access in the course of their duties with the maximum confidentiality.

→ **Maximum number of appointments
allowed in other companies**

In order to regulate the maximum permitted number of appointments in another company that a director may hold, the Company drafted specific regulations referred to as the "Limits to the maximum number of appointments allowed in other companies" which were approved by the Board of Directors on 13 December 2010, and updated on 26 February 2015 as per the opinion of the Nominations and Compensation Committee, in order to comply with the Applicative Criterion 1.C.3 of the Corporate Governance Code. The regulations are available to the public on the Company's website: <http://eng.gruppoigd.it/Governance/Board-of-Directors>.

Based on the regulations, the term "maximum number" does not refer solely to the number of offices held, but also attributes a weight to each type of appointment in relation to the nature and size of the company, as well as the position held by IGD's directors in other companies, in light of the fact that more time is dedicated to certain positions than to others. In light of this consideration, IGD's Board of Directors held that the weight to be attributed to the office of Chairman, Executive Director be different, for example, than that of a non-executive/independent director or member of the Board of Statutory Auditors as well as because of the possible membership in one or more Committees – different from the Chairman's committee – constituted within the Board of Directors. Lastly, the weight attributed each office was also different based on the type and size of the company and two sub-categories were established; Group A and Group B. Group A includes listed companies, financial institutions, banks, insurance companies or other large companies that meet the requirements listed in the Regulations. All the companies which are not part of Group A are automatically considered part of Group B. In light of these considerations, the Board listed the overall weight of the offices held in other companies which can be considered compatible with acting effectively as a director in IGD.

On 28 February 2017, the Board of Directors was found to be fully compliant with the regulations governing "Limits to the maximum number of appointments allowed in other companies"¹².

The principle offices held by directors in companies other than those of the IGD Group can be found in Table 4, attached.

→ Induction Programme

In 2016 the Company organized a seminar for the entire Board of Directors and the Board of Statutory Auditors focused on how shopping centers have changed during

which in depth sessions were offered by the Company's management and representatives of the parent company Coop Alleanza 3.0, as well as a representative of CBRE, leader worldwide in real estate advisory and a professor of marketing. More specifically, during the different sessions data relating to the retail real estate market were examined, along with the commercial evolution of shopping centers, the role of the hypermarket in shopping centers, as well as consumer trends and the merchandise mix in shopping centers.

3.4.3 Role and functions of the Board of Directors (pursuant to Art. 123-bis, par 2, lett. d) TUF)

The Company is administered by a Board of Directors which meets on a regular basis and which is organized in such a way as to guarantee that its duties are carried out efficiently. The Board of Directors primary responsibility is to determine and pursue the strategic objectives of the Company and the entire Group.

In order to ensure maximum attendance at the Board meetings, they are held on the dates indicated in a financial calendar which has been disclosed to the market in accordance with *Borsa Italiana*'s instructions. Additional meetings may be called if deemed necessary in order to address certain issues; the Board, at any rate, takes the steps necessary to effectively fulfil its duties. The Company published the following financial calendar which calls for 4 meetings to be held in 2017:

- 28 February 2017: Board of Directors' meeting to examine the separate and consolidated financial statements at 31 December 2016;
- 9 May 2017: Board of Directors' meeting to examine the Interim Management Statement at 31 March 2017;
- 4 August 2017: Board of Directors' meeting to examine the Half-year Financial Report at 30 June 2017;
- 9 November 2017: Board of Directors' meeting to examine the Interim Management Statement at 30 September 2017.

If the company deems it opportune it may convene, in accordance with the bylaws, other board of director meetings in 2017.

Pursuant to Art. 17.3 of the bylaws, the chairman calls and presides over meetings of the Board of Directors; conducts, coordinates and moderates the discussion and related activities; and announces the results of votes. He must ensure that the Board of Directors constantly pursues its primary responsibility, namely achieving the strategic goals of the Company and the entire Group.

Without prejudice to the call prerogatives guaranteed by law, meetings of the Board of Directors are called by the chairman, or the chairman's deputy, whenever this person sees fit or at the request of a majority of the directors. Art. 18 of the bylaws also provides for Board of Directors' meetings to be called by the Board of Statutory Auditors. Meetings are normally called by telegram, fax, or other means as long as this ensures proof of receipt at the domicile of each member of the Board of Directors at least five days in advance of the meeting. In urgent cases, meetings may be called two days in advance. Typically the meetings are called via e-mail.

The power to call the Board of Directors' meetings granted to the Board of Statutory Auditors or by any member thereof complies with Art. 151, second paragraph of TUF.

The Board of Directors meets at the place specified in the notice of meeting, which may be the registered office or anywhere else in Italy.

The Chairman of the Board of Directors works to ensure that the directors and statutory auditors receive the documentation relating to the items on the Agenda in a timely manner and prior to the date on which the meeting is to be held¹³. The documentation relative to the Board meeting agendas was regularly made available to each director on the Company's website; directors may access it on an exclusive basis using a personalized password. The publication of the documentation is preceded by a notice sent by e-mail from a specific function identified inside the Company. During 2016 the adequate notice period on average was equal to 2 (two) days.

During the meetings, the Chairman of the Board of Directors assured an extensive discussion of the items on the agenda allowing a constructive debate, also thanks to the regular participation of the Company's top management.

Board meetings are presided over by the chairman or, if the chairman is unavailable, by the vice chairman (if appointed) or, if the vice chairman is unavailable, by the most senior director in terms of age.

For each meeting the Board of Directors, at the chairman's proposal, elects a secretary who may or may not be a member and who will sign the minutes of the meeting.

The bylaws require the presence of at least one member of the Board of Statutory Auditors at all sessions of the Board of Directors, to ensure that the auditors are informed of the Company's activities and of the transactions having a significant impact on profitability, assets, liabilities, and financial position carried out by the Company or its subsidiaries, in particular those transactions in which they have an interest on their own or third parties' account; that are influenced by the party in charge of management and coordination; or that have been the subject of resolutions, debate or announcement during the course of the session. If no statutory auditor is present at a meeting of the Board of Directors, or if

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¹² Corporate Governance Code: Art. 1.C.3.

¹³ Corporate Governance Code: Art 1.C.5.

the procedures adopted in accordance with the preceding section do not guarantee that the auditors are informed on at least a quarterly basis, then according to the bylaws the chairman and/or the chief executive officer must report in writing on his or her activities to the chairman of the Board of Statutory Auditors within three months. This report must be mentioned in the minutes of the first subsequent meeting of the Board of Statutory Auditors.

Typically the Issuer's managers attend the Board of Directors' meetings in order to provide additional information regarding the items on the Agenda. The Chairman of the Board of Directors, including if requested by one or more directors, may request that the Chief Executive Officer invite executives of the Company or Group companies to attend the Board meetings to provide in depth information about the items on the Agenda.

During the year ended 31 December 2016, the Board of Directors held 9 meetings, on 8 February, 3 March, 7 April, 10 May, 17 May (in both ordinary and extraordinary session), 5 August, 8 November, 1 December (in extraordinary session), and 15 December duly attended by the directors and by a member of the Board of Statutory Auditors. The absentee rate was quite low and all absences were excused. Each meeting lasted an average of 2.30 hours (two hours and thirty minutes).

Some meetings of the Board of Directors were attended by Company executives and/or external parties, so they could provide specialized input on the topics up for debate.

Following the criteria set forth in Art. 1.C.1 of the Corporate Governance Code, the Board of Directors:

- a) examines and approves the strategic, business and financial plans of the company, the company's corporate governance system, as well as that of the strategically important subsidiaries, periodically monitoring implementation; defines the Company's corporate governance system and Group structure;
- b) defines the nature and level of risk deemed compatible with the Company's strategic objectives¹⁴ including all the risks deemed material to the long-term sustainability of the Company's business;
- c) judges the adequacy of the organizational, administrative, and accounting structure of the Company and its strategic subsidiaries with particular reference to the internal control system and the risk management;
- d) in order to encourage the involvement and cooperation of the directors, institutes the board committees and commissions deemed necessary for the proper functioning of the Company, while also defining its active duties and consulting functions;
- e) establishes the frequency with which the delegated bodies must report to the Board of Directors on the progress made during the year relating to their assignments and the most significant operations carried out in the period, which will, at any rate, not be more than once a quarter;
- f) evaluates general business performance, taking account of the information received from the delegated bodies, and periodically comparing actual results with forecasts;
- g) resolves on the operations carried out by the Company and its subsidiaries where such transactions are strategically, economically or financially significant for the Company; toward this end, determines the general criteria to be used to define relevant transactions and ensures that the strategically significant subsidiaries submit any transactions that could have a significant impact on the Company to the Board of Directors for approval;
- h) evaluates, at least once a year, the size, composition and proper functioning of the Board of Directors and its committees, also taking into account professional qualifications, experience, including as a manager, along with the nature of its members and their seniority;
- i) in light of the results of the assessment referred to in letter h) above, expressed to the shareholders, prior to the appointment of the new Board of Directors, any opinions about the type of professional that should be part of the Board;
- l) provides information in the report on corporate governance: (i) on the composition of the Board, indicating the qualifications (executive, non executive, independent), offices held within the Board (for example, Chairman or Chief Executive Officer), the main professional characteristics, as well as how long the office has been held; (ii) on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member; (iii) on the ways the assessment in letter h) above was carried out (iv) on the timeliness and completeness of the information provided before the Board, providing indications if the information was provided in a timely enough manner - and, at any rate, in accordance with the Company's bylaws;
- m) after the appointment of an independent director and, subsequently when circumstances materialize which could impact the latter's independent status and, at any rate once a year, evaluates – based on the information received from the interested party or, at any rate, available to the Company - the independent status of its non-executive members¹⁵: this independence is evaluated on the basis of the criteria indicated in the Corporate Governance Code and any other facts which could impact each instance; the Board of Directors will advise the market as to the results of its evaluations (upon appointment, in a press release and, subsequently, in the Corporate Governance Report). In these documents the Board of Directors: (i) indicates if parameters other than those indicated in the Corporate Governance Code were used, including with regard to a single director; and (ii) describes the quantitative and/or qualitative criteria used to assess the significance of the relationships being evaluated¹⁶.

14 Corporate Governance Code Art. 1.C.1 lett b) (July 2015 edition).

15 Corporate Governance Code Art. 3.P2

16 Corporate Governance Code Art.3.C.4.

- n) each year, based on the information received from the Directors, records notes in the Report on Corporate Governance, the assignments held by Directors in other companies as directors or statutory auditors in financial, banking, insurance or large companies, listed on regulated markets (in Italy or abroad);
- o) expresses an opinion with regard to the criteria to be used to determine the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of Company director, taking into account the position held in any Board committees¹⁷. Toward this end, on the basis of a specific procedure¹⁸, looks at the workload connected with each directorship (executive director, non executive or independent), including in relation to the type and size of the company in which the offices are held, as well as whether the latter are part of the Group;
- p) determines, based on the opinion of the Nominations and Remuneration Committee, who is to be appointed to act as a Company executive, as well as a member of the Board of Directors, Board of Statutory Auditors, Chief Executive Officers and General Manager of the strategically relevant subsidiaries; based on the opinion of the Nominations and Remuneration Committee, determines compensation;
- q) promotes initiatives designed to facilitate active and informed shareholder participation, as well as the exercise of shareholder rights, guaranteeing that they are provided with timely and complete information;
- r) ensures that the Decree 231/2001 Organizational, Management and Control Model is updated and complied with, while completing a risk map of the potential criminal violations with the support of the Supervisory Board;
- s) appoints, subject to the opinion of the Board of Statutory Auditors, a Financial Reporting Officer in accordance with Law 262/2005;
- t) may call upon an independent Director to act as lead independent director, a point of reference and coordinator for all positions and activities of the non executive, and in particular, independent directors¹⁹;
- u) in the event the shareholders, in light of organizational needs, authorize that an exception be made to the non compete clauses referred to in Art. 2390 of the Italian Civil Code, evaluates on the merits of each situation and reports its findings to the first Shareholders' Meeting. Toward this end, upon appointment each Director will inform the Board of any activities carried out which compete with those of the Issuer and any relevant changes;
- v) in order to ensure the correct handling of corporate information, updates, based on the proposal of the Chief Executive Officer of the Chairman of the Board of Directors, the Procedures for the management, handling and disclosure of confidential information and documents, with regard particularly to price sensitive information²⁰;
- z) evaluates whether a succession plan for the executive directors should be adopted or not, subject to the opinion of the Nominations and Remuneration Committee²¹.
- As part of the Company's internal control and risk management, the Board of Directors, subject to the opinion of the Control and Risk Committee:
- defines the guidelines for the internal control and risk management system so that the principal risks that the Company and its subsidiaries face are correctly identified, as well adequately assessed, managed and monitored, while also determining the extent to which the risks are compatible with the strategic goals identified;
 - evaluates, at least once a year, the adequacy and efficacy of the internal control and risk management system with respect to the business and the inherent risk profile;
 - approves, at least once a year, the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;
 - describes the main features of the internal control and risk management system in the report on corporate governance, along with the methods used to coordinate the different parties involved, and expresses an opinion as to its adequacy;
 - evaluates, after having consulted with the Board of Statutory Auditors, the opinion issued by the external auditors upon completion of the financial audit;
 - appoints and replaces, based on the proposal of the Director in charge of the Internal Control and Risk Management System, as well as after having consulted with the Board of Statutory Auditors, the Head of Internal Audit.
- The functions of the Board of Directors, as described above, comply with the applicable recommendations found in the Corporate Governance Code.
- Pursuant to the Corporate Governance Code, the Board of Directors, during the meeting held on 28 February 2017, used the reports provided by the Director in charge of Internal Control System, the Control and Risk Committee (formerly Internal Control Committee), the Supervisory Board, and the Internal Audit, as well as the Report prepared by the Financial Reporting Officer regarding the preparation of the accounting ledgers, to evaluate the adequacy of the Company's and its subsidiaries organizational, administrative and general accounting structures, particularly with regard to the internal control system and the management

17 Corporate Governance Code Art. 1.C.3.

18 Toward this end the Company has established limits for multiple assignments approved by the Board of Directors on 13 December 2010.

19 Corporate Governance Code Art. 2.C.3.

20 Comment on Art. 1 Corporate Governance Code

21 Corporate Governance Code Art. 5.C.2.

of any conflicts of interest²². In this regard, it should be noted that the strategically relevant subsidiaries are all the subsidiaries (see 2.1 of Financial Statement at 31 December 2016) in which the management of Group's business sectors is located.

The Board of Directors, in accordance with the bylaws and the current norms and regulations and based on the information provided by the Chief Executive Officer and the Board of Statutory Auditors, evaluated the company's performance, its outlook and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries at least quarterly.

In 2016, the Board of Directors, also met specifically to: (i) examine and grant advance approval of any transactions undertaken by the Company and its subsidiaries of significant strategic, economic, capital or financial transactions. The significant strategic, economic, capital or financial transactions are those falling within the category of operations empowered to the Board under the bylaws, with particular attention for those in which one or more directors held an interest directly or on behalf of third parties; (ii) assess and express an opinion (in this instance positive) about the size, composition and proper functioning of the Board of Directors and its committees.

The Board of Directors continued with the Board Review process begun in 2007 in order to remain in line with international best practices and to fully comply with the Corporate Governance Code. The outcome is described below. For the year ended on 31 December 2016, IGD hired the consulting company Egon Zehnder International to help with this self-assessment process, with specific modalities in reference to the first year of the mandate of the Board. Please note that the consulting company Egon Zehnder does not carry out any other activities for IGD or its subsidiaries. The Board Review, relative to the year ending 31 December 2016, was conducted in January and February 2017 in accordance with the most sophisticated international techniques with the support of the consulting company Egon Zehnder.

The Board Review was carried out in a manner deemed appropriate to a Board in the second year of its mandate with focus on following up on the work done in the prior year and the main areas in need of change or further investigation indicated in the presentation made last year to the Board of Directors.

The process was carried out on the basis of:

- discussions with each Director, after having completed a questionnaire prepared for this purpose;
- analysis of the comments and observations received and the preparation of a summary report which was presented to the Board;
- discussion of the main results and relative follow-up strategies with the Board.

The Board Review results were presented during the Board of Directors' meeting held on 28 February 2017. More in detail, the Board pointed out several important and clear strong points which it considers to be:

- adequate size and composition, the valid combination of different and well structured expertise;
- independent directors who are truly independent;
- the ability to effectively manage situations of potential conflicts of interest and the related party transactions;
- adequate limits on the number of appointments established in the current regulations, and the fact that the number and nature of the offices held by the directors allows them to dedicate the time and resources needed to fulfill their duties;
- the number of meetings held, the duration, the attendance and participation of the directors, the open, detailed, direct discussions which foster a lively dialogue, the positive and constructive environment within the Board, the effective discussions held between independent and non independent directors and the in depth analysis carried out before making any decisions, the selection of the items to include in the agenda, the flow of information and presentations within the Board, the management of price sensitive information.
- the adequate organizational support received from the Corporate Secretary;
- the ways in which strategic choices are made, based on complete and extensive information about the most important strategic areas, as well as a clear strategy and shared strategic vision;
- effective risk management and control system;
- the interaction between the Chairman and the Chief Executive Officer and the role of the Chairman who assures a correct flow of information, encourages exchanges between Directors and shows the necessary leadership and authority;
- the company's management team, its involvement in the meetings, as well as the work done and the way it is done;
- the functioning of the committees and their contribution to the Board, unanimous in their belief that no additional committees are needed;
- the work done by the Board of Statutory Auditors, which is viewed as having a good impact on the work done overall by the Board;
- the understanding of the organizational structure and the management, the performance evaluations of the Chief Executive Officer and top management.

A majority of the directors expressed satisfaction with the steps taken and progress made by the Board relative to the following:

- the informal induction program instituted primarily to facilitate the work of new directors;
- the informal meetings held by the directors (which hopefully will continue) including between boards, like seminars, offsite and similar initiatives as per the Chairman's suggestion;
- the work of the Board of Statutory Auditors which had more of an impact on the Board's activities;
- the threats and opportunities tied to e-commerce in Italy.

.....
²² Corporate Governance Code Art. 1.C.4.

Lastly, a majority of the directors indicated one area where there is room for further work and improvement:

- look further at the succession plan with a view to adopting and systematically implementing a succession plan for the Chief Executive Officer and the key executives during the current term.

Toward this end, it was suggested that in the future the Board of Directors should share its insights.

Lastly, please note that at the date of this Report, the Company's shareholders had not authorized general or preventive exceptions to the non-compete clauses provided for in Art. 2390 of the Italian Civil Code²³.

3.4.4 Executive Directors

→ Chief Executive Officer

The bylaws²⁴ state that the Board of Directors may delegate its powers, within the confines of Art. 2381 of the Italian Civil Code and determining the limits of such authority, to an executive committee comprised of some of its members and/or one or more members given the title of chief executive officer or executive directors. During the meeting held on 17 April 2015, following the Annual General Meeting during which the current Board was appointed, Claudio Albertini was confirmed Chief Executive Officer and granted the following powers:

- to develop and propose – as agreed with the Chairman – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to develop and propose the strategies and financial policies of the Company and the group in relation to the growth, profitability and risk objectives determined by the Board of Directors, with responsibility for their implementation; to ensure that objectives are pursued in accordance with the guidelines set by the Board of Directors;
- to optimize the instruments and procedures of financial management and manage relations with the financial system;
- to develop and propose strategies for organizational development and policies for hiring, managing and training human resources;
- to recommend group accounting standards and operating principles to the Board of Directors and ensure that the financial statements (separate, administrative and consolidated) are properly formulated; to ensure compliance with group directives and with administrative, legal, and tax regulations and laws;
- to coordinate the drafting of the business plans, annual budget and the relative reporting;
- to monitor and coordinate any related activities: general services, any legal problems and fiscal implications;
- to assume responsibility for the prompt and correct implementation of work on property carried out directly by the Company, in compliance with the plans, budgets, and timeframes approved by the Board of Directors;
- to assume responsibility for operational supervision of the progress of turn-key contracts acquired from third parties;
- to assume responsibility for the proper maintenance of real estate assets according to rental contracts between IGD SIIQ S.p.A. and third parties and the budgets approved by the Board of Directors and in compliance with current laws;

- to assume responsibility for preparing the annual plan of work and the respective budget forecasts, with regard to both new construction and maintenance, subject to the approval of the Board of Directors;
- to interface, as agreed upon with the Chairman, with the shareholder cooperatives, regarding any integration of the respective investment plans.
- to define, together with the Chairman, the optimal size of the administrative bodies and select the Directors and Statutory Auditors, as well as the Chairman, Vice Chairman and/or Chief Executive Officer of subsidiaries and affiliates so that the Chairman may submit them to the Nominations and Remuneration Committee;
- to oversee the appointment of the main managerial positions within the Group;
- to define, together with the Chairman, the proposals for the compensation of the Company's and Group's top management to be submitted to the Nominations and Remuneration Committee;
- to ensure that the Company's organizational, administrative and accounting functions are adequate in light of the size of the business.

Pursuant to the Corporate Governance Code, the Company's Chief Executive Officer is primarily responsible for the business operations. In this regard, please note that the Chief Executive Officer does not act as a director for another Issuer that is not part of the same Group of which a director of the Company is Chief Executive Officer (*interlocking directorate*).

→ Chairman and Vice Chairman of the Board of Directors

In compliance with the bylaws²⁵ the Board of Directors appoints from among its members a Chairman, if the shareholders have not done so, and a Vice Chairman. If the Chairman is absent, the chairmanship is assumed by the Vice Chairman and if the Vice Chairman is absent the chairmanship is assumed by the Chief Executive Officer.

The chairman of the Board of Directors has signing authority for the Company and shall represent it as its Legal Representative²⁶ before any legal or administrative authority and vis-à-vis third parties; if the chairman is absent or unavailable, this authority is held by the Vice Chairman (if

23 Corporate Governance Code Art. 1.C.4.

24 Art. 23 of the bylaws

25 Art. 17 of the bylaws

26 Art. 24.1 of the bylaws

appointed), or by the most senior director in terms of age if the vice chairman is also absent or unavailable. Unless otherwise resolved, legal representation is also held by each Executive Director appointed in accordance with the bylaws. During the meeting held on 17 April 2015, the Board of Directors appointed Gilberto Coffari Chairman and assigned him the following functions:

- to develop and propose – as agreed with the Chief Executive Officer and as per his proposal – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to interface with the shareholder cooperatives regarding any update of the respective investment plans in the Shopping Centers segment;
- to act as the director in charge of Internal Control and Risk Management; in this role, working with, to the extent necessary, the Chief Executive Officer, he: (i) works to identify the main business risks of the Company and its subsidiaries and submits them periodically to the Board of Directors for examination; (ii) executes the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying the overall adequacy, efficacy and efficiency; (iii) reports periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures; (iv) adapts this system to any change in operating conditions, the law or regulations; (v) may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results; (vi) inform the Board of any problems encountered while carrying out the activities referred to so that the Board of Directors may adopt the necessary measures; (vii) submits proposals to the Board of Directors as to who to appoint Head of Internal Audit, any terminations, and compensation and provides the Board of Directors with proposals as to how to ensure that the Head of Internal Audit has access to the resources needed to fulfill his duties.

During the meeting held on 17 April 2015, the Board of Directors, with a view to adopting a system more in line with best practices of listed companies which allow for the

management of control functions to be separated from operations and in line with what was done in 2012 during the prior term, called upon the Chairman, Gilberto Coffari, to act as the Director in Charge of Control and Risk Management who, following this assignment, is considered the executive director. At the same time the relative powers originally granted to the Chief Executive Officer were revoked. During the meeting held on 17 April 2015, the Board of Directors appointed Fernando Pellegrini Vice Chairman, granting him the powers assigned to the Chairman to be exercised if the latter is absent or unavailable.

→ Executive Committee (pursuant to Art. 123-bis, para. 2, lett. d), TUF)

The Company did not appoint an Executive Committee.

→ Reporting to the Board of Directors

In accordance with Article 23.2 of the bylaws and Art. 150 of TUF, the Board of Directors and the Board of Statutory Auditors must report in writing at least once a quarter, when the Board meetings are held, on general performance, the business outlook, and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries. The report is provided at the time of the Board's approval of the periodic financial reports (Financial Statement, Half-year Financial Report, Interim Management Statements). Each director may request that the deputized parties provide the Board with information regarding the Company's management. For the purposes of fostering organized reporting, the Company has adopted a set of specific Guidelines which define the rules to be followed for complying with the reporting obligations. The main purpose of these guidelines is to provide *corporate governance* tools that are concrete examples of the recommendations found in the Corporate Governance Code. The guidelines, in particular, ensure the transparency of the Company's management, make it possible for each director to be involved in the management in a more knowledgeable way thanks to the efficient flow of information between the deputized parties and the Board as per the Corporate Governance Code which stress the centrality of the Board's role while also seeking to reinforce the internal control functions. The guidelines also contain information about the supervisory activities of the Board of Statutory Auditors pursuant to Art. 149 (TUF).

3.4.5 Other Executive Directors²⁷

The Board of Directors appointed the Chief Executive Officer Claudio Albertini to act as Executive Director. Furthermore, in the meeting held on 17 April 2015 the Board of Directors, and in line with what was done in 2012 during the prior term, appointed the Chairman to act as the Director in

Charge of the Internal Control and Risk Management System. While not assigned any other mandates, the latter is now considered an Executive Director in light of the powers granted as a result of this assignment alone as per Art. 7 of the Corporate Governance Code.

3.4.6 Independent Directors

The Company's Board of Directors evaluated compliance with the requirements for independent, non-executive directors provided for in the Corporate Governance Code and TUF upon and subsequent on annual basis to appointment of the directors. The outcome of this evaluation was disclosed to the market.

After having examined the information provided and statements made by the directors, during the meeting held on 28 February 2017 the Board of Directors confirmed that the independent directors Elisabetta Gualandri, Milva Carletti, Rossella Saoncella, Luca Dondi Dall'Orologio, Andrea Parenti, Livia Salvini and Matthew D. Lenz, still qualified as such²⁸ pursuant to and in accordance with

Legislative Decree 58/98, Consob Market Regulations and the Corporate Governance Code.

In accordance with the Corporate Governance Code, on 24 February 2017 the Statutory Auditors verified that the criteria and procedures for assessing the independence of its directors were correctly applied by the Board²⁹.

As the current Board of Directors is comprised of 13 members, the independent directors represent 53.8% (7 out of 13) of the total number of directors and 63.6% (7 out of 11) of the total number of non-executive directors.

The independent directors met on 18 January 2017 to discuss the topics of greatest interest with respect to the functioning of the Board of Directors and the company's operation.

3.4.7 Lead Independent Director

Following the renewal of the Board of Directors on 15 April 2015, as none of the circumstances existed which call for the appointment of a Lead Independent Director under the Corporate Governance Code, the Company did not appoint anyone to act as the Lead Independent Director.

²⁷ Corporate Governance Code: Art. 2.C.1.

²⁸ Corporate Governance Code: Art. 3.C.4.

²⁹ Corporate Governance Code: Art. 3.C.5.

3.5

TREATMENT OF CORPORATE INFORMATION

→ Procedure for the management, treatment and public disclosure of confidential and price sensitive information and the Registry of Insiders

In accordance with Code recommendations, particularly with regard to price sensitive information pursuant to Art. 114, para. 1 TUF, in December 2006, the Company adopted an internal procedure for the secure, confidential management and disclosure of price sensitive information and documents.

Furthermore, in accordance with Art. 115-bis TUF, the Company established a registry of the persons who have access to price sensitive information already in June 2006.

Pursuant to EU Regulation 596/2014 (“**MAR**”), in 2016 the Company approved a new Procedure for the Management, Treatment and Public Disclosure of Confidential Information and the Registry of Insiders (the “**Procedure**”). All directors, statutory auditors, executives and employees of the Company and/or its subsidiaries, as well as others who act in the name of or on behalf of the Company and/or its subsidiaries, who have access to the Company’s confidential or price sensitive information in the course of their duties, are bound by the Procedure.

The Chief Executive Officer will determine whether or not information is price sensitive and, toward this end, may avail himself of company structures as needed, of the Corporate and Legal Affairs Division, as well as Investor Relations. When deemed opportune or necessary the Chief Executive Officer may request that this assessment be made by the Board of Directors.

The Company discloses price sensitive information to the public as quickly as possible in a way which guarantees quick, equal, simultaneous access to the information throughout the European Union, as well as a complete,

accurate and timely analysis of the information, by issuing a press release.

The Company may delay, under its own responsibility, public disclosure of the price sensitive information as long as the conditions called for in MAR are satisfied. The decision to delay disclosure is made by the Chief Executive Officer who works to guarantee that the price sensitive information is treated with the maximum confidentiality and that all necessary information is included in the Registry of Insiders, along with the timely registration of the individuals who have access to price sensitive information (the “**Registry**”), maintained by the Company in accordance with the law.

The Registry is divided into two distinct sections: one defined “occasional” which includes parties identified on a case by case basis who may have access to specific information; one defined “permanent” which includes those parties who always have access to price sensitive information.

→ Internal dealing

In accordance with Art. 114, paragraph 7 of TUF and with the implementation provisions found in Arts. 152-*sexies* et seq. of the “Regulations for Issuers”, effective as of January 2007 the Board of Directors adopted a procedure governing mandatory notification and conduct on the subject of transactions carried out by relevant persons and parties closely related to such persons on the Company’s shares or on related financial instruments (“**Internal Dealing Procedure**”).

Pursuant to MAR, in 2016 the Company updated the **Internal Dealing Procedure** in order to comply with new rules and regulations.

The code of conduct is available at <http://eng.gruppoigd.it/Governance/Internal-Dealing>.

3.6

BOARD COMMITTEES

(pursuant to Art. 123-*bis*, par. 2, lett. d), TUF)

In 2008 the Board of Directors, in compliance with Code recommendations, formed the Chairman's Committee, the Control and Risk Committee (formerly the Internal Control Committee), the Nominations and Compensation Committee (the committee formed by combining the Compensation Committee with the Nominations Committee) and the Committee for Related Party Transactions.

As the Company is subject to the management and coordination of Coop Alleanza 3.0 Soc. Coop., who holds 40.92% of the Company's share capital, pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 37, paragraph 1 (d) of the Consob Market Regulations, based on which the committees formed pursuant to the Corporate Governance

Code must comprise only independent directors as defined in the mentioned provisions.

In 2012, the Board of Directors resolved to combine the Compensation and the Nominations Committees into a single "Nominations and Compensation Committee" in accordance with the recommendations found in the comments on Article 4 of the Code and having met the organizational requirements referred to. The members of the previously mentioned committees were recently elected when the Board of Directors was renewed in April 2015 (with regard to the Committee for Related Party Transactions, please refer to paragraph 12 "Directors' interests and related party transactions").

3.7

NOMINATIONS AND COMPENSATION COMMITTEE

The Compensation and the Nominations Committees were combined into a single “Nominations and Compensation Committee” for organizational purposes within the Board as well as because of the strong correlation between the competencies of the former Company’s Compensation Committee and those of the Nominations Committee pursuant to the Corporate Governance Code. The Company verified also that the members of the Compensation Committee possess the same requirements relative to independence, professionalism and experience as the members of the Nominations Committee.

→ **Composition and role of the Nominations and Compensation Committee (pursuant to Art. 123-bis, par 2, lett. d) TUF)**

NOMINATIONS AND COMPENSATION COMMITTEE

ANDREA PARENTI	CHAIRMAN (INDEPENDENT)
MILVA CARLETTI	(INDEPENDENT)
ELISABETTA GUALANDRI	(INDEPENDENT)

The Board of Directors, after having seen the *curricula* of the Nominations and Compensation Committee members verified that director Andrea Parenti possesses adequate knowledge and experience in finance and with remuneration policies.

The meetings of the Nominations and Compensation Committee may be attended by the Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer. No director may attend a meeting of the Nominations and Compensation Committee during which his/her compensation is being discussed.

The current Nominations and Compensation Committee was appointed by the Board of Directors on 17 April 2015, following the shareholders’ renewal of the corporate bodies on 15 April 2015.

The current Nominations and Compensation Committee is comprised of independent directors Andrea Parenti (Chairman), Milva Carletti and Elisabetta Gualandri. In 2016 the Committee met 5 (five) times, on 3 March, 18 April, 10 May, 26 July and 6 December. 100% of the committee members attended the meetings. The Chairman of the Board of Directors attended 4 out of 5 of the meetings.

Each meeting in 2016 lasted approximately 45 minutes. All meetings were properly minuted.

→ **Functions of the Nominations and Compensation Committee**

The Nominations and Compensation Committee: (i) submits proposals regarding the optimal composition of the Board of Directors, Company management and selection of directors, statutory auditors and management for subsidiaries held to be of strategic importance in order to guarantee an adequate level of separation between directors and management; (ii) provides advice and recommendations relating to remuneration in order to ensure that the compensation of the Company’s directors, the Managers with Strategic Responsibilities and directors of subsidiaries are determined in such a way as to retain and motivate the individuals with the professional characteristics needed to successfully manage the Company and its subsidiaries. The Committee also proposes candidates to the Board in the event it’s necessary to substitute the independent directors. The Nominations and Compensation Committee may also be called upon to provide the Board of Directors with an opinion about the periodic self-assessment, the optimal size and composition of the Board and to express opinions regarding the characteristics of the professionals that could improve the functioning of the Board, as well as the maximum number of assignments as director and statutory auditor in other companies, as well as any allowable exceptions to the non compete clauses.

The Nominations and Compensation Committee will periodically assess the adequacy, the coherence and the implementation of the compensation policy availing itself, with regard to the Managers with Strategic Responsibilities, of the information provided by the Chief Executive Officer. The Committee may also be called upon to express an opinion about the type of administrative body to be formed (single party or board), the number of members and the candidates to be presented for director, statutory auditor, chairman, vice chairman and general manager (and/or chief executive officer) of the subsidiaries or affiliates.

The Company will provide the Nominations and Compensation Committee with the financial resources needed to fulfil its duties.

Detailed information about the functions of the “Nominations and Compensation Committee” can be found in the Remuneration Report, published pursuant to Art. 123-ter of TUF, available on the website <http://eng.gruppoigd.it/Governance/Compensation>.

3.8

DIRECTORS' REMUNERATION

This information can be found in the Remuneration Report, to which you are invited to refer, published in accordance with art. 123-ter of TUF, available on the Company's website <http://eng.gruppoigd.it/Governance/Compensation>.

3.9

CHAIRMAN'S COMMITTEE

CHAIRMAN'S COMMITTEE

GILBERTO COFFARI	CHAIRMAN
FERNANDO PELLEGRINI	VICE-CHAIRMAN
CLAUDIO ALBERTINI	CHIEF EXECUTIVE OFFICER
ELIO GASPERONI	DIRECTOR

The Chairman's Committee assists in determining the development policies, along with the strategic and operational guidelines, to be submitted to the Board of Directors and oversees the correct implementation of same. The

committee is also called upon to express opinions regarding the strategically relevant development and investment transactions to the extent that the latter could have a significant impact on the value or composition of the company's equity or stock price.

The current Chairman's Committee was appointed by the Board of Directors on 17 April 2015 and it is comprised of Gilberto Coffari (Chairman), Fernando Pellegrini, Claudio Albertini and Elio Gasperoni.

The Chairman's Committee met 5 (five) times in 2016. Each meeting lasted approximately 2 (two) hours.

3.10**CONTROL AND
RISK COMMITTEE**

The Control and Risk Committee was formed by the Board of Directors in accordance with the Corporate Governance Code³⁰.

→ **Composition and role of the Control and Risk Committee (pursuant to art. 123-bis, par. 2, lett. d), TUF)**

CONTROL AND RISK COMMITTEE

ELISABETTA GUALANDRI	CHAIRMAN (INDEPENDENT)
LIVIA SALVINI	(INDEPENDENT)
ROSSELLA SAONCELLA	(INDEPENDENT)

As the Company is subject to the management and coordination of Coop Alleanza Soc. Coop., who holds 40.92% of the Company's share capital, pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 37, paragraph 1 d) of the Consob Market Regulations, based on which the Risk and Control Committee must comprise only independent directors as defined in the Corporate Governance Code and in the same art. 37, paragraph 1 d) of the Consob Market Regulations.

Upon appointment, the Board of Directors examined the curricula of the independent director candidates verifying that they met at least one of the requirements in terms of experience in accounting and finance having worked at least three years as: (i) managers in administration, finance and control departments of joint stock companies, or (ii) professional activities or as confirmed university professors in law, economics or finance, or (iii) managers of public bodies or public administrations active in the banking, financial and insurance sectors.

The Chairman of the Board of Directors attends the meetings of the Control and Risk Committee in his quality as Director in Charge of the Internal Control and Risk Management System, as does the Chairman of the Board of Statutory Auditors or another statutory auditor appointed by him, though the other statutory auditors may attend. The Vice Chairman of the Board of Directors and the Chief Executive Officer are also invited to attend Committee meetings.

The current Control and Risk Committee was appointed by the Board of Directors on 17 April 2015 and is comprised of independent directors Elisabetta Gualandri (Chairman), Livia Salvini and Rossella Saoncella. In 2016 the Committee met 7 (seven) times on 25 January, 29 February, 10 May, 27 July, 28 October, 8 November and 15 December; Chairman Elisabetta Gualandri and independent director Rossella Saoncella attended 100% of the meetings and independent director Livia Salvini 86% of the meetings.

In 2016 the Chairman of the Risk and Control Committee, in compliance with Governance Code Art. 4.C.1.d, and following approval of the Company's new Rules for Corporate

Governance, provided the Board of Directors with information on the content and outcomes of the previously held meetings.

The Chairman of the Board of Statutory Auditors Anna Maria Allievi, attended 71% of the Committee meetings.

Each meeting lasted approximately 1.5 hours. All meetings were properly minuted.

→ **Functions of the Control and Risk Committee**

The Control and Risk Committee provides the Board of Directors with a preliminary opinion regarding the execution of the following:

- definition of the guidelines for the Company's internal control and risk management system so that the risks faced by the Company and its subsidiaries are correctly identified, assessed, managed and monitored, while also determining the extent to which these risks are compatible with the correct management of the business and the strategic objectives identified;
- yearly evaluation as to the adequacy of the internal control and risk management system with respect to the type of business and risk profile, as well its efficacy;
- approval, at least yearly, of the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the director, Head of the Internal Control and Risk Management System;
- describes the main features of the internal control and risk management system in the report on corporate governance, along with the methods used to coordinate the different parties involved, and expresses an opinion as to its adequacy;
- evaluation, after having consulted with the Board of Statutory Auditors, of the findings of the external auditors in the letter of recommendations and the report on the main issues that emerged during the financial audit;
- appointment and suspension, as proposed by the Director in Charge of Control and Risk Management System and after having consulted with the Board of Statutory Auditors, of the Head of Internal Audit.

The Control and Risk Committee, in addition to assisting the Board of Directors on the matters above, also:

- a) assesses, along with the Financial Reporting Officer and after having consulted with the external auditors and the Board of Statutory Auditors, the appropriateness of the accounting standards adopted and, if Groups are

³⁰ Corporate Governance Code: Art 7.C.2

involved, their uniformity with a view to the preparation of the consolidated financial statements;

- b)** expresses opinions on specific aspects concerning the identification of business risks;
- c)** examines the periodic reports in which the internal control and risk management system is evaluated, along with any particularly relevant reports prepared by internal audit;
- d)** monitors the independence, adequacy, efficacy and efficiency of the internal audit function;
- e)** may ask internal audit to carry out controls of specific operating units, while, at the same time, advising the Chairman of the Board of Statutory Auditors;
- f)** reports to the Board of Directors at least every six months, when the annual and interim reports are approved, on the work performed and the adequacy of the internal control and risk management system;
- g)** supports the evaluations and decisions made by the Board of Directors relating to the management of risks linked to any detrimental events that the Board of Directors has been made aware of.

The functions attributed to the Control and Risk Committee are not exhaustive and may be increased.

The Board of Directors ensures that the Control and Risk Committee receives adequate support in carrying out its duties.

During the meetings held in 2016 the Committee was involved primarily in the following activities:

- a.** assessment, along with the Financial Reporting Officer, of the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- b.** examination of the controls conducted by Internal Audit based on the audit plan agreed, as well as on specific areas required by the Committee, such as, for example: asset fair value appraisal (Italy and Romania), suppliers selection, finance and treasury, active and passive cycle, accounts receivable (Italy and Romania), market communication and internal dealing;
- c.** issue of a positive opinion with regard to the appointment of the Head of Internal Audit;
- d.** examination of the progress of the Enterprise Risk Management project carried out in 2016;
- e.** release of favourable opinion to the Board of Directors on the approval of the audit plan for 2017, prepared by the Head of Internal Audit and based on the risk prioritization process that is part of risk management.

The Company guarantees that the Control and Risk Committee will have the financial resources needed to fulfil its duties.

3.11

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control System consists in the set of rules, procedures and organizational structures designed to ensure that the business is run correctly and in line with the objectives agreed upon, through the proper identification, assessment and control of the primary risks facing the company with a view to creating medium/long term value for shareholders. This internal control system helps ensure the safeguarding of the company's assets, the efficiency and efficacy of the company's operations, compliance with laws, regulations, bylaws and internal procedures, as well as the reliability of financial information. As the objective of the internal control system is, therefore, to guarantee the reliability, accuracy, dependability and the timeliness of the financial information, the system is considered an integral part of and not separate from the general risk management system adopted by the Company.

This system is part of the Company's overall organizational and corporate governance structure and reflects the reference models, as well as national and international best practices, also in light of the changing rules.

More in detail, the planning, implementation and monitoring of the internal control and risk management system defined by IGD are modeled after the CoSo Framework; with a view to continuous improvement, the Company develops and updates the system components constantly.

When planning the internal control and risk management system, the level of risk deemed compatible with the Company's strategic goals is considered, including with a view to the sustainability of the Company's operations over the long-term.

The components of the system are summarized below:

a) Control environment

The control environment refers to the organizational context in which the strategies and objectives are defined, the ways in which business activities are structured and the ways in which risks are identified and managed. This includes many elements, including the Company's ethics, expertise and development of personnel, the style with which operations are managed and the methods used to grant special mandates, powers and responsibilities. In line with the framework standards, the control environment includes the following sub-elements:

i) Commitment to integrity and ethical values

The Company has defined and shared its Code of Ethics with employees and staff members. This Code is an official document that contains all the standards underlying the Company's activity. The top management and the supervisory and control bodies which, as described in more detail below, make up the internal control and risk management

system, help to ensure compliance with the conduct set out in the Code. The Company is committed to preserving economic, environmental and social sustainability for its stakeholders and issues the corporate sustainability report.

ii) Exercise of the supervisory responsibilities

The group of individuals which comprise the Company's internal control and risk management system guarantee that the supervisory activities will be carried out in compliance with the law and regulations. More in detail, the different duties (which will be explained more in detail below) are assigned to the Board of Directors, the Director in Charge of the Internal Control and Risk Management System, the Risk and Control Committee, the Board of Statutory Auditors, the Supervisory Board, the Financial Reporting Officer and the Head of Internal Audit.

iii) Definition of the internal control and risk management system's structures, reporting lines and responsibilities.

In 2016, as mentioned above, the Company approved the update of its "Corporate Governance Regulations" in order to implement the changes to the 2015 Code of Conduct, which strive, among other things, to identify the roles and the responsibilities that should be part of the risk management and internal control system and the main reporting information provided for the coordination of their work.

The internal control and risk management system involves, to the extent of their expertise:

- i) the Board of Directors;
- ii) the Director charged with creating and managing an effective internal control and risk management system;
- iii) the Control and Risk Committee, as the voice of the Board of Directors, formed in accordance with the Corporate Governance Code which must support, after having received adequate information, the evaluations and decisions made by the Board of Directors relating to the internal control and risk management system, as well as the decisions relating to the approval of the periodic financial reports;
- iv) the Head of Internal Audit, charged with verifying that the internal control and risk management system is functional and adequate and with coordinating the Enterprise Risk Management (ERM) process;
- v) the Financial Reporting Officer who, by law, is charged with establishing adequate administrative and accounting procedures for the preparation of financial documents and reports;
- vi) the Board of Statutory Auditors, including in its role as Committee for Internal Control and Financial Audit, which monitors the efficacy of the internal control and risk management system;

vii) other roles and company divisions assigned specific duties relating to internal control and risk management based on the size, complexity and profile of the business risks (including, for example, the Supervisory Board created pursuant to Legislative Decree 231/2001).

The Board of Directors ensures that the assessments and decisions made relating to the Issuer's risk exposure, the internal control system, the approval of the annual and half-year reports, as well as the relations between the Company and the external auditors are supported by an adequate exchange of information.

The Board of Directors, as part of its strategic supervision, defines the guidelines for the control systems in line with the Company's business risk previously determined by the Board³¹.

The Board, by law, must also periodically verify the adequacy of the control systems. Unforeseen events, however, may require further investigation in order to verify the efficacy of the controls in relation to particular situations³² and the Board, therefore, is also responsible for the adoption of an adequate system in light of the business's characteristics. Toward this end an efficient organization of the workflow is key to ensuring that any questions relating to internal control, in general, and risk management, in particular, are discussed with the Board after having been adequately briefed by the Control and Risk Committee.

iv) Commitment to attract, develop and retain competent resources

The Company promotes research and development activities in order to enhance the talent and professional expertise of its resources. The human resources management systems adopted foster the enhancement of professional know-how and incentivize the achievement of goals through specific bonus schemes and the development of employee training programs.

v) Promotion of dependability

The Company promotes and enhances dependability on all levels and in the broadest sense of the term which encompasses all aspects of organizational conduct, procedural management, IT, as well as internal and external communications.

b) Risk assessment

Risk assessment is viewed as an integral part of the system. Toward this end, in order to most effectively serve its control and risk management needs, as well as its complexity, its status as a listed company and business dynamics, IGD developed an integrated model for risk management which is in line with renowned international Enterprise Risk Management (ERM) standards. As per these standards, risk assessment is carried out in line with a) above and is based on four sub-elements:

vi) Definition of appropriate objectives

The Company verifies that the planning, implementation and monitoring of the internal control and risk management system are in line with the Company's strategic, financial, operational and compliance goals.

vii) Identification and assessment of risks

The risk management system adopted is constantly updated and developed by management in order to ensure that it is

adequate in light of changes in the organizational structure or business. The methods used as part of the Group's ERM system call for the following periodic activities:

- analysis of the risks identified, the organization of the risk management personnel and the risk control measures used, assessment of the risk identified by the management of Group companies;
- identification of the "risk indicators", which make it possible to identify and assess the impact that the risks under examination could have on the company's performance;
- assessment of the level of risk coverage based on the control mechanisms used;
- prioritization of the risks and the steps to be taken, as well as risk tolerance analysis in accordance with the instructions received from the Group's top management and through an evaluation of the overall exposure and the potential risks impact on the strategic goals;
- The use of quantitative analysis which focuses on understanding the impact of different risk scenarios on the Plan targets and supports the assessment of risk exposure and appetite as effectively as possible.

The Enterprise Risk Management procedures are updated based on the findings of specific risk assessments made by other control bodies (internal audit, system used to control accounting-administrative procedures pursuant to Law 262/05).

viii) Identification and assessment of fraud risk

The Company pays particular attention to potential areas of exposure to the risk of fraud when planning, implementing and monitoring the internal control and risk management system. The ERM model identifies and assesses in the Risk Map an area of risk referred to as "Fraud committed by Company personnel or its stakeholders that could impact its assets and its reputation". The controls defined relating, in particular, to administrative and accounting operations, financial and treasury management, as well as property and retail management, also take into account aspects relating to fraud risk. The assessments of this sort of risk take into account not only the results of the controls made by system personnel, but also the recommendations and action plans emerged as a result of internal audits and any observations made by the external auditors shared with the Company. With a view to continuously improving the system, the Company will continue to work on preventing fraud risk and the instruments used in this regard.

ix) Identification and analysis of significant changes

As part of the internal control and risk management system, the risks analyzed and assessed are periodically verified and updated in light of strategies, the organizational model and the business operations. The Company, therefore, periodically updates the tools used to identify and assess risk (ERM system, Decree 231/01 Model for organization, management and control, system used to control accounting-administrative procedures pursuant to Law 262/05) to ensure that they fit the Company's organizational and business characteristics, as well as the corporate strategy.

31 Comment - Art. 7 Corporate Governance Code.

32 Comment - Art. 7 Corporate Governance Code.

c) Control activities

Control activities are defined in accordance with regulations, policies, guidelines and procedures that ensure that the risk management strategies adopted are executed correctly. In line with the framework standards and pursuant to the observations made in b) above, the control activities include the following three sub-elements:

x) Selection and development of control activities

The control activities defined by IGD are based on the definition and deployment of a series of controls designed to mitigate risks of various types, including organizational, procedural, operational or relating to third party interests. The selection of the control activities is rooted in the risk identification and mapping carried out in accordance with the ERM model, the Decree 231/01 Model for organization, management and control and the administrative-accounting control system. As part of these assessment activities, the Company assesses the adequacy of the existing controls with respect to the level of risk identified and determines the steps that need to be taken to strengthen controls, in line with the control objectives defined and shared with top management. Implementation is periodically monitored by the system personnel based on his/her duties and responsibilities.

xi) Selection and development of general activities over technology

Based on the Company's organizational model, a few support services are outsourced relating, for example, to the management of IT and infrastructures. More in detail, IGD stipulated a contract for services with Coop Alleanza 3.0 Soc. Coop based on which the latter manages the IT systems. The Financial Reporting Officer, in particular, analyzed the IT systems managed in outsourcing. The purpose of this analysis was to assess "IT General Controls" in order to identify any lack of alignment with respect to the current Internal Control System and the Internal Control objectives outlined in the COSO and CobiT reports and define the steps to be taken in order to improve the situation.

xii) Deployment of controls through policies and procedures

IGD, in line with the control objectives defined, as well as the best market practices and the methods adopted, defined a series of policies and procedures that govern conduct, as well as organizational and management practices (internal regulations and procedures). They form an integral part of internal regulations and procedures, along with the market procedures, administrative-accounting controls, the model for organization, management and control, as well as the procedures called for under the law.

d) Information and communication

Information is needed at all corporate levels in order to identify, assess and carry out the risk management solutions decided upon, as well as the control activities called for with respect to the pre-determined objectives. In line with the framework standards and pursuant to the observations made in c) above, the information and communication activities are defined based on the following three sub-elements:

xiii) Use of relevant information

In order to provide the control activities with concrete support, the Company gathers and assesses relevant information. While the system is being monitored, information is

gathered through interviews of management and based on self-assessment initiatives. The Company has also defined a set of Key Risk Indicators that are updated periodically in order to understand elements that could prove useful to understanding potential risks. Similarly, reporting lines and ways to manage information flows are determined by the Legislative Decree 231/01 Supervisory Board, Internal Audit and the Financial Reporting Officer. The management, control bodies and the Board of Directors are provided periodically with reports on the progress of the work being done and updates about any changes relative to the levels of the risks identified.

xiv) External communications

The Company promotes transparent and thorough external communications policies. Toward this end the internal control and risk management system, as well as the corporate events of potential interest to all stakeholders, are made public through the institutional channels adopted by the Company, namely periodic financial reporting, the Report on Corporate Governance and Ownership Structure, the corporate website www.gruppoigd.it and all the disclosures made available to the public by the Investor Relations department.

xv) Internal communications

Internal communications must ensure that all appropriate company staff members are aware of the control and governance rules and that management is updated constantly including with regard to any new provisions relating to the control and risk management system, as well as changes to internal rules. The internal communications system includes the training programs developed in order to provide management with an understanding of the procedures and controls defined by the Company. Information channels are in place through which top management and the control bodies are provided with useful information in order to improve the system or report any lack of compliance with the controls.

e) Monitoring

Information is needed at all corporate levels in order to identify, assess and carry out the decisions made relative to the treatment of risk, as well as deploy the control activities defined in order to reach the goals defined. In line with the framework standards and pursuant to the observations made in d) above, the risk assessment activities include the following two sub-elements:

xvi) Continuous and periodic evaluations

In line with the procedures used to identify, assess, manage and monitor the risks defined by the system adopted, each system player is called upon periodically to report on the functioning of the system and its ability to contain risk within the defined limits as per the guidelines defined by the relative control bodies.

xvii) Evaluations and communication of any deficiencies

The periodic evaluation of the internal control and risk management system makes it possible to single out the areas in need of improvement in order to align the system with the relative control bodies' expectations and the level of risk that the Company can tolerate. The players and the bodies that are part of the internal control and risk management system are involved in the evaluation process and the communication of any deficiencies.

→ **Main features of the existing internal control and risk management systems in relation to the financial reporting process**

With regard to the internal controls implemented in relation to the financial reporting process, in prior years IGD has undertaken to comply with Law 262/05 by updating the accounting and administrative control models and has also executed the controls necessary to support the Financial Reporting Officer's certification process.

The above mentioned accounting and administrative control system represents the set of rules, procedures and internal tools used by the Company to ensure the reliability, accuracy, and timeliness of financial reporting.

The methods used by the Financial Reporting Officer in the development of the accounting and administrative control system are those described in specific guidelines drafted in this regard which are in line with the recommendations found in the COSO Report, the model referred to in the guidelines issued by ANDAF for the Financial Reporting Officer.

a) Phases of the Internal Control and Risk Management System implemented in relation to IGD's financial reporting process

As part of the financial reporting process, in order to understand the principal risks to which IGD and the Group are exposed, the Financial Reporting Officer works with the parties involved in the Company's and the Group's Enterprise Risk Management system (the working group initially dedicated to the launch of the ERM system) in order to identify and assess business risks.

The activities listed above are described in greater detail below.

Identification of risks associated with financial reporting

During this phase the scope of the analysis is determined relative to the Group companies, the processes of the single companies, as well as the administrative-accounting risks and controls to be investigated further.

The Company constantly evaluates the scope of the analysis and makes the necessary changes and additions, including with regard to the companies operating in Romania. Risks are, therefore, identified for each individual administrative-accounting process.

Assessment of the risks associated with financial reporting

This activity calls for the assessment of financial reporting risk for both entities and processes, as well as for single transactions. Existing controls and the ability to effectively mitigate the risks inherent to administrative-accounting processes are checked.

Based on the approach used, both the risks relating to non-intentional errors and fraud are taken into account and controls are put into place to ensure that these risks are monitored, including as part of control protocols implemented in the context of other components of the overall internal control system.

The approach used also takes into account the manual and IT systems controls supporting the administrative-accounting procedures, namely the automatic IT controls for applications, general controls covering systems access, control of systems development and changes and, lastly, the adequacy of the IT structures. The control system, both on entity and general IT structural levels, is subject to analysis in order to understand how to deploy initiatives to

strengthen it.

The analysis of procedures, risks and controls established based on the Financial Reporting Officer's work plan includes the updating of the model used to control accounting and administrative risk with constant risk assessment review pursuant to Law 262/05 and the introductions of new procedures as a result of the scoping reviews. The Financial Reporting Officer constantly monitors the adequacy of the controls identified, and carrying out, when necessary, corrective measures.

Identification of the controls to be used with respect to the risks found

Based on the work carried out to identify procedures, risks and controls, the Company plans the improvements needed to introduce and/or change controls, both general and for single processes. The administrative-accounting procedures are then updated accordingly. IGD's administrative-accounting procedures are defined and deployed in accordance with the organizational structure and corporate processes in place, both in Italy and in Romania. A specific analysis was done of the control system and the accounting IT systems in order to assess the adequacy of the controls with respect to the standards included in the Company's framework.

The Company evaluates the need for and plans updates in order to ensure that the administrative-accounting procedures are in line with the Group's organization and functioning.

Evaluation of the controls used to monitor the risks found

The administrative-accounting procedures are monitored constantly; toward this end, specific testing activities are planned and carried out in order to ensure that the controls called for in the administrative-accounting procedures, as well as any corrective measures, are carried out correctly by the corporate divisions. These evaluations are carried out with respect to both the Italian and Romanian companies. Furthermore, in accordance with Consob Recommendation n. DIE/0061944 dated 18/7/2013 relating to the fair value of real estate assets held by listed real estate companies, IGD's Board of Directors approved a specific corporate procedure: "Fair Value Measurement of Real Estate Assets".

b) Roles and corporate bodies involved

The internal control and risk management system is based on the clear definition of the roles involved in the different phases of the planning, deployment, monitoring and updating of the system over time. These include the Board of Directors, the Risk and Control Committee, the Board of Statutory Auditors, Director charged with creating and managing an effective internal control and risk management system, the Supervisory Board, the Financial Reporting Officer, Internal Audit, and Company management.

Based on the current internal control and risk management system, the Financial Reporting Officer must report to the Board Directors and participate in the coordination of the control activities.

* * *

During the year, based on the evaluation of the Control and Risk Committee and the Director in Charge of Internal Control and Risk Management, the work done by the Financial Reporting Officer and the Internal Audit report, the Board evaluated the adequacy, efficacy and functioning of the internal control and risk management system.

3.11.01 Director in charge of the Internal Control and Risk Management System

The company called upon the Chairman of the Board of Directors to act as the Director in Charge of the Internal Control and Risk Management System who, following this assignment, is considered an executive director. Previously, the executive director in charge of the internal control system had been the Chief Executive Officer.

In particular the director in charge of internal control and risk management has the following duties:

- a) identification - working with the Chief Executive Officer to the extent necessary - of the main business risks of the Company and its subsidiaries, and periodically submitting same to the Board of Directors for examination;
- b) execution of the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying their overall adequacy, efficacy and efficiency;
- c) report periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the

overall management of the control system, its functioning and implementation of proposed measures;

- d) adapt this system to any change in operating conditions, the law or regulations;
- e) may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures in the execution of corporate transactions, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results;
- f) inform the Board of Directors in a timely manner of any problems and critical areas encountered while carrying out the activities referred to or of which he was made aware, so that the Board of Directors may adopt the necessary measures;
- g) submits proposals to the Board of Directors as to who to appoint Head of Internal Audit, any terminations, and compensation and provides the Board of Directors with proposals as to how to ensure that the Head of Internal Audit has access to the resources needed to fulfill his duties.

3.11.02 Head of Internal Audit

In 2016 the Board of Directors, based on the proposal of the Director in Charge of the Internal Control and Risk Management System and subject to the favorable opinion of the Board of Statutory Auditors, resolved to appoint Francesco Pastore, of Grant Thornton Consultants srl, to act as Head of Internal Audit in outsourcing for the three-year period 2016-2017-2018.

More in detail, the Head of Internal Audit:

- a) verifies, continuously, as well as when specific needs arise and in accordance with international standards, the functioning and adequacy of the internal control and risk management system, based on an audit plan, prepared by the Head of Internal Audit and approved by the Board of Directors based on a structured analysis and prioritization of the main risks;
- b) is not responsible for any operational areas and reports directly to the Board of Directors;
- c) has direct access to all the information needed to carry out the assignment;

- d) prepares periodic reports containing adequate information regarding the activities, how risk management is carried out, as well as the status of the plans defined. The periodic reports contain an evaluation as to the adequacy of the internal control and risk management system;
- e) prepares reports about important events in a timely manner;
- f) provides the above reports to the Chairman of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as the Director in Charge of the Internal Control and Risk Management System (i.e. the Chairman of the Board of Directors);
- g) verifies, as part of the audit plan, the reliability of the IT accounting systems.

The Head of Internal Audit coordinates the ERM process, ensuring that the Director in Charge of the Internal Control and Risk Management System, the Control and Risk Committee and, when requested, the Board of Directors, are provided with progress reports.

3.11.03 Decree 231/2001 organizational model

In 2006 the Board of Directors approved adoption of the Organizational Model, as subsequently amended, which further strengthened the internal control system. In 2015 the Company, as new crimes were added to those for which the Company could be found liable, mapped the core business activities at risk and, consequently, updated the Model and provided employees and management with training in this regard, incorporating the changes introduced by the legislation on anti-recycling.

The Organizational Model seeks to ensure that the system complies with Decree 231/2001 based on which companies were made administratively responsible in criminal proceedings for certain types of crimes committed by top managers and subordinates and is based on the standards and procedures described below.

The Organizational Model includes the following:

- a. mapping of the activities at risk based on the information gathered regarding IGD's activities and organizational structure;

- b.** the Code of Ethics, which contains the general principles of diligence, honesty and fairness guiding professional performance and inspiring conduct at the workplace;
- c.** preventive procedures for the areas at risk involving, specifically, the general principles of internal control;
- d.** the disciplinary system which enforces the Model's rules;
- e.** the Supervisory Board which is charged with monitoring the effectiveness, adequacy and compliance with the Model.

The Supervisory Board may act independently and must ensure that the Model is constantly updated.

The Supervisory Board also provides the Board of Directors with information regarding the changes that need to be made to the Model in order to comply with norms and regulations and to reflect the business operations.

The Supervisory Board reports to the Chairman of the Board of Directors and the Board of Statutory Auditors on a periodic basis and to the Board of Directors every six months.

The Supervisory Board has hired a consulting company which provides the support necessary for the management and analysis of the information generated pursuant to Art. 6, par. 2, lett. d) of Legislative Decree 231/01, as well as for the execution of specific audits deemed necessary based on the information gathered.

The Supervisory Board in office is comprised of Fabio Carpanelli (Chairman), Riccardo Sabadini and Alessandra De Martino, none of which are from inside the Company and who have the specific expertise needed to fulfill the duties assigned. In 2016 the Supervisory Board met 4 (four) times on 3 February, 12 May, 21 July, 28 October; Chairman Fabio Carpanelli and Alessandra De Martino attended 100% of the meetings and Riccardo Sabadini 50% of the meetings. Each meeting lasted approximately 1.5 hour. All meetings were properly minuted.

The Model is also available on the company's website <http://eng.gruppoigd.it/Governance/The-Organizational-Model>.

3.11.04 External Auditors

The activities related to financial audit are carried out by a company selected by the shareholders from among those listed in Consob's specific roll.

On 18 April 2013 the shareholders, on the basis of a detailed analysis of the motivated opinion submitted by the Board of Statutory Auditors, granted the company

PricewaterhouseCoopers S.p.A.. the financial audit assignment for the period 2013-2021.

The fees paid the external auditors for the financial audit of IGD's separate and consolidated financial statements at 31 December 2016 can be found in the notes to the separate and consolidated financial statements.

3.11.05 Financial Reporting Officer

In compliance with art. 154-bis of TUF and Article 23.5 of the bylaws, the Board of Directors must appoint a Financial Reporting Officer, subject to the unbinding opinion of the Board of Statutory Auditors, who has matured at least five years of experience in a) administrative or control activities and who has had a supervisory role in companies or entities with assets of not less than €10 million, or b) professional activities, including as part of audit functions, strictly connected to business activities and functions that the officer is called up to perform.

In July 2007, the Board of Directors appointed Grazia Margherita Piolanti as the Financial Reporting Officer for an indefinite period and invested her with responsibilities, powers and means.

The Financial Reporting Officer has access to adequate administrative and accounting procedures in order to draft the separate and, where provided for, the consolidated financial statements, as well as all other financial documents.

The Board of Directors must ensure that the Financial Reporting Officer is granted the organizational and operational power and means needed to carry out the duties assigned herein.

The Financial Reporting Officer must provide a written declaration which accompanies the announcements made by the Company to the market, as well as the interim and financial reports, attesting that the information contained reflects the

underlying records, ledgers and accounting entries.

The Financial Reporting Officer, along with the executive officer (s) must provide a report on the separate and consolidated (if prepared) yearly financial statements and on the half year report attesting that the administrative and accounting procedures used to prepare the separate and financial statements are adequate in light of the characteristics of the Company's business.

The Financial Reporting Officer must also attest that the separate and consolidated financial statements:

- a)** are drawn up in accordance with the international accounting standards recognized by the European Union pursuant to the European Parliament and European Council Regulation n. 1606/2002 of 19 July 2002;
- b)** correspond to the ledgers and accounting entries;
- c)** provide fair and truthful disclosures of the company's income statement, balance sheet and financial positions and the companies included in the scope of consolidation.

Lastly, the Financial Reporting Officer, along with the deputized bodies, must attest that the directors' report accurately depicts the operating performance and results of both the Company and the businesses included in the scope of consolidation, as well as the principle risks and uncertainties to which they are exposed.

3.11.06 Coordination of the Internal Control and Risk Management System Personnel

In order to facilitate coordination of the control activities, the Company deemed it useful and opportune to outline the methods of operation as described below.

The Chairman of the Board of Statutory Auditors will call a meeting with the Chairman of the Control and Risk Committee with the frequency agreed upon and at least once a year to discuss the results of their respective control activities, to evaluate planning and the possible coordination of their respective activities. Toward this end, the Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

Other parties may be invited to attend the meetings which, in addition to periodically, may be called anytime there is a specific need and may include, in addition to the respective committees and bodies, including not as a group, the Director in Charge of the Internal Control and Risk Management System, the Head of Internal Audit, the Financial Reporting Officer, the external audit firm and the Chairman of the Supervisory Board.

In 2016 one meeting was held on 24 February 2016 and was attended by the entire Control and Risk Committee, the

Chairman of the Board of Statutory Auditors, the Internal Audit, the Chairman of the Supervisory Board, a partner of the external audit firm, the Director in charge of the Internal Control and Risk Management System, the Chief Executive Officer and the Financial Reporting Officer.

The Chairman of the Control and Risk Committee and the Director in Charge of the Internal Control and Risk Management System meet with the Head of Internal Audit :

- (i) to examine the yearly work plan in advance and suggest any changes that might need to be made with regard to the control activities scheduled by the Committee;
- (ii) to receive and discuss the results of the activities carried out by the Head of Internal Audit, suggesting any other initiatives that might be called for.

The Chairman of the Supervisory Board meets with the Head of Internal Audit to examine the yearly work plan relating to the control activities called for by the Supervisory Board.

Other meetings may be held in addition to the meetings referred to above with the parties listed in this report who are involved in control functions and may be called by the respective Chairmen of the bodies referred to, including together.

3.12

DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With regard to the transactions with related parties, as of 1 January 2011 the Company has applied the "Procedure for Related Party Transactions" approved on 11 November 2010 by the Board of Directors, as subsequently amended on 7 November 2013 and 15 December 2016, after having received a favorable opinion from the Committee for Related Party Transactions, as a result of the revision called for under art. 2391-*bis* of the Italian Civil Code and art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions. On 6 August 2015, IGD's Board of Directors, after having received a favorable opinion from the Committee for Related Party Transactions, voted to voluntarily expand the scope of the procedures for related party transactions to include material transactions entered into with companies of the Unipol Group.

The Company's Board of Statutory Auditors also verified that the procedure approved by the Board of Directors complied with the Consob Regulations for Related Party Transaction.

The purpose of the "Procedure for Related Party Transactions" is to define the rules governing the approval and execution of related party transactions entered into by the Company, directly or through its subsidiaries, in order to ensure the transparency, as well as the substantive and procedural fairness of the transaction.

The term "Related Party" is defined explicitly in the Regulations, in line with the definition found in Annex I of the Regulations for Related Party Transactions. In order to maintain consistency in the financial statements, the Company decided to apply the Procedure to the subsidiaries of the company which exercises a significant influence over IGD, pursuant to Art. 4, par. 2, of the Regulations.

Related party transactions are transactions in which there is a transfer of resources, services or obligations between one or more related parties, regardless of whether a price is charged.

The Regulations distinguish between:

Material related party transactions (including cumulatively): one in which at least one of the following Consob materiality ratios has a value of 5% or more:

- (i) transaction materiality ratio: this is the ratio between the amount of the transaction and the higher of the amount of equity IGD SIIQ's capitalization;
- (ii) assets materiality ratio: the ratio between the total assets of the entity involved in the transactions and IGD SIIQ's total assets;

- (iii) liabilities materiality ratio: the ratio between acquired entity's total liabilities and IGD SIIQ's total assets.

Less material related party transactions, which includes all the other transactions.

The Regulations establish the criteria to be used in approving the material and less material transactions:

- the Committee for Related Party Transactions and the body involved in the approval of the transaction must be provided with complete and adequate information in a timely manner prior to approval;
- the Committee for Related Party Transactions may, at the expense of the Company, avail itself of independent experts;
- a statement attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct must be included in the minutes, when recorded.
- the Board of Directors and the Board of Statutory Auditors must be informed as to the status of the transactions at least on a quarterly basis.

Furthermore, pursuant to and in accordance with the Regulations, the Procedures for Related Party Transactions also includes a list of the transactions which are not governed by the Regulations (with the exception of certain disclosure requirements) and which include:

1. immaterial transactions (below the amount indicated in the Company's Procedure).
2. resolutions relating to remuneration of directors holding particular offices (Chairman, Chief Executive Officer, committee members) and under certain conditions (i.e. if the company's compensation policy calls for the involvement of the Compensation Committee).
3. compensation packages based on financial instruments approved by the shareholders pursuant to Art. 114-*bis* of TUF.
4. routine transactions concluded in accordance with market equivalent or standard conditions (i.e. service contracts).
5. transactions with or between subsidiaries and associate companies (when the transaction does not correspond to a material interest of other related parties, without prejudice to any periodic accounting information provided).

The Company formed the Committee for Related Party Transactions in accordance with Art. 2391-*bis* of the Italian Civil Code and Art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions.

→ Composition and functions of the Committee for Related Party Transactions

COMMITTEE FOR RELATED PARTY TRANSACTION

ROSSELLA SAONCELLA	CHAIRMAN (INDEPENDENT)
ANDREA PARENTI	(INDEPENDENT)
MATTHEW DAVID LENTZ	(INDEPENDENT)

The Committee for Related Party Transactions is comprised of three independent directors appointed by the Board of Directors on 17 April 2015 following the shareholders' renewal of the Board of Directors on 15 April 2015. The Committee's functions are governed by the Procedures for Related Party Transactions approved by the Board of Directors on 11 November 2010, as subsequently amended, and summarized below.

The Committee for Related Party Transactions in office is comprised of independent directors Rossella Saoncella (Chairman), Andrea Parenti and Matthew David Lentz. In 2016, the Committee met 2 (two) times on 5 February and 14 December. All members attended 100% of the meetings. Minutes of the meetings were regularly taken. The current Chairman of the Board of Statutory Auditors attended all of the meetings.

Each meeting lasted approximately 30min (thirty minutes). Minutes of the meetings were regularly taken.

The Committee for Related Party Transactions with regard to

- less material transactions, will issue a non-binding opinion regarding the company's interest in completing the transaction, its fairness and procedural correctness;
- material transactions, without prejudice to the transactions subject to a Board of Directors' resolution, will issue a binding opinion. Furthermore, the Committee for Related Party Transactions, or who on its behalf, will be involved in the preliminary phases (by receiving the information distributed) and the negotiations and is entitled to request information and share comments with the

parties involved in the negotiations of this type of transaction. Once the preliminary phases are terminated, the Committee for Related Party Transactions must issue, in a timely manner, a favorable, binding opinion attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct. In order to formulate its opinion, if deemed necessary and opportune, the Committee for Related Party Transactions may avail itself of one or more independent experts of its choosing. The experts chosen by the Committee must be recognized professionals, experts in the subject matter involved and proven to be without any conflict of interest with regard to the transaction. In the event the Committee is not in favour of the transaction, and if so provided in the bylaws, the Board may, at any rate, proceed with the transaction as long as it is approved by the shareholders. In this instance and whenever the Board of Directors intends to submit a material transaction to the shareholders for approval despite the negative opinion issued by the Committee for Related Party Transactions, the transaction may not be completed in the event a majority of non-related shareholders vote against the transaction, as long as said shareholders represent at least 10% of the share capital with voting rights.

In accordance with Consob's recommendation (Bulletin n. DEM/10078683 of 24 September 2010) that the procedure for related party transactions be renewed every three years, during the Board meeting held on 15 December 2016 the Company, taking into account the experience matured by the Company in the three year period 2014 - 2016 in the application of this type of procedure, as well as the opinion of the Committee for Related Party Transactions, resolved in favour of the Procedure for Related Party Transactions adopted by the Company on 11 November 2010 deeming it effective in ensuring the transparency and the substantive and procedural fairness of the transactions with related parties.

The procedure described above can be found on the Company's website <http://eng.gruppoigd.it/Governance/Committees/Committee-for-related-party-transactions>.

3.13

APPOINTMENT OF THE STATUTORY AUDITORS

Pursuant to Art. 26.2 of the Bylaws, members of the Board of Statutory Auditors are elected on the basis of preference lists that must be filed at the registered office along with declarations in which each candidate states that he/she is not in violation of the limits for multiple assignments provided for under the law, as well as detailed information about each candidate's personal and professional background, at least twenty-five days in advance of the shareholders' meeting called for this purpose. The lists may be submitted by the shareholders or groups of shareholders holding the interest specified in Consob regulations n. 19856 of 25 January 2017 (for 2017 equal to 2.5% of the Company's share capital).

The appointment and substitution of the standing and alternate auditors pursuant to Art. 26.9 must be done in such a way as to guarantee that the composition of the Board of Statutory Auditors complies with the current law relating to gender equality.

Toward this end, please note that the provisions relating to the composition of the administrative and control bodies, contained in the above mentioned Law 120/2011, include a specific temporary norm calling for the gradual application of the law and that for the first mandate after one year from the date of entry in force of the said Law (i.e. after 12 August 2012) at least one fifth of the directors and statutory auditors should be of the least represented gender.

According to Art. 26 of the bylaws, the following procedure applies to the appointment of the Board of Statutory Auditors:

- from the list obtaining the highest number of votes, two standing auditors and two alternate auditor will be taken in the order in which they appear on the list;
- the third standing auditor and the third alternate auditor are drawn from the list with the second highest number of votes, in the order in which they appear.
- in the event the composition of the Board of Statutory Auditors fails to comply with the law relating to gender equality as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the missing standing and alternate statutory auditors of the least represented gender with the majority of votes required by law.

In the event of a tie between lists, a new ballot is held between these lists on which all shareholders present at the meeting shall vote. The candidates on the list winning a simple majority of votes are elected in such a way, however, as to ensure that the composition of the Board of Statutory Auditors complies with the current law relating to equal gender opportunities.

The first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.

Candidates for statutory auditor must meet the requirements set by law. For the purposes of judging the qualifications of those with at least three years' experience in:

- (a) professional activities or as confirmed university professors in law, economics, finance or technical-scientific subjects closely related to the Company's business;
- (b) management roles at public bodies or public administrations in sectors closely related to the Company's business, the following rules apply:
 - all subjects per letter a) above that are associated with the real estate business or other sectors pertaining to real estate are considered to be closely related to the Company's business;
 - sectors pertaining to real estate are those in which the parent companies operate, or those that may be controlled by or associated with companies operating in the real estate business.

Those whose situations are incompatible with the title and/or who do not satisfy the requirements of integrity and qualification established by law, and those who are standing auditors at more than five companies listed on official Italian markets, may not be elected as statutory auditors and, if elected, lose office. Positions held at parent companies, subsidiaries, or affiliates do not apply.

With regard to the Chairman of the Board of Statutory Auditors, pursuant to Art. 148, par. 2 *bis*, TUF, as amended by the Uniform Savings Act, the former was appointed by the Shareholders' Meeting from the minority list of candidates, in accordance with Articles 26.4 and 26.5 of the bylaws and the current norms and regulations based on which the first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.

The Board of Statutory Auditors currently in office has been appointed by the ordinary Annual General Meeting held on 15 April 2015, and will be in charge for the next three years until the Annual General Meeting of 2018.

3.14**COMPOSITION AND ROLE
OF THE BOARD OF STATUTORY AUDITORS**(pursuant to Art. 123-*bis*, paragraph 2 (d) of TUF)

The current Board of Statutory Auditors is comprised of three standing and three alternate auditors: Anna Maria Allievi (Chairman), Roberto Chiusoli (standing auditor), Pasquina Corsi (standing auditor), Pierluigi Brandolini (alternate auditor), Isabella Landi (alternate auditor) and Andrea Bonechi (alternate auditor).

The standing auditors Roberto Chiusoli and Pasquina Corsi, as well as the alternate auditors Pierluigi Brandolini and Isabella Landi were taken from the majority list n.1 submitted by Coop Adriatica and Unicoop Tirreno, which received votes equal to around 76.81% of the votes cast.

The Chairman of the Board of Statutory Auditors Anna Maria Allievi and the alternative auditor Andrea Bonechi were taken from the minority list n. 2, presented jointly Ersel Asset Management SGR S.p.A, manager of the fund Fondersel PMI; Eurizon Capital SGR S.p.A., manager of the funds: Ersel Asset Management SGR S.p.A. manager of the fund Fondersel PMI; Eurizon Capital SGR S.p.A. manager of the funds: Eurizon Azioni Italia and Eurizon Azioni PMI Italia; Eurizon Capital SA manager of the funds: EasyFund – Equity Italy and Eurizon EasyFund – Equity Italy LTE; Mediolanum Gestione Fondi SgrpA manager of the funds: Mediolanum Flessibile Italia, Mediolanum Flessibile Sviluppo Italia and Mediolanum Flessibile Strategico; Mediolanum International Funds Limited – Challenge Funds; Pioneer Asset Management S.A. manager of the fund Pioneer Fund Italian Equity e Pioneer Investment Management SGRpA manager of the fund Pioneer Italia Azionariato Crescita. Italia, which received votes equal to around 16.30% of the votes cast.

The personal characteristics and professional background of the single members of the Board of Statutory Auditors are described below.

ANNA MARIA ALLIEVI
Chairman of the Board of Statutory Auditors

Born in 1965, Ms. Allievi has a degree in Business Economics from Milan's Cattolica University and is registered with Milan's Role of Chartered Public Accountants since 1996 and is a registered Accounting Expert since 1999. She has been part of the Role of Chartered Public Accountants' commissions and working groups since 2006 and, beginning in 2014, has written several articles for the magazine "Il Revisore legale". She is Chairman of the Board of Statutory Auditors for Credem S.p.A, a standing auditor for CIR S.p.A. and other premier companies like Cap Holding S.p.A., Seram S.p.A. and public entities. She has acted as counsel for several studies after having matured significant experience as a Senior Manager in Deloitte & Touche S.p.A. where she developed specific expertise in Advisory and Quality Control and ultimately assisted clients' BoDs in implementing strategic improvements. She also holds the assignments listed in Table 5.

ROBERTO CHIUSOLI
Standing Auditor

Born in 1964, Mr. Chiusoli received a degree in business economics from the University of Bologna. He is a Chartered Public Accountant, registered with Bologna's Role of Chartered Public Accountants and Accounting Experts since 1992, and a Certified Auditor. From 1989 through 1991, he worked in the tax division of a firm that provided legal and tax advisory services. From 1991 to 1996, he worked with Uniaudit S.p.a. auditing and certifying financial statements and ultimately was the head of tax audit. In the same sector, he worked with the financial audit firm Reconta Ernst & Young on the audit and certification of financial statements. As of 16 September 1996 Mr. Chiusoli is part of Legacoop Bologna where he is head of the tax assistance bureau. He is the coordinator of the fiscal services for Legacoop Emilia - Romagna. He is a member of the control bodies of several joint stock companies. He also holds the assignments listed in Table 5.

PASQUINA CORSI
Standing Auditor

Born in 1957. Ms. Corsi received a diploma from the Piombino Commercial Technical Institute in 1976. She is registered with the Role of Chartered Public Accountants and Accounting Experts in the province of Livorno and is active professionally in Campiglia Marittima (LI). She is also a registered financial auditor. Ms. Corsi has been a member of the Audit Board of some municipalities. Ms. Corsi is Chairman of the Board of Statutory Auditors of Ipercoop Tirreno Spa and a standing auditor of I.S.C. S.p.A. She also holds the assignments listed in Table 5.

In 2016 the Board of Statutory Auditors in charge met 7 (seven) times on 21 January, 11 February, 29 February, 21 March, 17 May, 27 July and 21 October with attendance reaching 100% for the Chairman and standing auditor Roberto Chiusoli, and 85% for standing auditor Pasquina Corsi.

Each meeting lasted an average of 2.5 hours. A few meetings were also held with, in particular, Company management, representatives of the external audit company, as well as the Control and Risk Committee.

The Board of Statutory Auditors verified that its members still qualify as independent as defined in the Corporate Governance Code and in TUF during the meeting held on 24 February 2017, and notified the Board of Directors of the outcome. With regard to auditor Roberto Chiusoli, the Board of Statutory Auditors found that the experience matured over the more than nine years of service strengthened, and did not weaken, his independence. The Board of Statutory Auditors, therefore, found that there were no situations that could compromise or impede this independence or the abil-

ity to autonomously judge management's operations. The Board of Statutory Auditors concluded that the fact that Chiusioli has been acting as a statutory auditor for more than nine year does not compromise his independence. The Board of Statutory Auditors supervises the work of the external auditors.

Furthermore, shareholders grant the assignment to the external auditors on the basis of the motivated opinion submitted by the Board of Statutory Auditors.

Pursuant to Art. 19 of Legislative Decree n. 39/2010, the Board of Statutory Auditors also acts as the Committee for Internal Control and Financial Audit.

The statutory auditors, including individually, may carry out inspections and controls, as well as request that the Directors provide them with information about subsidiaries, about the status of corporate transactions or specific issues, or refer these requests directly to the subsidiaries' administrative and control bodies. The statutory auditors may ask the Head of Internal Audit to carry out audits of specific operating divisions or corporate transactions.

The Board of Statutory Auditors reports on its supervisory activities and any findings to the Annual General Meeting called to approved the full year financial statements in accordance with Art. 2364, paragraph 2, of the Italian Civil Code.

The statutory auditors may also submit proposals to the Annual General Meeting relating to the full year financial statements and their approval, as well as to other matters that they are responsible for.

The Board of Statutory Auditors(at least two statutory auditors), after having notified the Chairman of the Board of Directors, can call the Shareholders' Meetings, meetings of the Board of Directors and, if instituted, the Executive Committee.

The Board of Statutory Auditors, the external auditors, the Control and Risk Committee, as well as all the other entities involved in the supervision of the control systems, will exchange information about the execution of their assignments in a timely manner.

The Board of Statutory Auditors is, at any rate, invited to be proactive and not only reactive in its supervision. The Statutory Auditors should advise the Board of Directors as to the results of its controls so that the latter might implement any corrective measures needed.

The Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

The names of the statutory auditors in office at 31 December 2016 are shown in Tables 3.

3.15

RELATIONS WITH SHAREHOLDERS

The Board of Directors appointed an Investor Relations Manager, Claudia Contarini, and set up a dedicated corporate unit: the IR Manager is part of the Planning, Control and IR Division (of which Raffaele Nardi is in charge), which reports directly to the Chief Executive Officer. There is a specific section on the Company's website (<http://eng.gruppoigd.it/Investor-Relations>) which contains updated information about the Company's stock (performance, dividend, ownership structure, etc.), annual and periodic financial reports, press releases, presentations made by management to the financial community, the financial calendar and the corporate events calendar. Other information of potential interest to shareholders, including information relating to Shareholders' Meetings and the Company's governance system, can be found in the Governance section of the Company's website (<http://eng.gruppoigd.it/Governance>).

All the relevant information is published and updated in real time in two languages (Italian and English) on the Company's website. The Company also uses other means to provide

timely and easy access to information. Thanks to the use of a mailing list system, interested parties may register on the website <http://eng.gruppoigd.it/Registration-Email-Alert>, and receive press releases, newsletters and financial reports immediately after they have been released to the market. In collaboration with the brokers that cover the Company's stock, road shows, meetings and conference calls (scheduled just after the annual and periodic financial results are published or with the business plan is presented) are organized which provide an opportunity for institutional investors to meet with top management. The presentations made to the financial community are published on the Company's website.

In order to guarantee that the Shareholders' Meetings are conducted in an orderly fashion, during the Shareholders' Meeting held on 26 March 2003, shareholders approved the current Regulations for Shareholder Meetings, subsequently updated, which are available on the corporate website at <http://eng.gruppoigd.it/Governance/Shareholders-Meetings>.

3.16

SHAREHOLDERS' MEETINGS

(pursuant to Art. 123-*bis*, paragraph 2, lett. c) TUF)

Pursuant to Art. 10.3 of the bylaws, the protocol for shareholders' meetings is formalized in a set of Regulations, approved by the shareholders in ordinary session.

In accordance with the law, the Shareholders' Meetings are convened as per the notice published on the Company's website and in at least one national daily newspaper.

Under Art. 125-*bis* TUF the notice of call must be published at least 30 days prior to the day in which the Shareholders' Meeting is to be held. The timeframe is different when the Shareholders' Meetings are called to (i) appoint members of the corporate bodies (i.e. 40 days prior to the day in which the Shareholders' Meeting is to be held); (ii) resolve on takeover bids (i.e. 15 days prior to the day in which the Shareholders' Meeting is to be held); and (iii) resolve on reducing share capital and appoint a liquidator (i.e. 21 days prior to the day in which the Shareholders' Meeting is to be held).

Pursuant to Art. 12.2 of the bylaws, in order to attend and vote at the Shareholders' Meetings, shareholders must provide the Company with the certification issued by a licensed intermediary indicating the shareholdings recorded as of the seventh trading day prior to the date set for the Shareholders' Meeting in first call (the record date). Under Art. 83-*sexies* TUF, any movements in the shareholdings subsequent to this period will not be considered for the purposes of voting rights.

Pursuant to Art. 13 of the bylaws, those in possession of voting rights may be represented via a written proxy submitted in accordance with the law. The proxy may also be made by submitting a request with an electronic signature as per

art. 21, paragraph 2, of Legislative Decree n. 82 dated 7 March 2005, as well as by accessing a specific section on the Company's website and via certified e-mail submitted in accordance with the procedures indicated in the notice of call.

For each Shareholders' Meeting the Company may also designate, as indicated in the notice of call, a party to whom those entitled to do so may grant a proxy with voting instructions relative to all or a few of the items on the agenda in accordance with the law.

Shareholders may submit questions relating to the items on the agenda prior to the Shareholders' Meeting. The questions received prior to the Shareholders' Meeting will be answered, at the latest, during the meeting itself. The deadline for submitting questions to the Company prior to the Shareholders' Meeting is indicated in the notice of call. This deadline cannot be less than three days prior to the date of the Shareholders' Meeting or five days if it is indicated in the notice of call that the Company will answer the questions received prior to the Shareholders' Meeting. In this case the answer will be provided at least two days prior to the Shareholders' Meeting including via a specific section of the Company's website. No answer is required when the information requested is available in a specific Q&A section of the Company's website.

The current Regulations for Shareholder Meetings are designed to guarantee that the Shareholders' Meetings are conducted in an orderly fashion and in full respect of the rights of each shareholder to request clarifications in relation to certain issues being discussed, to express opinions and submit proposals.

3.17

ADDITIONAL CORPORATE GOVERNANCE PRACTICES

(pursuant to Art. 123-*bis*, par. 2, lett. a) TUF)

The Company adopted the Decree 231/2001 Organizational Model as described in more detail in paragraph 3.10.03, to which you should refer.

3.18

SUBSEQUENT CHANGES

No changes took place in the corporate governance structure following the end of the year.

ATTACHMENTS

Table 1 “Information on the ownership structure”

Table 2 “Structure of the Board of Directors and Committees as at 31 December 2016”

Table 3 “Structure of the Board of Statutory Auditors as at 31 December 2016”

Table 4 “Offices held by the Directors as at 31 December 2016”

Table 5: “Offices held by the Statutory Auditors as at 31 December 2016”

Table 1 Information on the ownership structure

SHARE CAPITAL STRUCTURE	N. OF SHARES	% OF SHARE CAPITAL	LISTED (INDICATE WHICH MARKETS) / NOT LISTED	RIGHTS AND PBLIGATIONS
ORDINARY SHARES	813,045,631	100%	Liste don the electronic stock market (MTA) organized and managed by Borsa Italiana S.p.A. - STAR segment	-

SIGNIFICANT INTEREST IN SHARE CAPITAL BASED ON COMMUNICATIONS EX ART. 120 AND ON ADDITIONAL INFORMATION AVAILABLE TO THE COMPANY

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
COOP ALLEANZA 3.0	COOP ALLEANZA 3.0	40.92	40.92
UNICOOP TIRRENO	UNICOOP TIRRENO	12.03	12.03
SOROS FUND MANAGEMENT LLC	QUANTUM STRATEGIC PARTNERS LTD	5.39	5.39

Table 2 Structure of the Board of Directors and Committees as at 31 December 2016

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		NOMINATIONS AND COMPENSATION COMMITTEE		POSSIBLE EXECUTIVE COMMITTEE	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non exec.	Indep. As per the code	Indep. under TUF	N. of other appointments ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman ●	Coffari Gilberto	1946	6/11/2000	15/4/2015	Approval of financial statements at 31/12/2017	M	x				2	9/9						
Vice-Chairman	Pellegrini Fernando	1964	26/3/2003	15/4/2015	Approval of financial statements at 31/12/2017	M		x			1	9/9						
Chief Executive Officer ◇	Albertini Claudio	1958	28/4/2006	15/4/2015	Approval of financial statements at 31/12/2017	M	x				1	9/9						
Director	Gasperoni Elio	1953	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M		x			15	9/9						
Director	Canosani Aristide	1935	26/3/2003	15/4/2015	Approval of financial statements at 31/12/2017	M		x			1	7/9						
Director	Caporioni Leonardo	1964	28/4/2006	15/4/2015	Approval of financial statements at 31/12/2017	M		x			10	7/9						
Director	Gualandri Elisabetta	1955	19/4/2012	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	2	9/9	7/7	P	5/5	M		
Director	Carletti Milva	1963	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	1	9/9			5/5	M		
Director	Saoncella Rossella	1954	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	-	7/9	7/7	M				
Director	Lentz Matthew David	1974	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	m			x	x	-	6/9						
Director	Parenti Andrea	1957	23/4/2009	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	21	9/9			5/5	P		
Director	Salvini Livia	1957	19/4/2012	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	3	3/9	6/7	M				
Director	Dall'Orologio Dondi Luca	1972	14/4/2016	3/3/2016	Approval of financial statement at 31/12/2017	(***)			x	x	2	7/8						

OUTGOING DIRECTORS DURING THE YEAR UNDER REVIEW

N. of meetings held during the year under review (2016): 9	Control and Risk Committee: 7	Nominations and compensation Committee: 5	Executive Committee:
Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 147-ter TUF): 2.5% of the share capital			

NOTES:

Symbols listed below must be entered in the "Office" column:

● This symbol indicates the administrator in charge of the internal control and risk management system.

◇ This symbol indicates the main responsible of the Issuer management (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

* By date of first appointment of each director we refer to the date in which the director has been appointed for the first time (ever) on the Issuer' BoD.

** This column indicates whether the director was elected from a Majority list "M"; a minority list "m"; and list presented by the BoD.

*** This column reports the number of appointments held by the person concerned as director or statutory auditor in other companies listed on regulated markets, in Italy or abroad, or in financial, banking, insurance or other large companies.

In the corporate governance report the offices are extensively indicated.

(*) This column reports the % of meetings of the BoD and its committees attended by the directors (no. Attendances/no. meetings in which he could attend; i.e. 6/8; 8/8 etc.).

(**) This column reports the office of the Director within the Committee: "C": Chairman; "M": Member.

(***) Coopted by the BoD on 3 March 2016 and subsequently appointed during the ordinary Shareholders' Meeting held 14 April 2016.

Table 3 Structure of the Board of Statutory Auditors as at 31 December 2016

BOARD OF STATUTORY AUDITORS

OFFICE	MEMBER	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT*	IN OFFICE SINCE	IN OFFICE UNTIL	LIST**	INDEPENDENT AS PER THE CODE	ATTENDANCE TO THE BOARD OF STATUTORY AUDITORS' MEETINGS***	N. OF OTHER APPOINTMENTS ****
Chairman	Allievi Anna Maria	1965	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	m	X	7/7	12
Standing Auditor	Chiusoli Roberto	1964	28 April 2006	15 April 2015	Approval of financial statements at 31/12/2017	M	X	7/7	17
Standing Auditor	Corsi Pasquina	1957	19 April 2012	15 April 2015	Approval of financial statements at 31/12/2017	M	X	6/7	5
Alternate Auditor	Brandolini Pierluigi	1970	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	M			
Alternate Auditor	Landi Isabella	1964	28 April 2006	15 April 2015	Approval of financial statements at 31/12/2017	M			
Alternate Auditor	Bonechi Andrea	1968	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	m			

OUTGOING AUDITORS DURING THE YEAR UNDER REVIEW

N. of meetings held during the year under review (2016): 7

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 148 TUF): 2.5% of the share capital

NOTES:

* By date of first appointment of each auditor we refer to the date in which the auditor has been appointed for the first time (ever) on the Issuer' Board of Statutory Auditors.

* This column indicates whether the auditor was elected from a Majority list "M"; a minority list "m".

*** This column reports the % of meetings of the BoD and its committees attended by the directors (no. Attendances/no. meetings in which he could attend; i.e. 6/8; 8/8 etc.).

**** This column reports the number of appointments held by the person concerned as director or statutory auditor pursuant to art. 148 bis of TUF and its implementing provisions contained in the Consob Issuer Regulations. The full list of offices is published by CONSOB on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuer Regulations.

Table 4 Offices held by the Directors as at 31 December 2016 in other companies

DIRECTOR	OFFICES HELD IN OTHER COMPANIES
COFFARI GILBERTO Chairman	Chairman of the BoD IGD PROPERTY SIINQ S.P.A. Director FEDERAZIONE COOPERATIVE PROVINCIA DI RAVENNA S.C.P.A.
ALBERTINI CLAUDIO Chief Executive Officer	Vice Chairman of the BoD and Chief Executive Officer IGD PROPERTY SIINQ S.P.A.
PELLEGRINI FERNANDO Vice Chairman	Vice Chairman of the BoD and Chairman of the Executive Committee SIMGEST - SOCIETA' DI INTERMEDIAZIONE MOBILIARE S.P.A.
GASPERONI ELIO Director	Director FEDERAZIONE COOPERATIVE PROVINCIA DI RAVENNA S.C.P.A. Vice Chairman of the BoD COOP ALLEANZA 3.0 SOC. COOP. Vice Chairman of the BoD UNIPOL BANCA S.P.A. Director LIBRERIE.COOP S.P.A. Director PARFINCO S.P.A. Chairman of the BoD PHARMACOOOP S.P.A. Director ROBINTUR S.P.A. Director EATALYWORLD S.R.L. Chairman of the BoD EMILIANA S.R.L.
CAPORIONI LEONARDO Director	Vice Chairman of the BoD IMMOBILIARE SVILUPPO DELLA COOPERAZIONE S.P.A. Director AXIS S.R.L. Chairman of the Board of Statutory Auditors COMPAGNIA FINANZIARIA ED IMMOBILIARE S.P.A. IN LIQUIDAZIONE Director IPERCOOP TIRRENO S.P.A. Director FACTORCOOP S.P.A. Standing auditor FONDO PENSIONE DIRIGENTI COOPERATIVE DI CONSUMO Standing auditor CASSA DI ASSISTENZA DIRIGENTI COOPERATIVE DI CONSUMATORI Director IL PADULETTO S.R.L. Supervisory Director with the duty to coordinate the Internal Control Committee L'AVVENIRE 1921 SOC. COOP. Director DISTRIBUZIONE LAZIO UMBRIA S.R.L.
CANOSANI ARISTIDE Director	Director COOP ALLEANZA 3.0 SOC. COOP
CARLETTI MILVA Director	Director UNIPOLSAI ASSICURAZIONI S.P.A.
SAONCELLA ROSSELLA Director	/

continue

DIRECTOR OFFICES HELD IN OTHER COMPANIES

GUALANDRI ELISABETTA Director	Director ABI SERVIZI S.P.A.
	Director BPER BANCA S.P.A.
PARENTI ANDREA Director	Standing auditor COMMERCIALE ORTOINVEST S.R.L.
	Statutory auditor CONSORZIO MACROLOTTO IND. N. 2 DI PRATO
	Chairman of the Board of Statutory Auditors F.LLI CIAMPOLINI & C. S.P.A.
	Chairman of the Board of Statutory Auditors FRAMAFRUIT S.P.A.
	Chairman of the Board of Statutory Auditors FRUTTITAL FIRENZE S.P.A.
	Chairman of the Board of Statutory Auditors GALANDI & C. S.P.A.
	Standing auditor G.F.F. S.R.L.
	Chairman of the Board of Statutory Auditors IMMOBILIARE SUD-EST S.P.A.
	Chairman of the Board of Statutory Auditors FONDAZIONE MAXXI
	Chairman of the Board of Statutory Auditors IMMOBILIARE MINERVA S.P.A.
	Chairman of the Board of Statutory Auditors PENTAFIN S.P.A.
	Chairman of the Board of Statutory Auditors PI.DA S.P.A.
	Chairman of the Board of Statutory Auditors SDI SOCIETA' DISTIRIBUZIONE IMBALLAGGI S.R.L.
	Chairman of the Board of Statutory Auditors TIRRENO IMMOBILIARE S.R.L.
	Sole Auditor EGAN IMMOBILIARE S.R.L.
	Chairman of the Board of Statutory Auditors ALDO GALANDI S.P.A.
	Sole Auditor TIRRENOFRUIT S.R.L.
	Standing auditor PRINCIPE DI PIEMONTE S.P.A.
Standing auditor M.T. - MANIFATTURA TABACCHI S.P.A.	
Standing auditor ENI NEW ENERGY S.P.A.	
Sole Auditor DESIGNER PLUS S.R.L.	
LENTZ MATTHEW DAVID Director	/
SALVINI LIVIA Director	Standing auditor ATLANTIA S.P.A.
	Chairman of the Board of Statutory Auditors COOPFOND S.P.A.
	Director IL SOLE 24 ORE S.P.A.
DONDI DALL'OROLOGIO LUCA Director	Executive Director NOMISMA SOCIETA' DI STUDI ECONOMICI S.P.A.
	Director NE - NOMISMA ENERGIA S.R.L.

Table 5: Offices held by the Statutory Auditors as at 31 December 2016 in other companies

STATUTORY AUDITORS	OFFICE HELD IN OTHER COMPANY	COMPANY
ANNA MARIA ALLIEVI Chairman of the Board of Statutory Auditors	Standing auditor	CAP HOLDING S.P.A.
	Standing auditor	CIR S.P.A.
	Chairman of the Board of Statutory Auditors	CERNUSCO VERDE S.R.L.
	Chairman of the Board of Statutory Auditors	A.S.M. S.R.L.
	Standing auditor	FONDO PENSIONE PEGASO
	Chairman of the Board of Statutory Auditors	CONFSEVIZI CISEPEL LOMBARDIA
	Chairman of the Board of Statutory Auditors	AEMME LINEA AMBIENTE S.R.L.
	Standing auditor	CEM S.P.A.
	Standing auditor	SERAM S.P.A.
	Chairman of the Board of Statutory Auditors	CREDITO EMILIANO S.P.A.
	Chairman of the Board of Directors	COOPERATIVA LE SFERE S.A.R.L.
	Standing auditor	ATINOM S.P.A. IN LIQUIDAZIONE
ROBERTO CHIUSOLI Standing Auditor	Chairman of the Board of Statutory Auditors	ATAHOTELS S.P.A.
	Chairman of the Board of Statutory Auditors	CASA DI CURA VILLA DONATELLO S.P.A.
	Standing auditor	DE' TOSCHI S.P.A.
	Chairman of the Board of Statutory Auditors	GRANAROLO S.P.A.
	Member of the Board of Auditors	CONSORZIO CASTELLO
	Standing auditor	COMPAGNIA ASSICURATRICE LINEAR S.P.A.
	Chairman of the Board of Statutory Auditors	SACMI SERVICE S.P.A.
	Chairman of the Board of Statutory Auditors	UNIPOL FINANCE S.R.L.
	Standing auditor	UNIPOL GRUPPO FINANZIARIO S.P.A.
	Chairman of the Board of Statutory Auditors	UNIPOL INVESTMENT S.P.A.
	Standing auditor	SIAT ASSICURAZIONI S.P.A.
	Chairman of the Board of Statutory Auditors	ROBINTUR S.P.A.
	Standing auditor	SACMI IMOLA SOC. COOP.
	Supervisory Director	C.C.C. SOC. COOP.
	Supervisory Director	CONSORZIO INTEGRA SOC. COOP.
Chairman of the Board of Statutory Auditors	CAMST S.C.A.R.L.	
Chairman of the Board of Statutory Auditors	CEFLA SOC. COOP.	
PASQUINA CORSI Standing Auditor	Standing auditor	L'ORMEGGIO SOC. COOP.
	Standing auditor	S.G.F. S.R.L.
	Chairman of the Board of Statutory Auditors	IPERCOOP TIRRENO S.P.A.
	Standing auditor	IMMOBILIARE SVILUPPO DELLA COOPERAZIONE S.P.A.
	Sole Auditor	IL PADULETTO S.R.L.



CENTRO BORGGO

Bologna

Opening 1989

Restyling 2015

Mall GLA sq.m 6,975

Food anchor GLA sq.m 11,480



2,415,985 visitors in 2016

IGD GROUP
CONSOLIDATED
FINANCIAL STATEMENTS
AT 31/12/2016

04

4.1**CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	Note	31/12/2016 (A)	31/12/2015 (B)	CHANGES (A-B)
Revenue:	1	131,296	121,142	10,154
- from third parties		89,302	79,684	9,618
- from related parties		41,994	41,458	536
Other revenue:	2.1	5,529	5,085	444
- other income		3,836	3,295	541
- from related parties		1,693	1,790	(97)
Revenue from property sales	2.2	1,999	2,289	(290)
Total revenue and operating income		138,824	128,516	10,308
Change in work in progress inventory	6	247	(559)	806
Total revenue and change in inventory		139,071	127,957	11,114
Cost of work in progress	6	2,360	1,574	786
Material and service costs	3	22,641	22,260	381
- third parties		20,543	20,303	240
- related parties		2,098	1,957	141
Cost of labour	4	9,246	8,813	433
Other operating costs	5	9,636	9,443	193
Total operating costs		43,883	42,090	1,793
(Depreciation, amortization and provisions)		(2,477)	(3,173)	696
(Impairment losses)/Reversals on work in progress and inventories		(3,808)	(2,240)	(1,568)
Change in fair value - increases / (decreases)		23,389	3,778	19,611
Total depreciation, amortization, provisions, impairment and change in fair value	7	17,104	(1,635)	18,739
EBIT		112,292	84,232	28,060
Income/(loss) from equity investments and property sales	8	(236)	190	(426)
Financial income:		272	92	180
- third parties		267	87	180
- related parties		5	5	0
Financial charges:		42,380	39,624	2,756
- third parties		42,340	39,555	2,785
- related parties		40	69	(29)
Net financial income (expense)	9	(42,108)	(39,532)	(2,576)
PRE-TAX PROFIT		69,948	44,890	25,058
Income taxes	10	3,044	(310)	3,354
NET PROFIT FOR THE PERIOD		66,904	45,200	21,704
Minority interests in net (profit)/loss		1,425	439	986
Parent Company's portion of net profit		68,329	45,639	22,690
- basic earnings per share	11	0.084	0.060	
- diluted earnings per share	11	0.084	0.060	

4.2

**CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (amounts in thousands of euro)	31/12/2016	31/12/2015
NET PROFIT FOR THE PERIOD	66,904	45,200
Other components of comprehensive income that will not be reclassified to profit/(loss):		
Transaction costs for capital increase	0	(672)
Recalculation of defined benefit plans	(220)	193
Total other components of comprehensive income that will not be reclassified to profit/(loss), net of tax effects	(220)	(479)
Other components of comprehensive income that will be reclassified to profit/(loss):		
Effects of hedge derivatives on net equity	4,533	8,630
Tax effects of hedge derivatives on net equity	(1,442)	(3,530)
Other effects on income statement components	(30)	(72)
Total other components of comprehensive income that will be reclassified to Profit/(loss), net of tax effects	3,061	5,028
Total comprehensive profit/(loss) for the period	69,745	49,749
Non-controlling interests in (profit)/loss for the period	1,425	439
Profit/(Loss) for the period attributable to the Parent Company	71,170	50,188

4.3

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	Note	31/12/2016 (A)	31/12/2015 (B)	CHANGES (A-B)
NON-CURRENT ASSETS				
Intangible assets				
Intangible assets with finite useful lives	12	58	74	(16)
Goodwill	13	12,662	12,662	0
		12,720	12,736	(16)
Property, plant, and equipment				
Investment property	14	2,050,728	1,970,028	80,700
Buildings	15	8,374	8,618	(244)
Plant and machinery	16	332	309	23
Equipment and other assets	16	1,323	1,699	(376)
Leasehold improvements	16	1,020	1,273	(253)
Assets under construction and down payments	17	75,004	50,533	24,471
		2,136,781	2,032,460	104,321
Other non-current assets				
Deferred tax assets	18	764	5,387	(4,623)
Sundry receivables and other non-current assets	19	89	90	(1)
Equity investments	20	1,685	6,366	(4,681)
Non-current financial assets	21	393	493	(100)
Derivatives - assets	42	-	12	(12)
		2,931	12,348	(9,417)
TOTAL NON-CURRENT ASSETS (A)		2,152,432	2,057,544	94,888
CURRENT ASSETS:				
Work in progress inventory and advances	22	57,753	67,068	(9,315)
Trade and other receivables	23	11,570	12,963	(1,393)
Related party trade and other receivables	24	1,136	1,111	25
Other current assets	25	13,112	3,132	9,980
Related party financial receivables and other current financial assets	26	151	151	0
Financial receivables and other current financial assets	26	-	9,023	(9,023)
Cash and cash equivalents	27	3,084	23,603	(20,519)
TOTAL CURRENT ASSETS (B)		86,806	117,051	(30,245)
TOTAL ASSETS (A+B)		2,239,238	2,174,595	64,643
NET EQUITY:				
Share capital		599,760	599,760	0
Share premium reserve		29,971	39,971	(10,000)
Other reserves		349,246	323,915	25,331
Group profit		81,724	58,407	23,317
Total Group net equity		1,060,701	1,022,053	38,648
Portion pertaining to minorities		8,725	10,150	(1,425)
TOTAL NET EQUITY (C)	28	1,069,426	1,032,203	37,223
NON-CURRENT LIABILITIES:				
Derivatives - liabilities	42	28,748	35,002	(6,254)
Non-current financial liabilities	29	893,296	764,930	128,366
Provision for employee severance indemnities	30	2,530	2,046	484
Deferred tax liabilities	18	22,665	23,634	(969)
Provisions for risks and future charges	31	4,964	4,688	276
Sundry payables and other non-current liabilities	32	10,707	12,504	(1,797)
Related party sundry payables and other non-current liabilities	32	13,949	13,956	(7)
TOTAL NON-CURRENT LIABILITIES (D)		976,859	856,760	120,099
CURRENT LIABILITIES:				
Current financial liabilities	33	165,760	253,155	(87,395)
Trade and other payables	35	15,634	14,372	1,262
Related party trade and other payables	36	1,428	432	996
Current tax liabilities	37	2,396	4,236	(1,840)
Other current liabilities	38	7,714	6,513	1,201
Related party other current liabilities	38	21	6,924	(6,903)
TOTAL CURRENT LIABILITIES (E)		192,953	285,632	(92,679)
TOTAL LIABILITIES (F=D+E)		1,169,812	1,142,392	27,420
TOTAL NET EQUITY AND LIABILITIES (C+F)		2,239,238	2,174,595	64,643

4.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	GROUP PROFIT	GROUP NET EQUITY	NON-CONTROLLING INTERESTS CAPITAL AND RESERVES	TOTAL NET EQUITY
BALANCE AT 01/01/2015	549,760	147,730	231,818	20,921	950,229	10,589	960,818
Profit for the year				45,639	45,639	(439)	45,200
Cash flow hedge derivative assessment			5,100		5,100		5,100
Other comprehensive income (losses)			(551)		(551)		(551)
Total comprehensive profit (losses)	0	0	4,549	45,639	50,188	(439)	49,749
Share capital increase	50,000				50,000		50,000
Allocation of 2014 profit							
dividends paid			(9,780)	(18,583)	(28,363)		(28,363)
to legal reserve		(97,581)	97,581	0	0		0
to other reserves		(10,178)	(253)	10,431	0		0
BALANCE AT 31/12/2015	599,760	39,971	323,915	58,407	1,022,053	10,150	1,032,203
	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	GROUP PROFIT	GROUP NET EQUITY	NON-CONTROLLING INTERESTS CAPITAL AND RESERVES	TOTAL NET EQUITY
Balance at 01/01/2016	599,760	39,971	323,915	58,407	1,022,053	10,150	1,032,203
Profit for the year				68,329	68,329	(1,425)	66,904
Cash flow hedge derivative assessment			3,091		3,091		3,091
Other comprehensive income (losses)			(250)		(250)		(250)
Total comprehensive profit (losses)	0	0	2,841	68,329	71,170	(1,425)	69,745
Allocation of 2015 profit							
dividends paid			(6,828)	(25,694)	(32,522)		(32,522)
to legal reserve		(10,000)	10,000	0	0		0
to other reserves		0	19,318	(19,318)	0		0
Balance at 31/12/2016	599,760	29,971	349,246	81,724	1,060,701	8,725	1,069,426

4.5**CONSOLIDATED STATEMENT
OF CASH FLOWS**

CONSOLIDATED STATEMENT OF CASH FLOWS (In thousands of Euro)	31/12/2016	31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Pre-tax profit for the period	69,948	44,890
Adjustments to reconcile net profit with the cash flow generated (absorbed) in the period:		
Non-monetary items	8,986	2,861
Depreciation, amortization and provisions	2,478	3,173
(Impairment)/reversal of assets under construction and inventories	3,808	2,240
Change in fair value of investment property	(23,389)	(3,778)
Gains/losses from disposals	231	(269)
CASH FLOW FROM OPERATIONS	62,062	49,117
Income tax	(1,095)	(1,072)
CASH FLOW FROM OPERATIONS NET OF TAX	60,967	48,045
Change in inventories	(246)	629
Net change in current assets and liabilities w. third parties	(8,829)	2,692
Net change in current assets and liabilities w. related parties	(6,933)	6,674
Net change in non-current assets and liabilities w. third parties	(1,556)	261
Net change in non-current assets and liabilities w. related parties	(7)	464
CASH FLOW FROM OPERATING ACTIVITIES	43,396	58,765
(Investments) in non-current assets	(75,717)	(29,773)
Disposals of non-current assets	393	29,894
Disposals of equity interests	4,466	0
(Investments) in equity interests	(19)	(129,022)
CASH FLOW FROM INVESTING ACTIVITIES (b)	(70,877)	(128,901)
Change in non-current financial assets	0	495
Change in financial receivables and other current financial assets w. third parties	9,023	(1)
Capital increase	0	49,319
Cash Flow Hedge reserve	(1,659)	0
Distribution of dividends	(32,522)	(28,363)
Change in current debt with third parties	(224,868)	145,859
Change in current debt with related parties	0	(188)
Change in non-current debt with third parties	256,991	(88,619)
CASH FLOW FROM FINANCING ACTIVITIES (c)	6,965	78,502
Exchange gains/(losses) on cash and cash equivalents	(3)	(5)
NET INCREASE (DECREASE) IN CASH BALANCE	(20,519)	8,361
CASH BALANCE AT BEGINNING OF YEAR	23,603	15,242
CASH BALANCE AT END OF YEAR	3,084	23,603

4.6

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2016 were approved and authorized for publication by the Board of Directors on 28 February 2017.

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. and is under the management and coordination of that company.

2. Summary of accounting standards

→ 2.1 Preparation criteria

Statement of compliance with International Accounting Standards

The 2016 consolidated financial statements have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), that as of the reporting date had been endorsed following the procedure specified in Regulation (EC) 1606/2002. The IFRS have been applied consistently to all reporting periods presented.

Reporting formats

The items in the statement of financial position are classified as current, non-current, or (if applicable) non-current

held for sale. Items in the income statement are classified by type.

The statement of comprehensive income shows the net profit or loss along with income and charges that by express requirement of IFRS are recognized directly in equity. The statement of changes in equity presents comprehensive income and charges, transactions with shareholders and other changes in shareholders' equity. The statement of cash flows is prepared using the indirect method, adjusting the pre-tax profit for non-cash items.

The financial statements, tables and explanatory notes are expressed in thousands of euro (€/000 or €K), unless otherwise specified.

Changes in accounting standards

a) New accounting standards

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

COMMISSION REGULATION (EU)	TITLE
2016/1703	<p>Commission Regulation (EU) 2016/1703 of 22 September 2016, published in the Official Journal of the European Union L 257 on 23 September, adopting the publication "Investment Entities: Applying the Consolidation Exception" which amends IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities, and IAS 28 Investments in associates and joint ventures.</p> <p>The amendments aim to clarify the requirements when accounting for investment entities and provide relief in particular circumstances. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2016. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.</p>
2015/2441	<p>Commission Regulation (EU) 2015/2441 of 18 December 2015, published in the Official Journal of the European Union L 336 on 23 December, adopting Amendments to IAS 27 - Separate financial statements: Equity method in separate financial statements.</p> <p>The amendments allow an entity to use the net equity method described in IAS 28 - Investments in Associates and Joint Ventures to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.</p>

continue

COMMISSION REGULATION (EU)	TITLE
2015/2406	Commission Regulation (EU) 2015/2406 of 18 December 2015, published in the Official Journal of the European Union L 333 on 19 December, adopting Amendments to IAS 1 - Presentation of financial statements: Disclosure initiative. The amendments aim to improve the effectiveness of disclosure and to encourage companies to apply professional judgment in determining what information to disclose in their financial statements when applying IAS 1. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.
2015/2343	Commission Regulation (EU) 2015/2343 of 15 December 2015, published in the Official Journal of the European Union L 330 on 16 December, adopting the IFRS Annual Improvements 2012-2014 Cycle as part of the ordinary process of streamlining and clarifying the international accounting standards. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.
2015/2231	Commission Regulation (EU) 2015/2231 of 2 December 2015, published in the Official Journal of the European Union L 317 on 3 December, adopting amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets - Clarification of acceptable methods of depreciation and amortization. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.
2015/2173	Commission Regulation (EU) 2015/2173 of 24 November 2015, published in the Official Journal of the European Union L 307 on 25 November, adopting amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations. The amendments provide guidance on accounting for acquisitions of interests in joint operations that constitute a business. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.
2015/29	Commission Regulation (EU) 2015/29 of 17 December 2014, published in the Official Journal of the European Union L 5 on 9 January, adopting Amendments to IAS 19 - Defined benefit plans: employee contributions. The amendments aim to simplify and clarify the accounting for employee or third party contributions linked to defined benefit plans. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.
2015/28	Commission Regulation (EU) 2015/28 of 17 December 2014, published in the Official Journal of the European Union L 5 on 9 January, adopting the Annual Improvements to IFRS 2010-2012 Cycle. The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2011 on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required. Amendments to IFRS 8 and to IAS 16, 24 and 38 are clarifications or corrections to the respective standards. Amendments to IFRS 2 and IFRS 3 involve changes to the existing requirements or additional guidance on the implementation of those requirements. Adoption of the new standard is not believed to have had a significant impact on the Group's consolidated financial statements.

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

The table below reports the new international accounting standards, or amendments to existing standards, which were not yet mandatory for financial periods beginning on 1 January 2017. The Group has not opted for early adoption.

COMMISSION REGULATION (EU)	TITLE
2016/2067	Commission Regulation (EU) 2016/2067 of 22 November 2016, published in the Official Journal of the European Union L 323 on 29 November 2016, adopting IFRS 9 - Financial Instruments in order to improve the reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 responds to the G20's call to move to a more forward-looking model for the recognition of expected losses on financial assets. Companies must apply the standard, at the latest, from the first day of the financial period beginning on or after 1 January 2018.
2016/1905	Commission Regulation (EU) 2016/1905 of 22 September 2016, published in the Official Journal of the European Union L 295 on 29 October, adopting IFRS 15 - Revenue from Contracts with Customers in order to improve the financial reporting of revenue and to improve comparability of the top line in financial statements globally. Companies must apply the standard, at the latest, from the first day of the financial period beginning on or after 1 January 2018. From an initial review of contracts with customers, it appears that the Company will not be affected by the new standard.

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

DATE	EVENT
13 January 2016	IASB publishes the new standard IFRS 16 Leases, to replace IAS 17. IFRS 16 is effective from 1 January 2019. Early adoption is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Group has begun a financial review to estimate the impact of IFRS 16, with particular reference to the leasing of malls from other owners.
19 January 2016	IASB publishes amendments to IAS 12 Income Tax. "Recognition of Deferred Tax Assets for Unrealized Losses" (Amendments to IAS 12) aims to clarify the accounting for deferred tax assets on debt instruments measured at fair value. The changes are effective from 1 January 2017. Early adoption is permitted.
29 January 2016	The IASB publishes amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. They are effective from 1 January 2017.
21 June 2016	The IASB publishes amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions, effective from 1 January 2018. Early adoption is permitted.
28 June 2016	IASB publishes the exposure draft for consultation Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11) , aiming to clarify the definition of a business and the accounting for previously held interests when control or joint control is acquired.
9 December 2016	The IASB publishes various amendments to standards and an IFRIC interpretation, aiming to clarify some IFRS provisions. Specifically: <ul style="list-style-type: none"> - Annual Improvements to IFRS Standards 2014-2016 Cycle, which amends IFRS 1, IFRS 12 and IAS 28; - IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective from 1 January 2018; - Amendment to IAS 40 Investment Property: Transfers of Investment Property, effective from 1 January 2018.

None of these changes were followed when preparing the consolidated financial statements at 31 December 2016 as they have not yet been approved by the European Commission.

→ 2.2 Consolidation

a) Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 31 December 2016, prepared by the directors of the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies. Since 31 December 2015, the scope of consolidation has changed due to the sale of the

investment in UnipolSai Investimenti SGR S.p.A., which in the 2015 financial statements was consolidated using the equity method. Pursuant to Consob Circular DEM/6064293 of 28 July 2006, below is a list of Group companies showing the location of their registered office, share capital in the local currency and consolidation method. The interests held directly or indirectly by IGD SIIQ S.p.A. and each of its subsidiaries are also specified. Some companies are carried at cost as their value is immaterial. The resulting amount does not differ from that obtained with the equity method.

NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	PERCENT CONSOLIDATED	HELD BY	PERCENT OF SHARE CAPITAL HELD	OPERATIONS
PARENT COMPANY								
IGD SIIQ S.p.A.	Ravenna via Agro Pontino 13	Italy	599,760,278.16	Eur				Facility management
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS								
IGD MANAGEMENT S.R.L.	Ravenna via Villa Glori 4	Italy	75,071,221.00	Eur	100%	IGD SIIQ S.p.A.	100.00%	Facility management and services
MILLENNIUM GALLERY S.R.L.	Ravenna via Villa Glori 4	Italy	100,000.00	Eur	100%	IGD SIIQ S.p.A.	100.00%	Facility management
PORTA MEDICEA S.R.L.	Bologna via Trattati Comunitari Europei 1957-2007	Italy	60,000,000.00	Eur	80%	IGD Management s.r.l.	80.00%	Construction and marketing
IGD PROPERTY SIIQ S.P.A.	Ravenna via Villa Glori 4	Italy	50,000,000.00	Eur	100%	IGD SIIQ S.p.A.	100.00%	Facility management
PUNTA DI FERRO SIIQ S.P.A.	Ravenna via Villa Glori 4	Italy	87,202,912.00	Eur	100%	IGD SIIQ S.p.A.	100.00%	Facility management
WIN MAGAZIN S.A.	Bucharest	Romania	113,715.30	Lei	100%	IGD Management s.r.l. 99,9% IGD SIIQ S.p.A. 0,1%	100.00%	Facility management
WINMARKT MANAGEMENT S.R.L.	Bucharest	Romania	1,001,000	Lei	100%	Win Magazin S.A.	100.00%	Agency and facility management services
SUBSIDIARIES VALUED AT EQUITY								
ARCO CAMPUS S.R.L.	Bologna via dell'Arcoveggio n.49/2	Italy	1,500,000.00	Eur		IGD SIIQ S.p.A.	99.98%	Management of real estate and sports facilities/equipment; construction, trading and rental of properties used for commercial sports
SUBSIDIARIES VALUED AT COST								
CONSORZIO I BRICCHI	Isola d'Asti Loc. Molini via Prato Boschiero	Italy	6,000.00	Eur		IGD SIIQ S.p.A.	72.25%	Shopping center promotion and management of common areas
CONSORZIO PROPRIETARI C.C.LEONARDO	Imola (Bologna) Via Amendola 129	Italy	100,000.00	Eur		IGD SIIQ S.p.A.	52.00%	Shopping center promotion and management of common areas
CONSORZIO PROPRIETARI FONTI DEL CORALLO	Livorno Via Gino Graziani 6	Italy	10,000.00	Eur		IGD SIIQ S.p.A.	68.00%	Shopping center promotion and management of common areas
CONSORZIO PROPRIETARI PUNTADIFERRO	Forli Piazzale della Cooperazione 4	Italy	10,000.00	Eur		Punta di Ferro SIIQ S.p.A.	62.34%	Shopping center promotion and management of common areas
CONSORZIO DEL COMMENDONE	Grosseto	Italy	10,000.00	Eur		IGD SIIQ S.p.A.	52.60%	Shopping center promotion and management of common areas

continue

continue

NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	PERCENT CONSOLIDATED	HELD BY	PERCENT OF SHARE CAPITAL HELD	OPERATIONS
ASSOCIATES VALUED AT EQUITY								
RGD FERRARA 2013 S.R.L.	Rome, via Piemonte 38	Italy	100,000.00	Eur		IGD SIIQ S.p.A.	50%	Management of Darsena City shopping center
ASSOCIATES VALUED AT COST								
MILLENNIUM CENTER SOC. CONS. R.L.	Rovereto (Trento) via del Garda 175	Italy	10,000.00	Eur		Millennium Gallery s.r.l	35.40%	Shopping center promotion and management of common areas

b) Consolidation methods

The consolidated financial statements include the financial statements of the parent company, IGD SIIQ S.p.A., and its direct and indirect subsidiaries at 31 December 2016. The subsidiaries' accounts are prepared each year using the same accounting standards as the parent. The main consolidation methods used to prepare the consolidated financial statements are as follows:

- subsidiaries are consolidated from the date control is effectively transferred to the Group, and cease to be consolidated from the date control is transferred outside the Group; control exists when the Group has the power, directly or indirectly, to influence a company's financial and managerial policies in such a way as to obtain benefits from its operations;
- subsidiaries are consolidated on a line-by-line basis, aggregating all financial statement items in full, regardless of the interest held. Only for the determination of net equity and net profit (loss) is the minority interest, if any, shown separately in the statement of financial position and the income statement;
- the carrying value of equity investments is eliminated against the assumption of their assets and liabilities;
- all intercompany assets, liabilities, income and losses, including unrealized profits deriving from transactions between Group companies, are completely eliminated;
- the financial statements of all IGD SIIQ Group companies that use a functional currency other than that used in the consolidated statements are translated into euros as follows:
 - the assets and liabilities of each statement of financial position submitted are translated at the exchange rates in force on the reporting date;
 - the revenue and costs of each income statement are converted at the average exchange rates for the period;
 - all exchange gains and losses arising from this process are shown in the translation reserve under net equity;
- equity investments in joint ventures and associates are consolidated using the equity method. As such, the investment is initially carried at cost, which is then adjusted upward or downward to reflect changes in net equity after purchase. The adjustments are taken to the income statement in proportion to the Group's share of the company's profit or loss.

→ 2.3 Intangible assets

Intangible assets are recognized at cost when it is likely that use of the asset will generate future economic benefits and when its cost can be reliably determined. Intangible assets acquired through business combinations are recognized at the fair value defined as of the acquisition date, if that value can be reliably determined.

After their initial recognition, intangible assets are carried at cost. The useful life of intangible assets can be either finite or indefinite. Intangible assets with indefinite useful lives are not amortized but are subject to impairment testing each year, or more frequently, whenever there is any indication of impairment. Further to such testing, if the recoverable value of an asset is less than its book value, the latter is reduced to recoverable value. This reduction constitutes an impairment loss, which is immediately posted to the income statement. An asset's recoverable value is the higher of its net sale value or value in use. Value in use is the present value of expected cash flows generated by the asset. In order to assess losses in value, assets are aggregated to the lowest cash generating unit, i.e. the lowest level for which independent cash flows can be separately identified. In the case of an indicator implying recovery of the value lost, the asset's recoverable value is re-determined and the book value is increased to that new value. However, the increase in book value can never exceed the net book value that the fixed asset would have had if no impairment had occurred.

→ 2.4 Business combinations and goodwill

Business combinations are accounted for using the purchase method. This requires the fair value recognition of the identifiable assets (including intangible assets previously not recognized) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the entity acquired. Transaction costs are recognized as soon as they are incurred.

Goodwill acquired in a business combination, which in the separate financial statements is incorporated into the value of the investment acquired, is calculated as the excess of the total consideration transferred, minority interests in net equity and the fair value of any previously held interest in the company over the acquisition-date fair value of the net assets acquired and the liabilities assumed. If the acquisition-date fair value of the net assets acquired and

the liabilities assumed exceeds the sum of the consideration transferred, minority interests in net equity and the fair value of any previously held interest in the acquiree, the excess is recognized immediately as income arising from the transaction.

Minority interests in net equity, as of the acquisition date, can be measured at fair value or as a pro-quota proportion of the value of the net assets recognized for the acquiree. This choice is made on a case-by-case basis.

Any contingent consideration provided for in the acquisition agreement is measured at its acquisition-date fair value, and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Subsequent changes in fair value that qualify as adjustments arising during the measurement period are included in goodwill retrospectively. Such changes are those caused by additional information, obtained during the measurement period (not to exceed one year from the business combination), regarding facts and circumstances that existed on the acquisition date.

In the case of business combinations achieved in stages, the interest previously held by the Group is remeasured at fair value as of the date control is acquired, and any resulting gain or loss is recognized in the income statement. Any amounts deriving from the previously held interest and reported in other comprehensive income or losses are reclassified to profit or loss as if the interest had been sold. If the initial values of a business combination are incomplete at the end of the financial period in which it occurred, in the consolidated financial statements the Group uses provisional amounts for those elements that cannot be measured in full. The provisional amounts are adjusted during the measurement period to take account of new information on facts and circumstances existing on the acquisition date which, if known, would have affected the acquisition-date value of the assets and liabilities recognized.

Business combinations occurring before 1 January 2010 are reported according to the previous version of IFRS 3.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the acquirer's individual cash generating units or to the groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IFRS 8 - Segment Reporting;
- when goodwill is part of a cash generating unit or group of cash generating units and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill transferred under these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

If the disposal concerns a subsidiary, the difference between the sale price and net assets plus accumulated

translation differences and goodwill is recognized in profit or loss.

After first-time recognition, goodwill is decreased by accumulated impairment losses, determined as described below.

The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment. If the amount recoverable by the cash generating unit is lower than the carrying value attributed, then an impairment loss is recognized. Impairment losses on goodwill cannot be reversed in subsequent years. The Company tests goodwill for impairment at 31 December of each year.

→ 2.5 Investment property and assets under construction

Investment property is real estate held in order to earn rent while appreciating in value over time.

Investment property is initially recognized at cost, including transaction expenses (as well as borrowing costs, where applicable), and is subsequently measured at fair value with changes reported in the income statement.

Any work on the properties is added to their carrying value only if it is likely to produce future economic benefits and if the cost can be reliably determined. Other maintenance and repair costs are recognized in the income statement when incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure.

The market value of properties includes the value of their plant and machinery, as well as goodwill acquired.

Investment property is derecognized on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses from the withdrawal or disposal of investment property are recognized to profit or loss in the period in which the withdrawal or disposal takes place.

Assets under construction, consisting of deposits and advance payments, are valued at cost. For land and accessory works on which investment property will be developed, once the building permits are obtained and/or the urban planning agreements signed, and once the procedure for obtaining administrative permits is completed and construction is underway, fair value can be reliably determined and the fair value method is therefore used. Until that time, the asset is recognized at cost, which is compared with recoverable amount at each reporting date in order to determine any loss in value. When construction or development of an investment property is completed, it is restated to "investment property".

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of investment property in accordance with IFRS 13 must

reflect, among other things, rental income from current leases and other reasonable and supportable assumptions that market participants would use when pricing the asset under current market conditions.

As stated in paragraph 27 of IFRS 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
- a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property);
- a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Highest and best use is determined from the perspective of market participants. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset. According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.

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

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

given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate of return for similar investments.

- For other properties: income method (DCF).
- For construction in progress (extensions and new constructions), the transformation method was used, based on the discounting of future rental income for the property net of construction costs and other expenses.

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

→ 2.6 IAS 23 - Borrowing costs

Borrowing costs directly attributable to the purchase and construction of investment property and inventory, relating to both new constructions and extensions, are added to the carrying value of the property in question. Interest is capitalized provided that the augmented carrying amount of the asset does *not* increase *beyond fair value*.

→ 2.7 Plant, machinery and equipment

Plant, machinery and equipment that are owned by IGD and are not attributable to investment property are recognized at cost, less commercial discounts and rebates, considering directly attributable expenses as well as an initial estimate of the cost of dismantling and removing the asset and restoring the site where it was located. Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs (including financial expenses directly attributable to the purchase, construction or production of the asset) are recognized to profit or loss when incurred. The capitalized charge is recognized to profit and loss throughout the useful life of the tangible asset by means of depreciation. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

CATEGORY	RATE
Wiring, sprinkler system, compressed air	10 %
HVAC system	15 %
Fittings	20 %
Plant management computer	20 %
Special communication systems - telephone	25 %
Special plant	25 %
Alarm/security system	30 %
Sundry equipment	15 %
Office furnishings	12 %
Cash registers and EDP machines	20 %
Personal computers and accessories	40 %

An asset is subject to impairment testing whenever events or changes in circumstances indicate that its carrying value cannot be fully recovered. If the carrying value exceeds the recoverable amount, the asset is written down to reflect the impairment. An asset's recoverable value is the higher of its net sale value or value in use.

In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. Impairment is charged to the income statement as depreciation. Impairment is reversed if the reasons cease to apply. When an asset is sold or when its use is no longer expected to produce future economic benefits, it is derecognized and any loss or gain (calculated as the difference between the sale value and carrying value) is taken to profit or loss the year the asset is eliminated.

→ 2.8 Finance leasing

Goods held under finance leases, in which IGD assumes all of the risks and benefits of ownership, are capitalized from the inception of the lease at the fair value of the leased good or, if lower, at the present value of the minimum lease payments, including the price of the redemption option. The liability is recognized under financial payables. Leasing installments are divided into principal and interest so as to obtain a constant interest rate applicable to the remaining principal due. The financial charges are recognized to profit and loss.

Leased investment property is recognized at fair value, on the same basis as investment property owned by IGD.

→ 2.9 Other non-current assets

Other non-current assets consist of deferred tax assets, financial assets relating to derivatives, and miscellaneous. Receivables and other financial assets other than derivatives, to be held until maturity, are recognized at cost which corresponds to the fair value of the initial consideration paid plus transaction costs. The initial value recognized is subsequently adjusted to take account of the reimbursement of principal, any impairment losses, and amortization of the difference between the redemption value and the initial carrying value. Amortization is charged at the effective interest rate, corresponding to the rate which, upon first-time recognition, makes the present value of projected cash flows equal to the initial carrying amount (amortized cost method).

→ 2.10 Inventory, work in progress and advances

Inventory is measured at the lower of cost and fair value. The cost of inventory includes all purchase, transformation and other costs incurred to bring the inventory to its present location and condition. Given the nature of the Group's inventory, the specific cost method is used.

→ 2.11 Trade and other receivables

Receivables are initially shown at fair value, which coincides with their face value less any impairment. For trade receivables, an impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the Company will not be able to recover all amounts due under

the original terms and conditions. The carrying amount of the receivable is reduced by means of a separate provision. Impaired receivables are written off when they are found to be irrecoverable.

→ 2.12 Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at face value or amortized cost. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity of no more than three months.

→ 2.13 Financial receivables and other current financial assets

These consist mainly of financial assets held to maturity. This category includes financial assets with fixed or determinate payments and a set maturity, that the company plans and is able to hold until that time. They are initially valued at cost, and subsequently at amortized cost.

→ 2.14 Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.

They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

→ 2.15 General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated. The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

→ 2.16 Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a

defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to a specific reserve in the statement of comprehensive income under "other comprehensive income." The Group does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Group does not offer employee incentive plans in the form of share participation instruments.

→ 2.17 Revenue

Revenue is recognized to the extent the Group is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the fair value of the consideration received, excluding discounts, rebates and taxes. The following recognition criteria must always be satisfied before revenue is posted to the income statement.

- Rent and business lease revenue

Rental income and business lease revenue from the Group's freehold and leasehold properties is recorded on an accruals basis, according to the leases in force.

- Service income

Service income is recorded with reference to the state of completion of the transaction and only when the outcome of the service can be reliably estimated.

- Revenue from property sales

Revenue from property sales is recognized in profit or loss upon transfer of ownership or, for lease-to-own agreements, when the property is delivered.

→ 2.18 Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

→ 2.19 Income taxes

a) Current taxes

Current tax liabilities for the present and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date. Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes

Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.

Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the

time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse. Income taxes relating to items that are credited or charged directly to equity are also charged or credited directly to equity and not to profit or loss.

→ 2.20 Earnings per share

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

Diluted earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding, in accordance with paragraphs 19 and 26, plus the weighted average number of shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

→ 2.21 Derecognition of financial assets and financial liabilities

a) Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;
- the Group has transferred the right to receive cash flows

from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Group's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that the Group could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

→ 2.22 Derivative financial instruments

The Group holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities. In accordance with IAS 39, derivative financial instruments used for hedging qualify for hedge accounting only if:

- a) at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- b) the hedge is expected to be highly effective;
- c) the effectiveness of the hedge can be reliably measured;
- d) the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value. When the financial instruments qualify for hedge accounting, the following rules apply:

Fair value hedge - If a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in profit or loss. The part of the gain or loss from remeasuring the hedged item at fair value that is attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable, the effective portion of the gain or loss from remeasuring the instrument at fair value is recognized in a separate equity reserve. The cumulative gain or loss is reversed from the equity reserve and transferred to profit or loss the same year that the effects of the hedged transaction are recognized in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. If a hedging instrument is closed but the hedged transaction has not yet taken place, the cumulative gains and losses remain in the equity reserve and are

restated to profit or loss when the transaction is realized or when a loss in value occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized in the equity reserve are immediately reclassified to profit or loss.

If hedge accounting does not apply, the gains or losses arising from measurement at fair value of the derivative financial instrument are recognized directly to profit or loss.

→ 2.23 SIIQ status

A company defined as an SIIQ (*Società di Investimento Immobiliare Quotata*, similar to a real estate investment trust or REIT), pursuant to Law 296 of 27 December 2006 (as amended) and Ministry Decree 174 of 7 September 2007, can exclude rental income and the equivalent for the purposes of IRES (corporate income tax) and IRAP (regional business tax).

On 16 April 2008, IGD SIIQ S.p.A., which meets the organizational, ownership and statutory requirements, opted for this special status.

At the close of 2016, as at the end of previous years since 2008, it satisfied the financial and earnings parameters set by law and thus met the objective requirements (see Note 9 of the separate financial statements).

In demanding that property rentals and the equivalent (known as "exempt operations") be the prevailing factor in a company's income statement and statement of financial position, SIIQ rules do not require that they be its sole activity.

IGD SIIQ S.p.A. does maintain marginal operations other than property rental and the equivalent ("taxable operations").

Income from taxable operations has been subject to the standard rules of computation, while the rules stated in paragraphs 119 *et seq.* of Law 296/06 and its implementation decree have been followed for income from exempt operations, taking account of the changes introduced by Decree Law 133 of 12 September 2014, converted with amendments into Law 164 of 11 November 2014.

To distinguish the results of separate operations, subject to different accounting and tax treatment in accordance with paragraph 121 of Law 296/06, IGD SIIQ S.p.A. has kept separate accounts for exempt rental operations and taxable marginal operations.

In keeping with the accounting standards, income from exempt operations include revenue and costs typical of the property rental business, as well as those typical of operations considered to be equivalent.

Likewise, revenue and costs stemming from the company's remaining activities have been allocated to taxable operations.

Under the rules introduced by Law 164 of 11 November 2014 ("*Conversion into law, with amendments, of Decree 133 of 12 September 2014*"), capital gains and losses on rental properties (whether realized or implicit in fair value measurements) are also included in exempt operations.

In accordance with paragraph 121 of Law 296/06 and with the recommendations contained in Revenue Office Circular 8/E of 7 February 2008, general, administrative and financial costs that cannot be directly attributed to exempt or taxable operations or allocated on the basis of objective parameters have been split according to the ratio of exempt revenue/income/dividends to total revenue/income/dividends.

As for properties (owned or held on the basis of other corporeal rights) forming part of rental package deals, the accurate and objective determination of the portion of fees pertaining to the real estate component has been ensured by making the exempt/taxable allocation on the basis of an expert appraisal to quantify the fair value of fees at each property that pertain to rent.

Likewise, the costs common to package deals as a whole

(such as shopping center promotion and advertising costs) have been allocated to exempt and taxable operations in the same proportions used for rent. In this specific case, such a policy was thought to be more representative than an allocation based on the company's total revenue. Since these costs relate directly to the package deals and not to IGD's operations as a whole, their correlation with contractual fees is immediate and objective.

3. Use of estimates

The preparation of the consolidated financial statements and notes in accordance with IFRS requires Management to follow accounting policies and methods that in some cases depend on difficult subjective quantifications and estimates based on past experience, and assumptions that are considered reasonable and realistic on a case-by-case basis. These affect the carrying values of assets and liabilities and disclosures of contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.

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

→ Investment property and inventory

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms with acknowledged professional qualifications and in-depth knowledge of the characteristics of the properties appraised. To that end, on 8 May 2016 the Board of Directors of IGD SIIQ S.p.A. hired CBRE Valuation S.p.A., Real Estate Advisory Group S.p.A., Jones Lang LaSalle, and Cushman & Wakefield, specialized in the appraisal of investment property, to prepare a report from which the company can determine the fair value of the currently rented portions of shopping centers, malls, hypermarkets, supermarkets, fitness zones, stores, offices, and land. The periodic appraisals are conducted according to an internal procedure that governs the entire process of valuing investment property at fair value: criteria for the selection and appointment of independent appraisers, protocol for extending assignments, protocol for sharing information and documents between the company and the independent appraisers, and overall monitoring and responsibility. The appraisers' contracts define valuation criteria and methods, the means and timing of physical inspections and any other checks of the appraised properties, and the specific reasoning for the method(s) used to appraise the individual asset. The main information required by the appraisers includes, for rented properties, the rental status of each unit in each shopping center; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs. For construction in progress, the information concerns the start

and end dates of the work, the status of building permits and authorizations, remaining costs, the state of progress, the ribbon-cutting date and projected rentals. The independent appraisers formulate their own assumptions, such as inflation rates, discount rates and capitalization rates, on the basis of their professional judgment. The following are taken into account when determining the capitalization and discounting rates used to value individual properties:

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

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

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

→ Recoverable amount of goodwill

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

→ Recoverability of deferred tax assets

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

→ Fair value of derivative instruments

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

→ Variable revenue

Variable revenue at 31 December is determined on the basis of annual earnings reports from the individual tenants, if available, and otherwise on the basis of monthly reports.

→ Provision for doubtful accounts

The provision for doubtful accounts reflects estimated losses on receivables. Management closely monitors the

quality of the receivables portfolio and the current and prospective conditions of the economy and IGD's markets. Estimates and assumptions are reviewed on a regular basis and any changes are reflected in the income statement of the pertinent year.

→ Contingent liabilities

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

The Group monitors the status of such litigation and consults with its attorneys and with experts in law and taxation.

4. Segment reporting

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

	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
INCOME STATEMENT	CORE BUSINESS PROPERTIES		SERVICES		"PORTA A MARE" PROJECT		UNSHARED		TOTAL	
Total revenues and operating income	131,296	121,142	5,529	5,085	1,999	2,289	0	0	138,824	128,516
Change in inventories of work in progress	0		0		247	(559)	0	0	247	(559)
Direct costs (a) (excluding provisions for doubtful accounts)	24,978	24,460	4,907	4,612	2,711	1,913	0	0	32,597	30,984
G&A expenses (b)							11,286	11,106	11,286	11,106
Total operating costs (a)+(b)	24,978	24,460	4,907	4,612	2,711	1,913	11,286	11,106	43,883	42,090
(Depreciations, amortization and provisions)	(2,155)	(2,790)	(47)	(104)	(5)	5	(269)	(283)	(2,477)	(3,173)
(Impairment losses)/ Reversals on work in progress and inventories	(127)	(582)	0	0	(3,681)	(1,658)	0	0	(3,808)	(2,240)
Change in fair value - increases/(decreases)	23,389	3,778	0	0	0	0	0	0	23,389	3,778
Total depreciations, amortizations, provisions, impairment and fair value changes	21,107	406	(47)	(104)	(3,686)	(1,653)	(269)	(283)	17,104	(1,635)
EBIT	127,425	97,089	574	369	(4,151)	(1,836)	(11,556)	(11,389)	112,292	84,232
Result from equity investments and assets' disposal							(236)	190	(236)	190
Financial income:							272	92	272	92
- third parties							267	87	267	87
- related parties							5	5	5	5
Financial charges:							42,380	39,624	42,380	39,624
- third parties							42,340	39,555	42,340	39,555
- related parties							40	69	40	69
Net financial income							(42,108)	(39,532)	(42,108)	(39,532)
PRE-TAX INCOME	127,425	97,089	574	369	(4,151)	(1,836)	(53,900)	(50,731)	69,948	44,890
Income taxed							3,044	(310)	3,044	(310)
NET PROFIT FOR THE PERIOD	127,425	97,089	574	369	(4,151)	(1,836)	(56,944)	(50,421)	66,904	45,200
Non-controlling interest in (profit)/loss for the period									1,425	439
Net profit of the Parent Company for the period	127,425	97,089	574	369	(4,151)	(1,836)	(56,944)	(50,421)	68,329	45,639

STATEMENT OF FINANCIAL POSITION	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
	CORE BUSINESS PROPERTIES		SERVICES		"PORTA A MARE" PROJECT		UNSHARED		TOTAL	
- Real estate investment	2,050,728	1,970,028	0	0	0	0	0	0	2,050,728	1,970,028
- Assets under construction	75,004	50,533	0	0	0	0	0	0	75,004	50,533
Intangible assets	11,656	11,655	1,007	1,007	3	7	54	67	12,720	12,736
Other tangible assets	2,539	3,043	133	234	3	4	8,374	8,618	11,049	11,899
- Sundry receivables and other non-current assets	0	0	0	0	0	0	89	90	89	90
- Equity investments	1,602	1,706	0	0	0	0	83	4,660	1,685	6,366
NWC	(935)	(15,016)	915	975	56,398	65,838	0	0	56,378	51,797
Funds	(6,188)	(5,625)	(1,283)	(1,099)	(23)	(10)	0	0	(7,494)	(6,734)
Sundry payables and other non-current liabilities	(18,725)	(20,234)	0	0	(5,931)	(6,226)	0	0	(24,656)	(26,460)
Net deferred taxes (assets)/liabilities	(24,473)	(20,810)	0	0	2,572	2,563	0	0	(21,901)	(18,247)
Total use of funds	2,091,209	1,975,280	772	1,117	53,022	62,176	8,600	13,435	2,153,602	2,052,008
Total group net equity	1,038,787	992,968	(276)	(92)	22,189	29,177	(0)	0	1,060,701	1,022,053
Non-controlling interests in capital and reserves	0	0	0	0	8,725	10,150	0	0	8,725	10,150
Net (assets) and liabilities for derivative instruments	28,748	34,990	0	0	0	0	0	0	28,748	34,990
Net debt	1,023,673	947,322	1,048	1,209	22,107	22,849	8,600	13,435	1,055,428	984,815
Total sources	2,091,209	1,975,280	772	1,117	53,022	62,176	8,600	13,435	2,153,602	2,052,008

REVENUES FROM FREEHOLD PROPERTIES	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
	NORTHERN ITALY		CENTER/SOUTHERN ITALY AND ISLANDS		ABROAD		TOTAL	
Lease and rental income	58,377	50,697	48,719	47,264	8,857	8,506	115,953	106,467
One-off revenues	12	41	41	110	0	0	53	151
Temporary location rents	1,580	1,238	1,111	962	0	0	2,691	2,200
Other rental income	52	(62)	92	(16)	43	124	187	46
Total	60,021	51,915	49,963	48,320	8,900	8,630	118,884	108,865

Notes to the consolidated financial statements

Revenue and other income

	Note	31/12/2016	31/12/2015	CHANGE
Revenues:	1	131,296	121,142	10,154
- from third parties		89,302	79,684	9,618
- from related parties		41,994	41,458	536
Other income:	2.1	5,529	5,085	444
- from third parties		3,836	3,295	541
- from related parties		1,693	1,790	(97)
Revenues from trading property sale	2.2	1,999	2,289	(290)
Total revenues and other operating income		138,824	128,516	10,308

In 2016 the IGD Group earned revenue and other income of €138,824K, including €1,999K from property sales. Most of the increase on the previous year (€10,308K) stems from positive changes in real estate holdings, with

the purchase of the Puntadiferro mall in Forlì in December 2015, the opening of the Maremà mall in Grosseto on 27 October 2016, and the full-year contribution of Clodi Retail Park in Chioggia that opened in May 2015.

Note 1) Revenue

		31/12/2016	31/12/2015	CHANGE
Freehold hypermarkets - Rents and business leases from related parties	a.1	38,157	37,836	321
Leasehold hypermarkets - Business leases from related parties	a.2	118	118	0
Freehold supermarket - Rents and business leases from related parties	a.3	1,699	1,699	0
TOTAL HYPERMARKETS/SUPERMARKETS	a	39,974	39,653	321
Freehold malls, offices and city center Rents	b.1	76,148	66,969	9,179
Related parties		956	945	11
Third parties		15,827	15,535	292
Business leases		59,365	50,489	8,876
Related parties		663	488	175
Third parties		58,702	50,001	8,701
Leasehold malls	b.2	11,636	11,407	229
Rents		588	584	4
Related parties		116	116	0
Third parties		472	468	4
Business leases		11,048	10,823	225
Related parties		244	214	30
Third parties		10,804	10,609	195
Other contracts and temporary rents	b.3	3,538	3,113	425
Other contracts and temporary rents		3,497	3,071	426
Other contracts and temporary rents - related parties		41	42	(1)
TOTAL MALLS	b	91,322	81,489	9,833
GRAND TOTAL	a+b	131,296	121,142	10,154
of which related parties		41,994	41,458	536
of which third parties		89,302	79,684	9,618

Rent and business lease revenue increased by €10,154K for the year.

Rent from freehold hypermarkets and supermarkets was up by €321K, due to the full-year contribution of the hypermarket at Clodi Retail Park in Chioggia.

Rent and business lease revenue from freehold malls, offices and city center properties increased by €9,833K, chiefly as a result of: (i) higher revenue due to the acquisition of the Puntadiferro mall in December 2015, the opening of the Maremà mall in Grosseto on 27

October 2016, and the contribution for the full 12 months of Clodi Retail Park, opened in May 2015; (ii) the good performance of properties that have now been restyled and expanded; and (iii) revenue growth in Romania thanks to higher occupancy and an average 1.1% upside on contract renewals. These positive factors were partially offset by the disposal of City Center Rizzoli at the end of May 2015.

For further information, see the income statement review (section 2.2.1) in the Directors' Report.

Note 2.1) Other income

	31/12/2016	31/12/2015	CHANGE
Facility management revenues	3,316	3,135	181
Portfolio and rent management revenues	7	0	7
Pilotage and construction revenues	405	140	265
Marketing revenues	12	0	12
Other revenues	96	20	76
Other income from third parties	3,836	3,295	541
Other refunds - related parties	0	9	(9)
Facility management revenues - related parties	1,597	1,606	(9)
Pilotage and construction revenues	4	48	(44)
Portfolio and rent management revenues - related parties	36	41	(5)
Marketing revenues	56	86	(30)
Other income from related parties	1,693	1,790	(97)
Total other income	5,529	5,085	444

Other income increased by €444K, due mainly to the rise in facility management revenue (+€172K considering both third parties and related parties) as a result of new contracts for leasehold properties such as Poseidon and I Portici and for the newly opened Maremà mall, as well as the full-year contribution of the facility management contract for Clodi

Retail Park.

The increase was also caused by pilotage revenue from third parties (+€265K), mainly for the opening of the Maremà shopping center in Grosseto, which was partially offset by the decrease in related party pilotage revenue after the opening of Clodi Retail Park in May 2015.

Note 2.2) Income from the sale of trading properties

This came to €1,999K in 2016 and concerns six residential units and six enclosed garage units in the Mazzini section of Porta a Mare, compared with

seven residential units, seven enclosed garage units and one parking space sold the previous year.

Note 3) Service costs

	31/12/2016	31/12/2015	CHANGE
Third parties service costs	20,543	20,303	240
Paid rents	10,320	10,235	85
Promotional and advertising expenses	661	814	(153)
Centers management expenses for vacancies	1,191	1,426	(235)
Centers management expenses for ceiling to tenants' costs	1,629	1,409	220
Facility management administration costs	633	631	2
Insurances	659	637	22
Professional fees	227	201	26
Directors' and statutory auditors' fees	845	819	26
External auditinf fees	198	209	(11)
Investor relations, Consob, Monte Titoli costs	376	374	2
Shopping centers pilotage and construction costs	199	50	149
Consulting	809	812	(3)
Real estate appraisals fees	466	474	(8)
Maintenance and repairs	290	300	(10)
Other costs for services	2,040	1,912	128
Related parties service costs	2,098	1,957	141
Promotional and advertising expenses	0	25	(25)
Service	297	298	(1)
Centers management expenses for vacancies	668	717	(49)
Centers management expenses for ceiling to tenants' costs	964	764	200
Insurances	68	67	1
Directors' and statutory auditors' fees	101	86	15
Total costs for services	22,641	22,260	381

Service costs rose by €381K for the year.

The largest increases concerned "facility management costs for tenant expense ceilings" (reflecting the greater number of contracts setting a limit on tenants' expenses); pilotage costs, for work done in 2016 in relation to the new Maremà mall; and "Other service costs," for professional services associated with marketing at Puntadiferro. The main decreases concerned promotional expenses and facility management costs for unlet space, due to the rise in occupancy.

Rent paid refers mostly to:

- the Fonti del Corallo mall in Livorno, rented since 2014 from BNP Paribas Real Estate Investment Management Italy SGR S.p.A., under a 24-year lease ending on 25 February 2038

(with an early withdrawal option at the halfway mark on 25 February 2026) that will automatically renew upon expiration for another six years (until 25 February 2044). Rent is set at €3,325K for six years and will then be adjusted by 100% of the ISTAT index;

- the Centro Nova mall, rented since 1 March 2009 from Compagnia Sviluppo Industriali ed Immobiliari S.p.A. and Les Copains Holdings S.p.A. under a six-year lease renewable for a further six years at a time, for which rent during the year amounted to €4,319K;
- the Centro Piave mall, rented since 1 July 2004 from Nova Immobiliare S.r.l. under a six-year lease renewable for a further six years at a time, for which rent during the year came to €2,378K.

Note 4) Cost of labor

	31/12/2016	31/12/2015	CHANGE
Wages and salaries	6,762	6,379	383
Social security	1,894	1,805	89
Severance pay	377	419	(42)
Other costs	213	210	3
Total personnel costs	9,246	8,813	433

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

Severance pay includes contributions to supplementary funds in the amount of €103K.

The workforce is broken down by category below:

DIVISION OF WORKFORCE BY CATEGORY	31/12/2016	31/12/2015
Executives	6	5
Middle managers	25	25
White collars	139	136
TOTAL	170	166

Note 5) Other operating costs

	31/12/2016	31/12/2015	CHANGE
IMU/TASI/Property tax	8,631	8,396	235
Other taxes	88	88	0
Contract registrations	369	376	(7)
Out-of-period (income)/charges	13	(8)	21
Membership fees	126	122	4
Losses on receivables	42	79	(37)
Fuels and tolls	179	171	8
Other costs	188	219	(31)
Total other operating costs	9,636	9,443	193

The change in other operating costs is due mostly to the municipal tax on freehold properties (IMU), which increased with the purchase of the Maremà mall

in the fourth quarter, as well as the full-year impact of Clodi Retail Park and Puntadiferro.

Note 6) Change in work in progress inventory

	31/12/2016	31/12/2015	CHANGE
Construction costs for the period	2,360	1,574	786
Change in inventories for disposal	(2,113)	(2,133)	20
Change in work in progress inventories	247	(559)	806

The change in work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno came

to €247K due to the sale of residential units (see Note 2.2), net of the advancement of works for the period.

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

	31/12/2016	31/12/2015	CHANGE
Amortization of intangible assets	(30)	(43)	13
Amortization of tangible assets	(1,088)	(1,221)	133
Provisions for doubtful accounts	(1,205)	(1,498)	293
Provision for risks and other charges	(154)	(411)	257
Total amortizations and provisions	(2,477)	(3,173)	696
(Impairment losses)/Reversals on work in progress and inventories	(3,808)	(2,240)	(1,568)
Fair value changes	23,389	3,778	19,611
Total depreciations, amortizations, provisions, impairment and fair value changes	17,104	(1,635)	18,739

- Depreciation and amortization decreased by €146K due to the conclusion of the depreciation process for plant and equipment.
- The allocation to the provision for doubtful accounts, €1,205K, was lower than the previous year's by €293K in consideration of the improved economic climate. The amount is determined by evaluating the individual positions of clients in order to adjust them to estimated realizable value, and decreased to reflect the reduction in impaired receivables. See Note 23 for changes in this provision.
- Other provisions refer to the estimated outcome of two IMU (municipi-

pal property tax) disputes regarding Le Maioliche (Faenza) and La Torre (Palermo) shopping centers, amounting to €194K, net of the reversal of €40K in prior-year provisions for a dispute that is no longer pending.

- "(Impairment losses)/reversals on work in progress" (-€3,808) cover the following: (i) an impairment loss of €127K for the expansion of Porto Grande (see Note 17), to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 31 December 2016; (ii) an impairment loss of €3,681K regarding work in progress inventory for the Porta a Mare project, to bring carrying value into line with the lower

of cost and fair value as stated in the appraisal of 31 December 2016 (see Note 22).

- The item "Fair value changes" (€23,389K) covers: (i) a net revaluation of €25,036 (see Note 14) carried out to match the carrying value of investment property to its fair value at 31 December 2016; (ii) revaluations of €1,570 to match the carrying value of work in progress on the ESP Ravenna expansion to its fair value, as discussed in Note 17; (iii) a writedown of €3,217 to match the carrying value of work in progress on Officine Storiche to its fair value, as discussed in Note 17.

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

	31/12/2016	31/12/2015	CHANGES
Result from building San Benedetto/ (Rizzoli 2015) disposal	3	(292)	295
Punta di Ferro negative goodwill	0	366	(366)
Result from equity investment	(108)	63	(171)
Result from SGR disposal	(126)	0	(126)
Price adjustment on sale equity investments	(5)	53	(58)
Total result from equity investment and asset disposal	(236)	190	(426)

The overall loss of €236K derives mostly from: (i) the amount relating to the sale of the investment in UnipolSai Investimenti SGR S.p.A., with the exercise of the purchase option by UnipolSai Assicurazioni S.p.A.; (ii) the

results of investments accounted for using the equity method; and (iii) the price adjustment on the sale of the joint venture RGD to reflect a second allotment received.

Note 9) Financial income and charges

	31/12/2016	31/12/2015	CHANGES
Bank interest income	202	17	185
Other interests income abd equivalents	26	26	0
Exchange gains	39	44	(5)
Total financial income to third parties	267	87	180
Interest income from related parties	5	5	0
Total financial income to related parties	5	5	0
TOTAL FINANCIAL INCOME	272	92	180

Financial income increased due mainly to time deposits paying 0.60% interest, and temporary excess cash resulting from the €300 million bond loan,

restricted until 28 November 2016 and also paying interest of 0.60%. Interest income from related parties is described in Note 40.

	31/12/2016	31/12/2015	CHANGES
Interest expenses on security deposits	28	69	(41)
Interest expenses on Coop Adriatica account	12	0	12
Total financial charges to related parties	40	69	(29)
Interest expenses to banks	238	217	21
Mortgage loan interests	9,349	13,012	(3,663)
Amortized mortgage loan costs	3,573	1,360	2,213
IRS spread	11,526	12,113	(587)
Amortized costs of the equity mortgage component	125	198	(73)
Bond financial charges	13,886	10,213	3,673
Bond amortized costs	2,370	1,525	845
Financial charges on leasing	64	80	(16)
Other interests and charges	1,109	697	412
Financial credit write-down	100	140	(40)
Total financial charges to third parties	42,340	39,555	2,785
TOTAL FINANCIAL CHARGES	42,380	39,624	2,756

Financial charges went from €39,624K in 2015 to €42,380K this year. Most of the increase of €2,756K concerns the financial charges on the €300 million bond loan issued on 31 May 2016, rating costs, and fees on committed revolving credit facilities. These were partially offset by the early repayment of various loans (BNP, Centrobanca for Coné hypermarket, Centrobanca and Banco Popolare di Verona for the subsidiary Porta Medicea). The unamortized transaction costs on the loans

paid back in full were taken to the income statement. Financial charges were also affected by decreased interest on interest rate swaps and lower charges on the bond loans due to the swap carried out in April 2015.

For 2016, the average cost of debt (without considering recurring and non-recurring transaction costs) was 3.30%, down from 3.67% the previous year, while the weighted average effective cost of debt went from 4.00% to 3.86%.

Note 10) Income taxes

	31/12/2016	31/12/2015	CHANGE
Current taxes	1,117	1,072	45
IRAP tax credit	(326)	(1,191)	865
Deferred tax liabilities	2,276	(1,640)	3,916
Deferred tax assets	(111)	1,349	(1,460)
Out-of-period income/charges - Provisions	88	100	(12)
Total income taxes for the period	3,044	(310)	3,354

Current and deferred taxes came to €3,044K, an increase of €3,354K with respect to 2015. The change is mostly due to the adjustment of deferred tax assets and deferred tax liabilities to reflect the disparity between fair value and the amount valid for tax purposes, caused by fair value adjustments on certain investment properties held by subsidiaries without SIQ status. The

amount due for IRAP, slightly higher than in 2015, allowed an additional conversion of the unused ACE benefit into a tax credit to be taken against IRAP.

Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2016 and 31 December 2015.

RECONCILIATION OF INCOME TAXES APPLICABLE TO PROFIT BEFORE TAXES	31/12/2016	31/12/2015
Pre-tax profit	69,948	44,890
<i>Theoretical tax charge (rate 27.5%)</i>	19,236	12,345
Profit resulting in the income statement	69,948	44,890
Increases:		
IMU - Property tax	7,529	7,187
Devaluation on ongoing projects and inventories	3,808	2,240
Other increases	7,604	10,072
Decreases:		
Change in tax-exempt income	(46,057)	(48,949)
Deductible depreciations	(7,183)	(6,976)
Positive fair value	(23,389)	(3,778)
Other changes	(7,846)	(46)
Taxable income	4,414	4,640
Use of ACE benefit	2,778	1,528
Taxable income net of losses	1,636	3,112
Lower current taxes recognized directly in equity	(33)	(33)
Current taxes of the year	683	776
Income from tax consolidation	0	(49)
Current IRES for the year (a)	683	727
Difference between value and cost of production	82,515	83,341
<i>Theoretical IRAP (3.9%)</i>	3,218	3,250
Difference between value and cost of production	82,515	83,341
Changes:		
Increases	16,213	13,634
Decreases	(6,739)	(8,170)
Changes in exempt income	(79,320)	(74,053)
Other deductions	(8,041)	(7,700)
Taxable income for IRAP purpose	4,628	7,052
Lower IRAP taxes recognized directly in equity	0	(2)
Current IRAP for the year (b)	434	345
Total current taxes (a+b)	1,117	1,072

Note 11) Earnings per share

As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings per share for profit or loss from continuing operations

attributable to the ordinary equity holders of IGD SIIQ S.p.A. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.

	31/12/2016	31/12/2015
Net profit attributable to Parent company shareholders	68,329	45,639
Diluted net profit attributable to Parent company shareholders	68,329	45,639
Weighted average number of ordinary shares for purposes of basic earnings per share	813,045,631	758,375,361
Weighted average number of ordinary shares for purposes of diluted earnings per share	813,045,631	758,375,361
Basic earnings per share	0.084	0.060
Diluted earnings per share	0.084	0.060

Note 12) Intangible assets with finite useful lives

	BALANCE AT 01/01/2015	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICATIONS	BALANCE AT 31/12/2015
Intangible assets with finite useful lives	82	35	0	(43)	0	74

	BALANCE AT 01/01/2016	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Intangible assets with finite useful lives	74	14	0	(30)	0	58

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of trademarks used by the Group, which are amortized over 10 years, and of business software, amortized over 3 years. In

2016 there were no impairment losses or reversals on intangible assets. Increases refer to: (i) the purchase of business/financial software for €12K; (ii) the trademark of the new Maremà shopping center in Grosseto for €2K.

Note 13) Goodwill

	BALANCE AT 01/01/2015	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2015
Goodwill	12,662	0	0	0	12,662

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Goodwill	12,662	0	0	0	12,662

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

Below is the breakdown of goodwill by CGU at 31 December 2016:

GOODWILL	31/12/2016	31/12/2015
Millennium s.r.l.	3,952	3,952
Winmagazin S.A.	5,409	5,409
Winmarkt management s.r.l.	1	1
Fonti del Corallo	1,300	1,300
Centro Nova	546	546
San Donà	448	448
Service	1,006	1,006
Total	12,662	12,662

Goodwill for Millennium and Winmagazin refers to consolidation differences arising upon acquisition and first-time consolidation of the corresponding legal entities. The recoverability of the goodwill allocated to these CGUs has been analyzed on the basis of the property appraisals by CBRE Valuation S.p.A., REAG S.p.A., Jones Lang LaSalle, and Cushman & Wakefield in accordance with the criteria described in Note 14 below. Specifically, this goodwill covers the possibility to sell properties owned by the subsidiaries (through the equity investment) without incurring

taxes. Therefore, recoverability derives from the tax savings that could be achieved from the investment's sale, and is measured on the basis of the deferred tax provision covering the higher book value of the property with respect to the tax-deductible amount. Goodwill for the CGUs Fonti del Corallo, Centro Nova, San Donà, Service, and Winmarkt Management pertains to business management for properties not owned by the Group, as well as services (facility management) provided at shopping centers owned by the Group and by third parties. The figures were

retested for impairment during preparation of the financial statements. Value in use was calculated by projecting cash flows estimated in the 2017 budget and, for 2018, in the 2016-2018 business plan approved by the Board of Directors on 10 May 2016. The discount rate (WACC) was 4.33%; the risk premium contained in the cost of equity is 5.2%, while the borrowing rate used is the average rate of competitors or 2.41%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 14) Investment property

As required by IAS 40, the following table reconciles the opening and closing value of investment property, with

increases, decreases, and changes in fair value shown separately.

	BALANCE AT 01/01/2015	INCREASES	DECREASES	REVALUATIONS	IMPAIRMENT	RECLASSIFICA- TIONS	CHANGE CONSOLIDATION AREA	BALANCE AT 31/12/2015
Investment property	1,782,283	23,467	(1,204)	34,427	(30,718)	36,773	125,000	1,970,028

	BALANCE AT 01/01/2016	INCREASES	DECREASES	REVALUATIONS	IMPAIRMENT	RECLASSIFICA- TIONS	CHANGE CONSOLIDATION AREA	BALANCE AT 31/12/2016
Investment property	1,970,028	55,673	(390)	52,389	(27,353)	381	0	2,050,728

Changes for the year in investment property concern increases of €55,673K for the purchase of the Maremà mall on 13 December 2016 (€46,584K) and work carried out and completed (€9.089K), including: (i) purchase of an area and continuation of urban development works at the Chioggia retail park, for €976K; (ii) restyling and fit-out work and re-roofing of the multiplex at Centro Sarca mall, amounting to €733K; (iii) construction work at Esp shopping center (€653K); (iv) fit-out work for Città delle Stelle shop-

ping center in Ascoli, for €661K; (v) extraordinary maintenance at various shopping centers in Romania and preparatory work for the opening of a key tenant's store at the mall in Ploiesti (€2,345K); (vi) roofing and fit-out work at Mondovì Retail Park, amounting to €331K; (vii) construction work at Portogrande shopping center (€359K); (viii) construction and roofing work at Tiburtino shopping center (€1,041K); and (ix) other minor improvements (most notably at Conè mall, Centro Borgo mall and Lugo hypermarket),

totaling €1,990K. The balance also increased with the reclassification of €381K for work capitalized in prior years and now completed (including fit-out, multiplex roofing and BREEAM certification at Cento Sarca for €344K and extraordinary maintenance in Romania for €22K).

On 30 November, the "palazzina San Benedetto" (with a carrying value of €237K) was sold for €240K; along with other minor decreases, this reduced investment property by a total of €390K.

As for fair value adjustments, investment property was revalued in the amount of €52,389K and written down by €27,353K, for a net positive impact of €25,036K.

For the calculation of fair value, see section 2.5 ("The real estate portfolio") and the appraisals by CBRE Valuation S.p.A., REAG S.p.A., Jones Lang LaSalle, and Cushman & Wakefield in this Annual Report.

Fair value hierarchy

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

(Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). More specifically:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
 - (a) quoted prices for similar assets or liabilities in active markets;
 - (b) quoted prices for identical or similar assets or liabilities in markets that are not active;

• (c) inputs other than quoted prices that are observable for the asset or liability, for example:

- (i) interest rates and yield curves observable at commonly quoted intervals;
- (ii) implied volatilities; and
- (iii) credit spreads;

• (d) market-corroborated inputs.

• Level 3 inputs are unobservable inputs for the asset or liability.

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

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

FAIR VALUE MEASUREMENTS 31/12/2016	QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKET FOR IDENTICAL ASSETS OR LIABILITIES (LEVEL 1)	SIGNIFICANT INPUTS OBSERVABLE IN THE MARKET (LEVEL 2)	SIGNIFICANT INPUTS NOT OBSERVABLE IN THE MARKET (LEVEL 3)
Investment property Italy:			
Shopping malls and retail parks			1,211,598
City Center			23,500
Hypermarkets and supermarkets			646,093
Residual portions of property			4,627
Total investment property Italy			1,885,818
Investment property Romania:			
Shopping malls			162,310
PLOJESTI - Junior Office Building			2,600
Total Romania			164,910
IGD Group: Investment property			2,050,728
Total development initiatives			39,100
Porta a Mare project			
Porta a Mare project ⁽¹⁾			27,220
Total trading properties			27,220
Total IGD Group investment property measured at fair value			2,117,048

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

**Sensitivity analysis at
31 December 2016**

For properties carried at fair value, measurements are considered to be at Level 3 of the fair value hierarchy, as mentioned above. Quantitative infor-

mation on the impact of the most significant unobservable inputs (discount rate and gross cap out) is provided below: Amounts reflect the increase or decrease in the value of the real estate portfolio, distinguished by asset class.

ASSET CLASS	HYPERMARKETS AND SUPERMARKETS	SHOPPING MALLS AND RETAIL PARKS	CITY CENTER	INVESTMENT PROPERTY ROMANIA	TOTAL
Market value at 31/12/2016 +0.5 discount rate	-24,836	-52,429	-900	-6,090	-84,255
Market value at 31/12/2016 -0.5 discount rate	25,955	49,453	800	6,470	82,678
Market value at 31/12/2016 +0.5 Gross cap out	-29,011	-53,649	-1,100	-5,280	-89,040
Market value at 31/12/2016 -0.5 Gross cap out	34,360	57,327	1,200	6,150	99,037
Market value at 31/12/2016 +0.5 discount rate +0.5 Gross cap out	-52,229	-100,189	-1,900	-11,170	-165,487
Market value at 31/12/2016 -0.5 discount rate -0.5 Gross cap out	62,111	113,387	2,100	13,020	190,618
Market value at 31/12/2016 +0.5 discount rate -0.5 Gross cap out	8,219	4,769	300	-280	13,009
Market value at 31/12/2016 -0.5 discount rate +0.5 Gross cap out	-4,764	-4,437	-300	990	-8,512

Note 15) Buildings

	BALANCE AT 01/01/2015	INCREASES	DECREASES	DEPRECIATION	BALANCE AT 31/12/2015
Historical cost	10,114				10,114
Accumulated depreciation	(1,253)			(243)	(1,496)
Net carrying value	8,861	0	0	(243)	8,618

	BALANCE AT 01/01/2016	INCREASES	DECREASES	DEPRECIATION	BALANCE AT 31/12/2016
Historical cost	10,114				10,114
Accumulated depreciation	(1,496)			(244)	(1,740)
Net carrying value	8,618	0	0	(244)	8,374

This item refers to the lease-to-own purchase of the building that houses IGD

SIQ S.p.A.'s head office. The only movement during the year was depreciation.

Note 16) Plant and machinery, equipment, and leasehold improvements

	BALANCE AT			CHANGE IN CURRENCY			BALANCE AT			BALANCE AT		
	01/01/15	01/01/15	01/01/15	TRANSLATION			31/12/15	31/12/15	31/12/15			
	Historical cost	Accumulated depreciation	Net carrying value	Historical cost increases	Accumulated depreciations increases	2015 Depreciations	Historical cost	Accumulated depreciation	Historical cost	Accumulated depreciation	Net carrying value	
Plants and machinery	2,901	(2,428)	473	44		(208)			2,945	(2,636)	309	
Equipment	5,222	(3,124)	2,098	148	(43)	(496)	(12)	4	5,358	(3,659)	1,699	
Leasehold improvements	2,884	(1,370)	1,514	33		(274)			2,917	(1,644)	1,273	

	BALANCE AT			CHANGE IN CURRENCY			BALANCE AT			BALANCE AT		
	01/01/16	01/01/16	01/01/16	TRANSLATION			31/12/16	31/12/16	31/12/16			
	Historical cost	Accumulated depreciation	Net carrying value	Historical cost increases	Accumulated depreciations increases	2016 Depreciation	Historical cost	Accumulated depreciation	Historical cost	Accumulated depreciation	Net carrying value	
Plants and machinery	2,945	(2,636)	309	166		(143)			3,111	(2,779)	332	
Equipment	5,358	(3,659)	1,699	94	(42)	(426)	(5)	3	5,447	(4,124)	1,323	
Leasehold improvements	2,917	(1,644)	1,273	22		(275)			2,939	(1,919)	1,020	

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year and purchases worth €282K.

Leasehold improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the lease.

Note 17) Assets under construction

	BALANCE AT 01/01/2015	INCREASES	DECREASES	RECLASSIFICATIONS	(IMPAIRMENT LOSSES)/ REVERSALS	FAIR VALUE CHANGES	CURRENCY TRANSLATION GAIN/LOSSES	BALANCE AT 31/12/2015
Assets under construction	78,664	5,183	(14)	(36,773)	(582)	69	9	46,556
Advance payments	3,515	830	(368)					3,977
Assets under construction and advance payments	82,179	6,013	(382)	(36,773)	(582)	69	9	50,533

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFICATIONS	(IMPAIRMENT LOSSES)/ REVERSALS	FAIR VALUE CHANGES	CURRENCY TRANSLATION GAIN/LOSSES	BALANCE AT 31/12/2016
Assets under construction	46,556	21,963		5,499	(127)	(1,647)	0	72,244
Advance payments	3,977	547	(1,764)					2,760
Assets under construction and advance payments	50,533	22,510	(1,764)	5,499	(127)	(1,647)		75,004

Assets under construction increased due to finished works and investments still in course for a total of €21,963K, including: (i) planning and design for the expansion of Gran Rondò shopping mall in Crema (€1.134K); (ii) ongoing work at Officine Storiche (Porta a Mare, €6,146K); (iii) the continued expansion of Esp in Ravenna (€14,029K); (iv) improved earthquake resistance at Darsena (€648K) and other minor improvements (€1,006K), mostly for earthquake proofing at various shop-

ping centers in Italy and roofing work at Katanè shopping center. Advances received during the year amounted to €547K. The decreases shown for advances (€1,764K) mostly reflect construction progress on the Esp expansion and on Officine Storiche. Because of the variance to the Officine Storiche construction permit (see section 2.4 Significant events - Porta a Mare project), it was necessary to reclassify €5,880K from Work in progress inventory and advances to

Assets under construction (Officine Storiche retail section). This item also includes the investments completed during the year and reclassified to Investment property in the amount of €381K, bringing the balance of reclassifications to +€5,499K.

The Porto Grande expansion, recognized using the adjusted cost method, was written down by €127K to bring

carrying amounts into line with the lower of cost and appraised fair value. Of the projects nearing completion, which are measured at fair value, the Esp expansion in Ravenna was revalued by €1,570K and the Officine Storiche section of Porta a Mare was written down by €3,217K. See section 2.5 on the real estate portfolio for further details.

Note 18) Deferred tax assets and deferred tax liabilities

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

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

	31/12/2016	31/12/2015	CHANGE
Deferred tax assets	10,938	12,303	(1,365)
Deferred tax liabilities	(10,174)	(6,916)	(3,258)
Net deferred tax assets	764	5,387	(4,623)

Deferred tax assets are shown in detail below:

	31/12/2016	31/12/2015	CHANGE
Capital operations	58	92	(34)
Taxed provisions	342	292	50
Interest rate swaps	6,493	7,935	(1,442)
Impairment losses on inventories	2,560	2,560	0
Impairment losses on equity investments and financial receivables	259	235	24
Loss from tax consolidation	1,163	1,163	0
Other effects	63	26	37
Total deferred tax assets	10,938	12,303	(1,365)

Deferred tax assets mainly originate from:

- taxed provisions, such as the provision for doubtful accounts and the bonus provision;
- the effect of writing down inventories to fair value;
- the recognition of deferred tax assets on mortgage hedging instruments

(IRS);
• tax losses carried forward.
Most of the change for the year reflects deferred tax assets on mortgage hedging instruments (IRS) due to the decrease in their negative fair value.

Below are the details of deferred tax liabilities:

	31/12/2016	31/12/2015	CHANGE
Tax effect on properties fair value	10,021	6,778	3,243
Tax effect on bond	15	15	0
Other effects	138	123	15
Total deferred tax liabilities	10,174	6,916	3,258

Deferred tax liabilities principally concern the difference between the fair value of investment property and its value for tax purposes. Most of the change relates to revaluations for the fair value adjustment of certain investment properties held by the Group companies IGD Management S.r.l. and

Millennium Gallery S.r.l.

The deferred tax liabilities shown in the statement of financial position also concern the difference between the fair value and the value for tax purposes of the investment properties of WinMagazin S.A. in Romania.

	31/12/2016	31/12/2015	CHANGE
Tax effect on fair value of Romanian properties	22,665	23,634	(969)
Total deferred tax liabilities	22,665	23,634	(969)

Note 19) Sundry receivables and other non-current assets

	31/12/2016	31/12/2015	CHANGES
Tax credit	0	4	(4)
Due to other	23	23	0
Security deposits	66	63	3
Total sundry receivables and other non-current assets	89	90	(1)

Sundry receivables and other non-current assets are essentially in line with the previous year.

Note 20) Equity investments

	31/12/2015	INCREASES	DECREASES	REVALUATIONS/ (WRITEDOWNS)	RECLASSIFICA- TIONS	31/12/2016
Equity investments in subsidiaries						
Consorzio Proprietari C.C.Leonardo	52					52
Consorzio Proprietari Fonti del Corallo	7					7
Consorzio C.C. i Bricchi	4					4
Consorzio Puntadiferro	6					6
Consorzio del Commendone	0	6				6
Arco Campus S.r.l.	1,507			(67)		1,440
Equity investments in associates						
Rgd Ferrara 2013 S.r.l.	51			(42)		9
Consorzio Millennium Center	4					4
UnipolSai Investimenti SGR S.p.A.	4,578	13	(4,591)			0
Equity investments in other companies	157	0	0	0	0	157
Total	6,366	19	(4,591)	(109)	0	1,685

The decrease in equity investments is due chiefly to the sale of UnipolSai Investimenti SGR S.p.A. on 9 September, when UnipolSai Assicurazioni S.p.A. exercised a call option on IGD's 20% interest in the

company, for €4,465,737.40. Impairment losses were charged during the year on Arco Campus S.r.l. and RGD Ferrara 2013 S.r.l., valued using the equity method.

Note 21) Non-current financial assets

	31/12/2016	31/12/2015	CHANGE
Non-current financial assets	393	493	(100)

This item contains the interest-free loan granted to Iniziative Bologna Nord S.r.l. (in liquidation) (€293K, net of a €380K writedown) and an inter-

est-bearing loan of €100K granted to Fondazione Virtus Pallacanestro Bologna.

Note 22) Work in progress inventory and advances

	31/12/2015	INCREASES	DECREASES	RECLASSIFICATIONS	WRITEDOWNS	31/12/2016
Porta a Mare project	67,024	2,360	(2,113)	(5,880)	(3,681)	57,710
Advances	44		(1)			43
Total work in progress and advances	67,068	2,360	(2,114)	(5,880)	(3,681)	57,753

Inventory for work in progress related to land, buildings and urban infrastructure works at the multifunctional complex in Livorno underwent: (i) an increase for work on the Officine Storiche section, totaling €2,360K. Specifically, digging was completed for the underground parking garage and

the slab work is nearly finished. The old Orlando industrial sheds in the same area continued to be secured, and urban infrastructure works were completed for the Mazzini/Officine complex (mainly the canal bridge and Piazza Orlando); (ii) a decrease for the final sale of six properties and six

enclosed garage units (€2,113K); (iii) a reclassification due to the construction permit variance (see Note 17), in the amount of -€5,880K; and (iv) a writedown to adjust carrying amount to the lower of cost and appraised fair value (€3,681K).

Note 23) Trade and other receivables

	31/12/2016	31/12/2015	Change
Trade and other receivables	26,463	28,112	(1,649)
Provision for doubtful accounts	(14,893)	(15,149)	256
Trade and other receivables	11,570	12,963	(1,393)

Trade receivables, gross of the provision for doubtful accounts, decreased by €1,393K with respect to 31 December 2015. IGD has received €180K plus VAT with the second and

definitive payment from the Darsena FM bankruptcy, and has therefore reversed to the income statement the excess provision against the Darsena account, in the amount of €180K. The

provision for doubtful accounts reflects recovery estimates on problem credits. Movements in the provision for doubtful accounts are shown below:

MOVEMENTS IN PROVISION FOR DOUBTFUL ACCOUNTS	31/12/2016	31/12/2015
Doubtful opening credits	15,149	15,673
Translation effect	(8)	(19)
Uses	(1,331)	(1,879)
Write-down/(uses) interest on late payments	18	(18)
Provisions	1,205	1,488
Darsena surplus	(180)	(354)
Transfers	40	0
Change in consolidation	0	258
Provisions for doubtful accounts at year-end	14,893	15,149

The following table shows receivables by geographical area:

	31/12/2016	31/12/2015
Receivables Italy	24,312	26,230
Provision for doubtful account	(13,091)	(13,370)
Net receivables Italy	11,221	12,860
Receivables Romania	2,151	1,882
Provision for doubtful account	(1,802)	(1,779)
Net receivables Romania	349	103

Note 24) Related party trade and other receivables

	31/12/2016	31/12/2015	CHANGES
Coop Alleanza 3.0 Soc. Coop.	157	49	108
Rgd Ferrara 2013 S.r.l.	348	355	(7)
Consorzio Leonardo	1	0	1
Consorzio I Bricchi	33	0	33
Adriatica Luce e Gas S.r.l.	26	11	15
Unicoop Tirreno Soc. Coop.	86	104	(18)
Consorzio del Commendone	35	0	35
Distribuzione Lazio Umbria S.r.l.	2	0	2
Librerie.Coop S.p.A.	21	9	12
Robintur S.p.A.	0	1	(1)
Consorzio Millenniun Center	12	7	5
Consorzio La Torre	1	8	(7)
Consorzio Crema	131	144	(13)
Consorzio Porta a Mare	57	63	(6)
Consorzio Katané	207	338	(131)
Consorzio Lame	0	1	(1)
Consorzio Cone'	0	20	(20)
Consorzio Clodi	8	0	8
Consorzio Punta di Ferro	6	0	6
Consorzio Sarca	5	1	4
Related parties trade and other receivables	1,136	1,111	25

See Note 40 for details.

Note 25) Other current assets

	31/12/2016	31/12/2015	CHANGES
<i>Tax credits</i>			
VAT credits	10,532	544	9,988
IRES credits	445	421	24
IRAP credits	1,223	1,124	99
<i>Due from others</i>			
Advances paid to suppliers	3	3	0
Accrued income and prepayments	583	436	147
Deferred costs	119	27	92
Other	207	577	(370)
Total current assets	13,112	3,132	9,980

Other current assets increased by €9,980K, due mainly to: (i) a higher VAT credit reflecting the purchase of the Maremà mall; (ii) an increase in accrued assets and prepayments for

costs not pertaining to the year; and (iii) a rise in deferred costs for pilotage work relating to the Esp expansion, to be reversed to profit and loss the year the new mall is opened.

Note 26) Financial receivables and other current financial assets

	31/12/2016	31/12/2015	CHANGES
Other financial assets	0	9,023	(9,023)
Financial receivables and other current financial assets	0	9,023	(9,023)
Other related parties	151	151	0
Financial receivables and other current financial assets - related parties	151	151	0

Other financial assets decreased as a result of the time deposits by Punta di Ferro, totaling €9 million and paying 0.60% interest, which matured on 31 May 2016. Financial assets from

related parties refer to the €150K loan granted to RGD Ferrara 2013 S.r.l., along with interest calculated at the 3-month Euribor plus 350 basis points.

Note 27) Cash and cash equivalents

	31/12/2016	31/12/2015	CHANGES
Cash and cash equivalents	2,994	23,480	(20,486)
Cash on hand	90	123	(33)
Total cash and cash equivalents	3,084	23,603	(20,519)

Cash and cash equivalents at 31 December 2016 consisted mainly of current account balances at banks. The change was caused by the use of

cash to reduce short-term bank borrowings and to pay back mortgage loans ahead of schedule.

Note 28) Net equity

	31/12/2016	31/12/2015	CHANGE
Share capital	599,760	599,760	0
Share premium reserve	29,971	39,971	(10,000)
Other reserves	349,246	323,915	25,331
Legal reserve	119,952	109,952	10,000
Merger surplus reserve	0	3,956	(3,956)
Cash flow hedge reserve	(21,364)	(21,931)	567
Cash flow hedge reserve - subsidiaries	(673)	(3,197)	2,524
Bond issue reserve	29,596	29,806	(210)
Capital increase reserve	(6,156)	(6,156)	0
Recalculation of defined benefit plans	(154)	(18)	(136)
Recalculation of defined benefit plans - subsidiaries	(114)	(30)	(84)
Fair value reserve	232,522	213,204	19,318
Reserve available for asset disposal	0	2,662	(2,662)
Translation reserve	(4,363)	(4,333)	(30)
Group profit	81,724	58,407	23,317
Group profit (loss) carried forward	13,395	12,768	627
Group profit (loss) for the period	68,329	45,639	22,690
Total Group net profit	1,060,701	1,022,053	38,648
Non-controlling interests in capital and reserves	10,150	10,589	(439)
Non-controlling interests in profit (loss)	(1,425)	(439)	(986)
Capital and reserves of non-controlling interests	8,725	10,150	(1,425)
TOTAL NET EQUITY	1,069,426	1,032,203	37,223

The following actions taken during the year were approved by the annual general meeting held to approve the 2015 financial statements: (i) removal of €10,000K from the share premi-

um reserve to supplement the legal reserve; (ii) addition of €10,000K to the legal reserve, as above, bringing it to the full amount required by Art. 2430 of the Italian Civil Code; (iii) reclassifi-

cation of €2,662K from the reserve available for asset disposal to profit carried forward; (iv) allocation of the parent's 2016 profit to the fair value reserve, in the amount of €19,318K;

and (v) distribution of €32,522K in dividends for 2015, through full use of the merger surplus reserve (€3,956K) and the bond issue reserve (€210K), and use of profit carried forward for the remainder.

Net equity also changed due to

the adjustment of cash flow hedge reserves for outstanding derivatives (+€567K for the parent company and +€2,524K for a subsidiary), the adjustment of the reserve for the redetermination of defined benefit plans (-€22K), movements in the translation reserve

for the conversion of foreign currency financial statements (-€30K), the profit for the year allocable to owners of IGD SIIQ S.p.A. (€68,329K), and the loss allocable to non-controlling interests (€1,425K).

Note 29) Non-current financial liabilities

This item includes the non-current portion of floating-rate loans from banks, bonds, and amounts due to other lenders, as detailed below:

	DURATION	31/12/2016	31/12/2015	CHANGE
Mortgage loans		314,904	477,642	(162,738)
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	7,490	0	7,490
09 Interbanca IGD	25/09/2006 - 05/10/2021	57,023	70,004	(12,981)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	6,560	7,547	(987)
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	47,102	51,088	(3,986)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	7,644	8,245	(601)
01 Unipol SARCA	10/04/2007 - 06/04/2027	68,350	71,335	(2,985)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	20,168	21,572	(1,404)
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	18,896	20,498	(1,602)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	10,680	11,610	(930)
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	23,378	25,295	(1,917)
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	16,770	18,341	(1,571)
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	30,843	33,463	(2,620)
03 BPV Porta Medicea	02/08/2011 - 25/07/2026	0	6,751	(6,751)
23 Finanziamento BNP	03/12/2013 - 26/11/2018	0	131,893	(131,893)
Due to bonds		574,141	282,349	291,792
Bond 122,90ML	07/05/2013 - 07/05/2017	0	6,722	(6,722)
Bond 22 ML	07/05/2013 - 07/05/2017	0	1,210	(1,210)
Bond 150 ML	07/05/2014 - 07/01/2019	124,192	123,849	343
Bond 162 ML	21/04/2015 - 21/04/2022	152,205	150,568	1,637
Bond 300 ML	31/05/2016 - 31/05/2021	297,744	0	297,744
Due to other sources of finance		4,251	4,939	(688)
Contingent liabilities for mall and business division		0	375	(375)
Sardaleasing for Bologna offices	30/04/2009 - 30/04/2027	4,251	4,564	(313)
Total financial liabilities with third parties		893,296	764,930	128,366

Mortgage loans

Mortgage loans are secured by properties. The change is due to the reclassification to current financial liabilities of the principal falling due in the next 12 months; the early repayment of the BPV loan in March 2016; the early repayment of the €135 million loan taken out by the subsidiary IGD Property SIIQ S.p.A. in November 2013, which

was repaid in two tranches (€29.65 million in May and €105.35 million in November); the renegotiation of the BNL Rimini loan, now to mature in 2021; and the reclassification to current financial liabilities of the bond loan maturing on 7 May 2017. The average interest rate on adjustable-rate mortgage loans at 31 December 2016 was 0.91%.

Bonds

The increase in this item refers to a new €300 million bond loan issued on 31 May 2016, the terms of which are reported in section 2.4 on significant events during the year. Additional transaction costs came to €2,538K. On 10 February 2016, the company contracted forward-starting interest rate swaps at 0.119% from various banks, for a total notional amount

of €300 million, to hedge interest rate risk on the highly probable future issue of a €300 million bond loan. The transaction was closed on 31 May 2016 and produced a cash flow hedge reserve of €1,659K. This will be taken to the income statement using the amortized cost method for the duration of the new bonds.

Details of outstanding bonds are presented in the table below:

DEBTS FOR BONDS	NON-CURRENT PORTION	CURRENT PORTION	BOND ISSUE	ANCILLARY COSTS AMORTIZATION AT 31/12/2016	FINANCIAL CHARGES AT 31/12/2016	NON-CURRENT PORTION	CURRENT PORTION	NOMINAL INTEREST RATE	ACTUAL INTEREST RATE
	31/12/2015	31/12/2015				31/12/2016	31/12/2016		
Bond 150 ML	124,900					124,900			
additional transaction costs	(1,051)			343		(708)			
coupon rate 31.12.15		4,747			(4,747)				
paid interests					4,840				
coupon rate 31.12.16					4,747		4,747		
Total Bond 150 ML	123,849	4,747	0	343	4,840	124,192	4,747	3.875%	4.17%
Bond 122,90ML	6,785						6,785		
additional transaction costs	(63)			47			(16)		
coupon rate 31.12.15		191			(191)				
paid interests					294				
coupon rate 31.12.16					192		192		
Total Bond 122,90ML	6,722	191	0	47	295	0	6,961	4.335%	5.07%
Bond 22 ML	1,215						1,215		
additional transaction costs	(5)			3			(1)		
coupon rate 31.12.15		34			(34)				
paid interests					53				
coupon rate 31.12.16					34		34		
Total Bond 22 ML	1,210	34	0	3	53	0	1,248	4.335%	4.63%
Bond 162 ML	162,000					162,000			
additional transaction costs	(11,432)			1,637		(9,795)			
coupon rate 31.12.15		2,979			(2,979)				
paid interests					4,293				
coupon rate 31.12.16					2,987		2,987		
Total Bond 162 ML	150,568	2,979	0	1,637	4,301	152,205	2,987	2.65%	3.94%
Bond 300 ML			300,000			300,000			
additional transaction costs			(2,538)	282		(2,256)			
coupon rate 31.12.15							0		
paid interests									
coupon rate 31.12.16					4,397		4,397		
Total Bond 300 ML			297,462	282	4,397	297,744	4,397	2.50%	2,80%*
* including the effect of the cash flow hedge reserve									
Total bonds	282,349	7,951	297,462	2,312	13,886	574,141	20,340		
Cash Flow Hedge reserve (bond 300 ML)			(1,659)	183		(1,476)			
Total financial charges				2,495	13,886				

Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2016.

PRODUCT REFERENCE PROPERTY	OWNER	TYPE OF PRODUCT COUNTERPARTY	START DATE END DATE	REPAYMENT FINANCIAL "COVENANT"	INDICA- TOR I)	INDICA- TOR II)	INDICA- TOR III)	INDICA- TOR IV)
04 BNL Rimini IGD	IGD SIIQ S.p.A.	Loan	06/09/2006	Straight-line amortization of principal € 2mn p.a.				
MALATESTA - Rimini		BNL Banca Nazionale del Lavoro	06/07/2021	Financial condition of IGD Siiq SpA: ratio of net debt (including derivative assets and liabilities) and difference between equity and dividends approved for the current year, must not exceed 2 through to maturity"	0.77			
05 BreBanca IGD	IGD SIIQ S.p.A.	Mortgage	23/11/2006	Amortization with increasing principal				
MONDOVICINO (mall)		Banca Regionale Europea	10/01/2023					
01 Unipol Larice	IGD Management s.r.l.	Mortgage	10/04/2007	Straight-line amortization of principal € 3mn; balloon payment € 40.7mn				
SARCA (mall)		Unipol Merchant	06/04/2027	Certified consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 2.3	1.01			
06 Unipol Lungosavio IGD	IGD SIIQ S.p.A.	Mortgage	31/12/2008	Amortization with increasing principal and balloon payment of € 3.6mn				
LUNGO SAVIO - Cesena (mall)		Unipol Merchant	31/12/2023					
07 Carige Nikefin Asti	IGD SIIQ S.p.A.	Mortgage	31/12/2008	Amortization with increasing principal and balloon payment of € 9.5mn				
I BRICCHI - Isola D'Asti (mall)		Banca Carige	31/03/2024					
08 Carisbo Guidonia IGD	IGD SIIQ S.p.A.	Mortgage	27/03/2009	Straight-line amortization of principal € 4.1 mn p.a.; balloon payment € 24mn				
TIBURTINO - Guidonia (mall + hypermarket)		Cassa di Risparmio di Bologna	27/03/2024	Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity	1.01			
09 Interbanca IGD	IGD SIIQ S.p.A.	Loan	25/09/2006	Amortization with increasing principal				
Hypermarkets LUGO - Ravenna, MAESTRALE - Senigallia, MIRALFIORE - Pesaro, CENTRO D'ABRUZZO - Pescara (hypermarket), LE PORTE DI NAPOLI - Afragola (hypermarket) - PORTOGRANDE (hyper.+mall), LEONARDO		GE Capital	05/10/2021	Consolidated financial statements: ratio of net debt (including derivative assets liabilities) to equity must not exceed 2 from 31/12/2006 to maturity	1.01			
10 Mediocredito Faenza IGD	IGD SIIQ S.p.A.	Loan	05/10/2009	Straight-line amortization of principal: € 0.94 mn p.a.				
LE MAIOLICHE - Faenza (Hypermarket)		Mediocredito banca SPA	30/06/2029	IGD Siiq SpA financial statements: ratio of external net debt to equity + intercompany loans must not exceed 2.7	1.07			

continue

continue

PRODUCT REFERENCE PROPERTY	OWNER	TYPE OF PRODUCT COUNTERPARTY	START DATE END DATE	REPAYMENT FINANCIAL "COVENANT"	INDICA- TOR I)	INDICA- TOR II)	INDICA- TOR III)	INDICA- TOR IV)
14 MPS Palermo Palermo (mall)	IGD SIQ S.p.A.	Mortgage Monte dei Paschi di Siena	21/12/2010 30/11/2025	Amortization with increasing principal and balloon payment of € 6.6mn Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.7 ii) loan to value ratio for the individual property must not exceed 70%	1.01	48.65%		
15 CentroBanca Coné Gall CONÈ (mall)	IGD SIQ S.p.A.	Loan CentroBanca	22/12/2010 31/12/2025	Straight-line amortization of princi- pal € 2.64mn p.a.; balloon payment € 10.56mn Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity no higher than 2	1.01			
13 CR Veneto Mondovì MONDOVICINO (Retail Park)	IGD SIQ S.p.A.	Mortgage Cassa di Risparmio del Veneto	08/10/2009 01/11/2024	Straight-line amortization of principal € 1.65mn p.a.; balloon payment € 8.55mn Certified consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6	1.01			
17 Carige Palermo IGD PALERMO (Hypermarket)	IGD SIQ S.p.A.	Mortgage Banca Carige	12/07/2011 30/06/2027	Amortization with increasing principal				
24 Notes 3,875% - Due 07/01/2019 Unsecured	IGD SIQ S.p.A.	Bond Payng Agent - Bnp paribas	07/05/2014 07/01/2019	Bullet i) LTV ratio must not exceed (ex- cluding derivative liabilities) 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unse- cured debt > 1.00.	47.57%	2.88	15.88%	1.99
25 Notes 4,335% - Due 07/05/2017 Unsecured	IGD SIQ S.p.A.	Bond Payng Agent - Bnp paribas	07/05/2013 07/05/2017	Bullet				
26 Notes 2,65% - 21/04/2022 Unsecured	IGD SIQ S.p.A.	Bond Payng Agent - Bnp paribas	21/04/2015 21/04/2022	Bullet i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	47.57%	2.88	15.88%	1.99
27 Notes 2,50% - 31/05/2021 Unsecured	IGD SIQ S.p.A.	Bond Paying Agent - Citigroup	31/05/2016 31/05/2021	Bullet i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1,7; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1,25.	47.57%	2.88	15.88%	1.99

Note 30) Provision for employee severance indemnities

	BALANCE AT 01/01/2015	ACTUARIAL (GAIN)/LOSSES	UTILIZATION	ALLOCATION	FINANCIAL CHARGES IAS 19	BALANCE AT 31/12/2015
Provisions for employee severance indemnities	1,910	(193)	(24)	318	35	2,046

	BALANCE AT 01/01/2016	ACTUARIAL (GAIN)/LOSSES	UTILIZATION	ALLOCATION	FINANCIAL CHARGES IAS 19	BALANCE AT 31/12/2016
Provisions for employee severance indemnities	2,046	220	(57)	274	46	2,530

The following charts show the demographic and financial assumptions used:

DEMOGRAPHIC ASSUMPTIONS	EMPLOYEES	FINANCIAL ASSUMPTIONS	2016
Probability of death	RG 48	Cost of living increase	1.50%
Probability of long-term disability	INPS (national statistics) by age and gender	Discount rate	1.62%
Probability of retirement	Achievement of retirement age under mandatory general insurance	Increase in total compensation	Executives 2.5%
Probability of resignation	2%		White collar/Middle managers 1.0%
Probability of receiving TFR advance at beginning of the year (provisioned at 70%)	1%		Blue collar 1.0%
		Increase in severance indemnity provision	2.625%

The provision qualifies as a defined benefit plan. In accordance with paragraph 83 of IAS 19, the annual discount rate used to calculate the present value of the liability is based on the iBoxx Corporate A index with duration 10+ as of the measurement

date. Use of a discount rate based on the Iboxx Corporate AA 10+ would not have made a significant difference.

Additional information

- sensitivity analysis, showing the impact in absolute terms of each rea-

sonably possible change in actuarial hypotheses at the close of the year;

- amount of contribution for the following year;
- average financial duration of the liability for defined benefit plans;
- estimated payouts.

SENSITIVITY ANALYSIS OF MAIN VARIABLES ON TFR AT 31/12/2016

	€/000
Inflation rate +0.25% - Provisions for employee severance indemnities:	2,589.81
Inflation rate -0.25% - Provisions for employees severance indemnities:	2,446.43
Discount rate +0.25% - Provisions for employee severance indemnities:	2,427.23
Discount rate -0.25% - Provisions for employee severance indemnities:	2,611.14
Turnover rate +1% - Provisions for employee severance indemnities:	2,471.68
Turnover rate -1% - Provisions for employee severance indemnities:	2,569.10

	€/000
Service Cost 2017	343.62

	years
Plan duration	20.00

	€/000
Estimated payouts, year 1	158.74
Estimated payouts, year 2	76.54
Estimated payouts, year 3	84.73
Estimated payouts, year 4	206.42
Estimated payouts, year 5	106.91

Note 31) General provisions

	31/12/2015	UTILIZATION	ALLOCATIONS	31/12/2016
Provision for taxation	1,092	(147)	294	1,239
Bonus provision	772	(742)	912	942
Other general provisions	2,824	(41)		2,783
Total general provisions	4,688	(930)	1,206	4,964

Provision for taxation

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

Bonus provision

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

Other general provisions

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

See Note 45 for further information.

Note 32) Sundry payables and other non-current liabilities

	31/12/2016	31/12/2015	CHANGES
Deferred income	5,931	6,226	(295)
Payable for substitute tax	4,405	5,891	(1,486)
Other liabilities	371	387	(16)
Total sundry payables and other non-current liabilities	10,707	12,504	(1,797)

Deferred income concerns the City of Livorno for additional secondary urban infrastructure works as provided for by contract (€2,481K) and works to be delivered to Porta a Mare S.p.A. (€3,450K). The decrease of €295K is explained by progress on the urban infrastructure works, as the amounts are taken to profit or loss in proportion to the costs incurred. Payables for substitute tax consist of the non-current portion of the substitute tax

on the capital gain from the sale of Centro Lame hypermarket, as well as the substitute tax for Punta di Ferro SIINQ S.p.A.'s adoption of SIINQ status, to be paid in annual installments until 2020. The change reflects the reclassification to current liabilities of the amount payable within 12 months.

Related party payables are shown below:

	31/12/2016	31/12/2015	CHANGES
Security deposit from Coop Alleanza 3.0 Soc. Coop.	11,514	11,514	0
Security deposit from Unicoop Tirreno Soc. Coop.	1,013	1,960	(947)
Security deposit from Distribuzione Centro Sud S.r.l.	450	0	450
Security deposit from Distribuzione Lazio Umbria S.r.l.	942	0	942
Security deposit from Adriatica Luce e Gas S.r.l.	30	30	0
Security deposit from Campania Distribuzione Moderna S.r.l.	0	452	(452)
Total related party payables	13,949	13,956	(7)

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

from Unicoop Tirreno and Campania Distribuzione Moderna is due to their reclassification to Distribuzione Centro Sud and Distribuzione Lazio Umbria. See Note 40 for additional information.

Note 33) Current financial liabilities

	DURATION	31/12/2016	31/12/2015	CHANGE
Banca Pop. Emilia Romagna - Ultra short-term	16/12/2015 - 16/06/2016	0	16,700	(16,700)
Banca Pop. Emilia Romagna - Ultra short-term	28/12/2015 - 28/06/2016	0	8,000	(8,000)
Banca Pop. Emilia Romagna - Ultra short-term	23/12/2015 - 23/06/2016	0	2,000	(2,000)
Banca Pop. Emilia Romagna - Ultra short-term	03/11/2015 - 04/01/2016	0	1,800	(1,800)
Banca Pop. Emilia Romagna - Ultra short-term	10/11/2015 - 12/01/2016	0	1,500	(1,500)
Banca Pop. Emilia Romagna - Ultra short-term	24/11/2016 - 12/01/2017	31,000	0	31,000
Bnl - Bologna	24/11/2016 - 12/01/2017	10,001	0	10,001
Carisbo - Ultra short-term	16/12/2015 - 16/02/2016	0	10,001	(10,001)
Banco Popolare - Ultra short-term	13/12/2016 - 12/01/2017	12,500	3,500	9,000
Banco Popolare - Ultra short-term	18/12/2015 - 16/03/2016	0	9,000	(9,000)
Cassa di Risparmio del Veneto	13/12/2016 - 12/01/2017	18,502	15,002	3,500
Cassa di Risparmio del Veneto	15/12/2015 - 15/02/2016	0	10,002	(10,002)
Mps - Ultra short-term	24/11/2016 - 12/01/2017	8,500	30,000	(21,500)
Bnl - Bologna	30/12/2016 - 12/01/2017	8,541	18,500	(9,959)
Cassa risp. Firenze - Ultra short-term	21/12/2015 - 22/02/2016	0	15,001	(15,001)
Banca Regionale Europea - Ultra short-term	13/12/2016 - 12/01/2017	20,000	20,002	(2)
Bnl - Bologna	revocable	0	1,500	(1,500)
Cassa di Risparmio di Cesena c/c	at sight	0	4,996	(4,996)
Mps c/c	at sight	0	7,986	(7,986)
Banca Carige	at sight	21	0	21
Emilbanca c/c	at sight	1,489	1,489	0
Banca Pop. Emilia Romagna c/c	at sight	0	633	(633)
Total due to banks		110,554	177,612	(67,058)
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	2,002	11,388	(9,386)
05 BreBanca IGD MONDOVICINO (mall)	23/11/2006 - 10/01/2023	1,009	970	39
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	603	568	35
09 Interbanca IGD	25/09/2006 - 05/10/2021	13,145	12,731	414
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	4,134	4,136	(2)
01 Unipol SARCA	10/04/2007 - 06/04/2027	3,049	3,097	(48)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	1,414	1,326	88
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,714	1,729	(15)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	934	933	1
14 MPS Palermo (mall)	21/12/2010 - 30/11/2025	1,962	1,918	44
17 Carige Palermo IGD (hypermarket)	12/07/2011 - 30/06/2027	1,572	1,537	35
15 CentroBanca Cone (mall)	22/12/2010 - 31/12/2025	2,640	2,640	0
03 BPV Porta Medicea	02/08/2011 - 25/07/2026	0	717	(717)
18 Cassa risp Firenze ipotecario	20/12/2011 - 19/12/2016	0	19,979	(19,979)
23 Finanziamento BNP	03/12/2013 - 26/11/2018	0	1,278	(1,278)
Total mortgage loans with banks		34,178	64,947	(30,769)
Leasing Igd HQ	30/04/2009 - 30/04/2027	313	303	10
Other financial payables to business unit purchase		375	750	(375)
Adjustment of Punta di Ferro price		0	1,592	(1,592)
Total due to other sources of finance		688	2,645	(1,957)
Bond 122,9 ML	07/05/2013 - 07/05/2017	6,961	191	6,770
Bond 22 ML	07/05/2013 - 07/05/2017	1,248	34	1,214
Bond 150 ML	07/05/2014 - 07/01/2019	4,747	4,747	0
Bond 162 ML	21/04/2015 - 21/04/2022	2,987	2,979	8
Bond 300 ML	31/05/2016 - 31/05/2021	4,397	0	4,397
Total due to bonds		20,340	7,951	12,389
Total current financial liabilities with third parties		165,760	253,155	(87,395)

The principal changes in current financial liabilities relate to:

- the reduction in the ultra-short-term credit lines used the previous year, mostly relating to the Punta di Ferro acquisition, which were replaced by non-current debt with the issue of the bond loan discussed in Note 29;
- the repayment of principal falling due during the period on existing mortgage loans, and the reclassification of payments due within 12 months from non-current financial liabilities;
- the repayment of the current portion of the BPV loan;
- the payment of the amount due for the price adjustment on the Punta di Ferro acquisition;
- the reclassification from non-current financial liabilities of the bond maturing on 7 May 2017;
- the reclassification of the non-current portion of the BNL loan due to exercise of the term-out option.

Note 34) Net financial position

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

Uncommitted credit facilities with banks amount to €276 million, of

which €163.74 million was unutilized at the close of the year.

Committed revolving credit facilities with banks, unutilized at 31 December, amount to €60 million.

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

NET DEBT	31/12/2016	31/12/2015
Cash and cash equivalents	(3,084)	(23,603)
Financial receivables and other current financial assets w. related parties	(151)	(151)
Financial receivables and other current financial assets	0	(9,023)
LIQUIDITY	(3,235)	(32,777)
Current financial liabilities	110,929	179,954
Mortgage loans - current portion	34,178	64,947
Leasing - current portion	313	303
Bond loans - current portion	20,340	7,951
CURRENT DEBT	165,760	253,155
CURRENT NET DEBT	162,525	220,378
Non-current financial assets	(393)	(493)
Non-current financial liabilities due to other sources of finance	0	375
Leasing - non-current portion	4,251	4,564
Non-current financial liabilities	314,904	477,642
Bond loans	574,141	282,349
NON-CURRENT DEBT	892,903	764,437
NET FINANCIAL POSITION	1,055,428	984,815

Note 35) Trade and other payables

	31/12/2016	31/12/2015	CHANGES
Trade payables	15,634	14,372	1,262

The slight increase in trade payables reflects construction and contract work carried out during the last

quarter of the year, particularly for the Esp Ravenna expansion and Officine Storiche.

Note 36) Related party trade and other payables

	31/12/2016	31/12/2015	CHANGES
Coop Alleanza 3.0 Soc. Coop.	196	141	55
Consorzio Lama	12	67	(55)
Consorzio La Torre	18	5	13
Consorzio Cone'	2	1	1
Consorzio Clodi	0	54	(54)
Consorzio Porta a Mare	6	3	3
Consorzio Centro Le Maioliche	1	0	1
Consorzio Leonardo	27	4	23
Consorzio I Bricchi	0	104	(104)
Unicoop Tirreno Soc. Coop.	1,013	5	1,008
Consorzio Sarca	29	0	29
DistribuzioneCentro Sud S.r.l.	1	0	1
Consorzio Crema	24	4	20
Consorzio prop. Fonti del Corallo	6	19	(13)
Distribuzione Lazio Umbria S.r.l.	2	0	2
Consorzio del Commendone	63	0	63
Consorzio Punta di Ferro	28	25	3
Related parties trade and other payables	1,428	432	996

Related party payables increased by €996K, due mostly to the deferral of the balance due for the purchase of

the Maremà mall (€1 million) from Unicoop Tirreno. See Note 40 for additional information.

Note 37) Current tax liabilities

	31/12/2016	31/12/2015	CHANGES
Irpef /included regional and municipal surtax	560	517	43
Irap	12	67	(55)
Ires	169	663	(494)
Vat	125	1,440	(1,315)
Drainage consortium	0	11	(11)
Other taxes	9	23	(14)
Substitute tax	1,521	1,515	6
Total current tax liabilities	2,396	4,236	(1,840)

Most of the change, totaling -€1,840K, concerns the decrease in VAT and income tax due by Punta di Ferro SIIQ S.p.A. which achieved this tax and legal status as from 2016. The

substitute tax payable in 2017 refers to Punta di Ferro's new SIIQ status for €1,434K (one fifth of €7,171K) and the capital gain on Lama hypermarket for €78K plus interest.

Note 38) Other current liabilities

	31/12/2016	31/12/2015	CHANGES
Social security	376	352	24
Accrued liabilities and deferred income	504	482	22
Insurance	8	8	0
Due to employees	711	708	3
Security deposit	5,069	4,195	874
Unclaimed dividends	1	1	0
Advances received, due within one year	79	108	(29)
Amounts due to directors for emoluments	259	165	94
Amounts due to auditors for emoluments	5	0	5
Other liabilities	702	494	208
Total other liabilities	7,714	6,513	1,201

These consist mainly of security deposits received from tenants. Most of the increase reflects deposits received upon the opening of the shopping center in Grosseto. The rise in Other

liabilities concerns expropriation and occupation allowances for land connected with the Esp expansion.

Related party payables are shown below:

	31/12/2016	31/12/2015	CHANGES
Other payables	21	6,924	(6,903)
Total related parties other liabilities	21	6,924	(6,903)

The decrease reflects rent for the first quarter of 2016 that was invoiced the previous year from the controlling com-

pany, Coop Alleanza 3.0 Soc. Coop. See note 40 for details.

Note 39) Dividends

During the year, as resolved by the annual general meeting of shareholders held to approve the 2015 financial statements on 14 April 2016, a divi-

dend of €0.04 was paid for each of the 813,045,631 shares outstanding, for a total of €32,521,825.24.

Note 40) Related party disclosures

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

RELATED PARTIES DISCLOSURES	RECEIVABLES AND OTHER CURRENT ASSETS	FINANCIAL RECEIVABLES	PAYABLES AND OTHER CURRENT LIABILITIES	PAYABLE AND OTHER NON-CURRENT ASSETS	FINANCIAL PAYABLES	OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS	FIXED ASSETS INCREASES	FIXED ASSETS DECREASES
Coop Alleanza 3.0 Soc. Coop.	157	0	196	11,514	0	0	724	73
Robintur S.p.A.	0	0	0	0	0	0	1	
Librerie.Coop S.p.A.	21	0	0	0	0	0	0	
Adriatica Luce e Gas S.r.l.	26	0	0	30	0	0	0	
Unicoop Tirreno Soc. Coop.	86	0	1,028	1,013	0	0	43,880	
Consorzio prop. Fonti del Corallo	0	0	6	0	0	0	18	
Consorzio Cone'	0	0	2	0	0	0	0	
Consorzio Clodi	8	0	0	0	0	0	0	
Consorzio Crema	131	0	24	0	0	0	19	
Consorzio I Bricchi	33	0	0	0	0	0	0	
Consorzio Katané	207	0	0	0	0	0	0	
Consorzio Lame	0	0	12	0	0	0	24	
Consorzio Leonardo	1	0	27	0	0	0	29	
Consorzio La Torre	1	0	18	0	0	0	0	
Consorzio Millennium Center	12	0	0	0	0	0	0	
Consorzio Punta di Ferro	6	0	34	0	0	0	54	
Consorzio Porta a Mare	57	0	6	0	0	0	0	
Consorzio Sarca	5	0	29	0	0	0	28	
Distribuzione Centro Sud S.r.l.	0	0	1	450	0	0	40	
Distribuzione Lazio Umbria S.r.l.	2	0	2	942	0	0	0	
Iniziativa Bo Nord s.r.l. in liquidation	0	293	0	0	0	0	0	
Consorzio del Commendone	35	0	63	0	0	0	0	
Consorzio Centro Le Maioliche	0	0	1	0	0	0	0	
Rgd ferrara 2013 S.r.l.	348	151	0	0	0	0	0	
Total	1,136	444	1,449	13,949	0	0	44,817	73
Amount reported	83,571	544	24,797	24,656	1,059,056	89		
Total increase/decrease for the year							78,479	2,196
% of the total	1.36%	81.62%	5.84%	56.57%	0.00%	0.00%	57.11%	3.32%

RELATED PARTIES DISCLOSURES	REVENUES AND OTHER INCOME	FINANCIAL INCOME	COSTS	FINANCIAL CHARGES
Coop Alleanza 3.0 Soc. Coop.	27,755	0	313	35
Robintur S.p.A.	238	0	0	0
Librerie Coop S.p.A.	838	0	0	0
Adriatica Luce e Gas S.r.l.	137	0	0	0
Unicoop Tirreno Soc. Coop.	4,018	0	85	2
Consorzio Cone'	163	0	146	0
Consorzio Clodi	54	0	63	0
Consorzio Crema	41	0	51	0
Consorzio I Bricchi	112	0	493	0
Consorzio Katané	201	0	142	0
Consorzio Lame	179	0	0	0
Consorzio Leonardo	229	0	0	0
Consorzio La Torre	196	0	252	0
Consorzio Millenniun Center	102	0	53	0
Consorzio Punta di Ferro	10	0	147	0
Consorzio Porta a Mare	75	0	200	0
Consorzio Sarca	61	0	0	0
DistribuzioneCentro Sud S.r.l.	1,499	0	0	1
Distribuzione Lazio Umbria S.r.l.	1,948	0	0	2
Coop Sicilia S.p.A.	5,139	0	0	0
Consorzio del Commendone	27	0	52	0
Consorzio Centro Le Maioliche	168	0	101	0
R.P.T. Robintur Travel Partner S.r.l.	13	0	0	0
Rgd ferrara 2013 S.r.l.	484	5	0	0
Total	43,687	5	2,098	40
Amount reported	138,824	272	43,883	42,380
% of the total	31.47%	1.84%	4.78%	0.09%

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

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

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

- the rental of investment property to Coop Alleanza for use as hypermarkets and supermarkets; rental income in 2016, including for retail premises, amounted to €27.7 million;

- the provision of IT services by Coop Alleanza 3.0 Soc. Coop.;
- security deposits received on leases;
- purchase of land and partial reimbursement of the work on Chioggia retail park.

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the year ended 31 December 2016, €238K in rent was received from Robintur S.p.A. and €13K from R.P.T. Robintur Travel Partner S.r.l.

Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the year, the Group received €838K under this arrangement.

Transactions with Adriatica Luce e Gas S.r.l. refer to the rental of part of the second floor of the building where IGD has its head office. For the year, the Group received €137K under this arrangement.

Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza

3.0 Soc. Coop. and 30% by Unicoop Tirreno Soc Coop.) refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.

Transactions with Coop Sicilia S.p.A., owned 100% by Coop Alleanza 3.0 Soc. Coop., concern receivables and income from the leasing of properties used as hypermarkets. In the year ended 31 December 2016 such income amounted to €5.1 million.

Transactions with Unicoop Tirreno Soc. Coop.

Transactions with Unicoop Tirreno Soc. Coop. consist of:

- security deposits received on leases;
- receivables and income for the leasing of properties used as hypermarkets. For the year, the Group received €3.9 million under these arrangements;
- the acquisition on 13 December 2016 of the mall at Maremà shopping center in Grosseto. The purchase price was €43.75 million, plus taxes and transaction costs.

Transactions with Distribuzione Lazio Umbria S.r.l. (owned 99.86% by

Unicoop Tirreno) refer to the lease to that company of the Casilino hypermarket and the Civita Castellana supermarket for €1,948K, as well as security deposits received on leases.

Transactions with other Group companies

Transactions with consortiums concern receivables and income for facility management services at shopping centers; the costs incurred refer to

service charges for vacant units and extraordinary maintenance work on properties.

Transactions with Iniziative Immobiliari Bologna Nord S.r.l. (in liquidation, held 15% through IGD Management S.r.l.) refer to an interest-free loan with a balance of €673K (written down by €380K) at 31 December 2016.

Transactions with RGD Ferrara 2013 S.r.l., formed on 30 September 2013 to manage the Darsena City shopping center in Ferrara (a joint venture between IGD and Beni Stabili), consist of: (i) rental of the Darsena property by IGD (rent for 2016 amounted to €484K) and (ii) an interest-bearing loan in the amount of €150K, with interest charged at the 3-month Euribor plus a spread of 350 basis points.

Note 41) Management of financial risk

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

Interest rate risk

The main risk factor is the volatility of interest rates and the effect this has on borrowing and on the investment of liquid funds. The Group finances its operations through short-term borrowings, long-term mortgage loans charging adjustable interest, and bond loans, so it risks an increase in financial charges if interest rates go up or if it refinances debt at higher rates.

The Finance department monitors interest rate risk constantly, in coordination with top management, including through analysis and measurement tools developed within the Group's enterprise risk management program. It also monitors trends in the main economic and financial indicators that may affect the Group's performance. Interest rate swaps hedge 93.8% of the Group's exposure to rate fluctuations on long-term loans, including bonds. The Finance department analyzes and measures interest rate and liquidity risk while constantly evaluating the best means of implementation of the risk management model, and conducts routine scouting activities to find opportunities to reduce the cost of debt with banks and/or the capital markets. See Note 42 for quantitative information on derivatives.

Liquidity risk

This refers to problems with liquidity management, insufficient resources

to finance the business, and difficulty keeping up with loans or obtaining new credit. Liquidity is monitored through cash flow planning, and risk is mitigated by the Group's extensive credit lines.

The Finance department uses a financial forecasting tool to monitor expected cash flows over a one-quarter rolling horizon and makes sure there is enough liquidity to operate the business, while establishing the proper ratio of bank debt to capital market debt.

As for long-term loans, each bank facility finances a specific project, which reduces the risk of needing to refinance. Some long-term loans involve covenants; this aspect is monitored constantly by the chief financial officer, who also coordinates with management to gauge the likelihood of violating the covenants as a result of the strategic, operational, compliance and financial risks mapped, using the enterprise risk management system. Financial commitments are covered by funds confirmed by the banks, and unutilized credit facilities are available. Liquidity risk is managed prudently to avoid incurring excessive costs in the case of unforeseen events, which could have a further negative impact on market reputation and financial viability.

Credit risk

Credit risk takes the form of customer insolvency and difficulty collecting payments. To mitigate these risks, tenants go through a pre-contractual selection process, based on financial standing and earnings prospects.

Reviews of potential customers are performed also with the help of external specialists and aim to identify any risk factors for the company. Monthly analyses analyze the level of risk associated with each tenant and monitor their solvency.

All customers are asked for bank

guarantees and/or security deposits to guarantee fulfillment of their commitments. Throughout the life of the contract, the company monitors compliance on an ongoing basis, and follows internal credit management procedures in the event any problems arise; when the business relationship is secure, measures to assist the tenant may be taken. The Group also uses an ad hoc program to measure each tenant's risk level and solvency, an analysis that is formally conducted every quarter but monitored on a daily basis to stay abreast of the actions taken or needed to collect receivables.

Foreign exchange risk

The Group is exposed to foreign exchange risk for its operations in Romania. Fluctuations in the value of the Romanian lei could lead to the writedown of properties held or to the unsustainability of contractual obligations for tenants in Romania, where rent is denominated in euros but collected in the local currency. At the moment, IGD mitigates this risk through constant efforts to optimize the merchandising mix and tenant mix and by supporting the value of the real estate portfolio, in part by making improvements. Weekly meetings are held to coordinate and monitor the credit situation of individual malls and tenants, to determine if any action is needed. On a monthly basis, the Company checks the amount of rent as a percentage of the tenant's revenue. Commercial policies are determined with care and with the utmost attention to local consumption styles and market demands. To that end, the Group employs a specialized team made up of head office and local professionals, to seek the right trade-off between the expertise acquired at the corporate level and knowledge of the local context.

Capital management

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

1. keeping the net debt/equity ratio at 1x or below (the ratio was 0.93x at

31 December 2015 and 0.97x at the end of 2016);

2. keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50% (it was 48.25% at the close of the year, down from 47.07% at the end of 2015).

Note 42) Derivative instruments

The IGD Group has engaged in derivative contracts for the use of interest rate swaps. The fair value of interest rate swaps for which no active market exists is determined with assistance from specialized firms according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method

therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 7: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

FAIR VALUE - HIERARCHY	31/12/2016	31/12/2015	CHANGE	LEVEL
Derivative assets	0	12	(12)	2
Derivative liabilities	(28,748)	(35,002)	6,254	2
Interest rate swaps - net effect	(28,748)	(34,990)	6,242	

CONTRACTS IN DETAIL	IRS 07 - BANCA ALETTI 3.420%	IRS 09 - BNP PARIBAS 3.439%	IRS 10 - EX MPS 3.439%	IRS 08 - EX MPS 3.420%	IRS 06 - CARISBO 3.3495%	IRS 12 - CARISBO 3.177%	IRS 11 - EX MPS 3.175%
Nominal amount	11,787,842	11,787,842	11,787,842	11,787,842	7,546,547	11,787,842	11,787,842
Inception date	10/06/09	10/06/09	11/06/09	12/06/09	12/02/09	27/10/09	28/10/09
Maturity	05/10/21	05/10/21	05/10/21	05/10/21	10/01/23	05/10/21	05/10/21
IRS frequency	Quarterly	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months
Customer rate	3.42%	3.44%	3.44%	3.42%	3.35%	3.18%	3.18%

CONTRACTS IN DETAIL	IRS 16 - ALETTI 3.285%	IRS 17 - ALETTI 2.30%	IRS 14 - CARISBO 3.272%	IRS 13 - CARISBO 3.412%	IRS 15 - EX MPS 3.25%	IRS 18 - MPS 2.30%	IRS 19 - CARISBO 2.30%
Nominal amount	6,495,302	13,056,250	8,660,403	8,261,173	6,495,302	13,056,250	13,056,250
Inception date	28/04/10	27/08/10	28/04/10	28/04/10	30/04/10	31/08/10	27/08/10
Maturity	31/03/24	27/03/24	28/03/24	29/12/23	28/03/24	27/03/24	27/03/24
IRS frequency	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	3.29%	2.30%	3.27%	3.41%	3.25%	2.30%	2.30%

CONTRACTS IN DETAIL	IRS 20 - CARISBO 2.285%	IRS 21 - MPS 2.80%	IRS 22 - CARISBO 3.25%	IRS 24 - CARISBO 2.429%	IRS 23 - CARISBO 2.429%	IRS 25 - ALETTI 2.427%	IRS 05 - BNP PARIBAS
Nominal amount	13,056,250	10,357,143	20,925,000	16,830,000	6,732,000	10,098,000	71,500,000
Inception date	27/08/10	12/07/11	12/07/11	12/09/11	12/09/11	12/09/11	10/09/07
Maturity	27/03/24	31/03/24	01/11/24	31/12/25	31/12/25	31/12/25	06/04/17
IRS frequency	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	2.29%	2.80%	3.25%	2.43%	2.43%	2.43%	4.38%

Note 43) Subsequent events

At the date of approval, no events following the reporting date had occurred that would require the Group to adjust

the figures in the financial statements or report elements not previously disclosed.

Note 44) Commitments

At 31 December 2016 the Group had the following major commitments:

- Contract for urban infrastructure and digging in relation to the expansion of ESP shopping center (remaining amount: €1.2 million), under the Urban Planning Agreement signed with the City of Ravenna on 24 June 2014. There are further commitments under that agreement amounting to €1.9 million.
- Contract for structural work, civil construction and finishing work in relation to the expansion of ESP shopping center, for a total of €6 mil-

lion.

- Contract for systems work in relation to the expansion of ESP shopping center, for a total of €2.7 million.
- Contract for the development of the Officine Storiche section, for a remaining amount of €23.2 million.
- Rent due for the Centro Nova, Centro Piave and Fonti del Corallo malls: the estimated liability to be settled within 12 months comes to €10,046K, in addition to €36,934K due from the second to the fifth year and €15,326K from the sixth to the tenth. See Note 1) with regard to revenue earned from these malls.

Note 45) Disputes

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

Darsena

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

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

Given the receivables accrued to RGD S.r.l. (now Beni Stabili S.p.A. SIIQ), over time and in agreement with IGD SIIQ S.p.A. it has filed several legal actions against Magazzini Darsena S.p.A. and Darsena FM S.r.l., both of them declared bankrupt by decision of the Court of Ferrara on 26 and 29 July 2013.

- RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) had also asked the Arbitration Board of Milan to determine the legitimacy of the price adjustment clause

in the contract for the purchase of the Darsena City shopping center and calculate the amount of said adjustment, and to confirm the obligation of Magazzini Darsena S.p.A. and the joint obligation of Darsena FM S.r.l. and the parent company Partxco S.p.A. to pay future rent and the penalty that had accrued for the late delivery of "portion B" of the shopping center.

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

In the meantime, during the course of the above disputes, the Company enforced the bank guarantee of €2.5 million that Magazzini Darsena had posted to secure payment of the price adjustment. This took place further to the decision in favor of Beni Stabili after Magazzini Darsena filed for an injunction against enforcement of

the guarantee, a decision that was affirmed on appeal.

In rulings dated 26 and 29 July 2013, the Court of Ferrara declared Magazzini Darsena S.p.A. and Darsena FM S.r.l. to be bankrupt. Further to those rulings, IGD SIIQ S.p.A. and Beni Stabili S.p.A. SIIQ managed to reach a partial settlement with the official receiver, signed on 29 October 2013. Under the partial settlement, the companies were awarded the building by the receivership of Magazzini Darsena and through a 50-50 joint venture between IGD SIIQ S.p.A. and Beni Stabili S.p.A. they acquired the business (with its commercial permits) from the receivership of Darsena FM for the price of €255K plus taxes, terminated the preliminary contract to purchase the adjacent property ("Building B") and the associated agreements, and obtained Magazzini Darsena's definitive acceptance of the price reduction of €2,500K for the purchase of "Building A" (the amount Beni Stabili S.p.A. SIIQ had already collected through enforcement of the guarantee).

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

On 12 June 2014 Partxco contested the July 2013 arbitration judgment before the Appeals Court of Milan and petitioned for its immediate suspension, requesting that it be declared null and void in accordance with CCP Art. 829(1)(5) and 829(1)(11). With the challenge pending, the Court of Ferrara declared Partxco S.p.A. bankrupt in a ruling filed on 24 June 2014 (entry no. 52/2014 in the Register of Bankruptcies).

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

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

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

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

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

ACTIONS AGAINST IGD SIIQ S.p.A.

In 2012 IGD SIIQ S.p.A. was summoned to court by Magazzini Darsena, Darsena FM and Partxco regarding the management agreement of Darsena City shopping center. IGD SIIQ S.p.A. appeared in court and filed a statement and related pleadings. Because IGD SIIQ S.p.A.'s legal advisors believe that

the plaintiff's claims are not supported by sufficient evidence or legal grounds, the Company has recognized no liability in this regard. On 17 July 2013, the Court of Ferrara filed its decision rejecting the plaintiff's demands and ordering Magazzini Darsena, Darsena FM and Partxco to reimburse IGD SIIQ S.p.A.'s legal expenses in the amount of €20,000.00.

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

Vibo Valentia

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

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

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

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

On 10 April 2015, GAM notified IGD that it had appealed the lower-court decision and asked for enforcement of that ruling to be suspended. On 30 June 2015, IGD filed an appearance and response, including a cross-appeal contesting all of its adversary's pleas. At the hearing of 15 September 2015 the commission rejected GAM's request for suspension of enforcement of the lower-court decision and scheduled arguments for 1 December 2015. The decision was withheld, with concluding statements due by 29 January 2016 and rebuttals by 19 February. On 25 February 2016 the Appeals Court of Milan demanded relief from the expiration of time due to a leave of absence by one of its judges; as the court was temporarily unable to meet and reach a decision, it set a new deadline for concluding statements of 7 June 2016, from when it then had the standard amount of time to issue a ruling. The ruling, summarized below, was announced by the court clerk's office on 7 July 2016.

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

Iniziativa Immobiliari Siciliane S.r.l.

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

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

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

On 25 June 2015, IGD filed an appearance and response contesting all of its opponent's claims, stating that it

owes no price supplement to IIS, as the amount of rent for the purposes of this calculation had not increased with respect to the threshold agreed.

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

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

After the standard exchange of pleadings, the court set the discovery hearing for 6 April 2016. Deciding on an outstanding issue, on 6 June the Ravenna judge ruled that IIS would not

be allowed the interrogatories and witness testimony it had requested, while the witness testimony requested by IGD would be granted. The judge also allowed an expert witness to be hired to quantify the rent valid for calculating whether the price supplement was due under the contract, indicating the variables the expert should consider for this purpose, and scheduled a hearing for 6 July 2016 to swear in the expert and question the witnesses listed by IGD (those listed by the plaintiff were not admitted).

At the hearing of 6 July, the judge questioned the witnesses called by IGD and formally engaged the services of the expert witness, who was sworn in as required by law. The first session to examine the evidence was scheduled for 12 September 2016. The expert testimony hearing originally set for 15 February 2017 has been postponed for 120 days. As of this writing, it will not be held before 15 June 2017.

The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

Note 46) Tax litigation

Following the tax audit concluded on 11 September 2008, IGD received an audit report without significant findings, but with a recommendation to revalue closing inventories for about €645K; this generated an IRES (corporate tax) charge of €213.1K and an IRAP (regional business tax) charge of €27.4K plus penalties of €240.5K, all of which has been paid.

IGD then received an assessment claiming that it had mistakenly interpreted the type of contract (sale of a future asset rather than a commissioned job) and therefore misclassified inventories, subjecting them to the wrong set of tax rules. The Company's appeal to the Provincial Tax Commission of Ravenna was rejected with a ruling of January 2011.

In September 2011 IGD appealed the lower commission's decision and requested a public hearing with the Regional Tax Commission, asking it to declare the assessment null and void.

In May 2014 the Regional Commission rejected the appeal and on 28 August IGD was ordered to settle the remaining third of the taxes and penalties charged, which it paid on 24 October 2014.

In December 2014 IGD appealed to

the Court of Cassation; after that final ruling, it plans to request that the tax be refunded because any error caused a simple carry-over effect from one year to the next.

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

panies. After reviewing the papers and looking into the matter carefully, IGD's advisors concluded that the assessments are unfounded and filed settlement requests for both with the Emilia Romagna regional office.

During the subsequent debate phase, the company presented its arguments against the assessments to the Emilia Romagna authorities, who decided to consider IGD's arguments regarding IRES and IRAP but to uphold the complaint regarding VAT. Nevertheless, as the deadline approached for contesting the two assessments and no reversal notice had been received from the regional authorities, the company decided to prevent them from becoming definitive and on 6 June 2016 filed a formal appeal against each with the Provincial Tax Commission of Bologna. On 30 November 2016 the Emilia Romagna regional authorities annulled the IRES assessment in full, while the IRAP/VAT assessment was annulled for the IRAP portion only and the VAT violation was confirmed.

At a hearing of 25 January 2017, the Provincial Tax Commission of Bologna acknowledged that there was no further contest as far as IRES and IRAP were

concerned, while for the authorities' counterarguments and IGD's response concerning VAT, the commission decided to look into the matter and has not yet come out with a ruling.

On 17 March 2016 the Ravenna provincial office initiated a tax audit for 2013, which concluded with an audit report served to the Company on 6 July. The report calls for:

- (i) a portion of net income to be reallocated from exempt to taxable operations (increasing theoretical taxable income by €418,674.70 for IRES purposes and €877,469.93 for IRAP);
- (ii) the disallowance of an €80,000 deduction for IRES purposes;
- (iii) reduction of the allowed deduction for the ACE (*Aiuto alla Crescita Economica*) program by €14,780.29 for total taxes of about €132,000.00 (IRES) and €34,000.00 (IRAP).

With respect to IRES, the Group's tax loss for 2013 has not yet been absorbed and is sufficient to cover the full amount alleged to be due, including the lion's share which is based on a finding deemed to be baseless, and which the Group will appeal if it is formally assessed.

Note 47) IFRS 7 - Financial Instruments: Disclosures

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with IAS 39.

For this purpose, financial assets are split into four categories:

- Financial assets measured at fair value through profit and loss: at 31 December 2016 the Group had no financial instruments in this category.
- Held to maturity investments: the Group has no financial instruments belonging to this category.
- Loans and receivables: in this category the Group has trade, financial and other receivables, and cash and deposits. They mature within 12 months and are therefore carried at face value (net of any impairment).
- Available for sale financial assets: the Group has no financial instruments belonging to this category.

There are only two categories of financial liability:

- Financial liabilities measured at fair value through profit and loss. At 31 December 2016 the Group had no financial instruments in this category;
- Financial liabilities measured at amortized cost.

Classification in the statement of financial position

The Group's financial instruments are included in the statement of financial position as follows.

The item "Other non-current assets" covers sundry receivables and other non-current assets, including derivative instruments.

The item "Current assets" includes trade receivables, other current receivables, and cash and cash equivalents.

"Cash and cash equivalents" include bank and post office deposits and cash and valuables on hand. The other assets consist of investments outstanding at the balance sheet date.

The item "Non-current liabilities" includes mortgage loans from banks, derivatives, the bond loan, sundry payables and security deposits.

The item "Current liabilities" covers short-term payables to banks, the current portion of medium/long-term loans, trade payables and other current payables.

The items in the statement of financial position are classified below according to the categories required by IAS 39 at 31 December 2016 and 31 December 2015:

CLASSIFICATION 31/12/2016	CARRYING VALUE							Total	of which current	of which non- current	FAIR VALUE
	Financial assets/ liabilities designated at fair value	Financial assets/ liabilities measured at fair value held for trading	Receiv- ables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amor- tized cost	Hedging instru- ments				
ASSETS											
Other non-current liabilities											
Sundry receivables and other non-current assets			89					89		89	89
Equity investments			1,685					1,685		1,685	1,685
Non-current financial assets			393					393		393	393
Assets for derivative instruments						0		0		0	0
Current assets											
Trade and other receivables			11,570					11,570	11,570		11,570
Related parties trade and other receivables			1,136					1,136	1,136		1,136
Other current assets			912					912	912		912
Related party financial receivables and other current financial assets			151					151	151		151
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			3,084					3,084	3,084		3,084
TOTAL FINANCIAL ASSETS	0	0	19,020	0	0	0	0	19,020	16,853	2,167	19,020
LIABILITIES											
Financial liabilities											
Liabilities for derivative instruments						28,748		28,748		28,748	28,748
Due to banks					110,554			110,554	110,554		110,554
Leasing					4,564			4,564	313	4,251	4,442
Bond					594,481			594,481	20,340	574,141	622,469
Due to other sources of finance					375			375	375	0	375
Mortgage loans					349,082			349,082	34,178	314,904	336,965
Non-current financial liabilities											
Sundry payables and other non-current liabilities					6,302			6,302		6,302	6,302
Related parties sundry payables and other non-current liabilities					13,949			13,949		13,949	13,949
Current liabilities											
Trade and other payables					15,634			15,634	15,634		15,634
Related parties trade and other payables					1,428			1,428	1,428		1,428
Other current liabilities					6,627			6,627	6,627		6,627
Related parties other current liabilities					21			21	21		21
TOTAL FINANCIAL LIABILITIES	0	0	0	0	0	1,103,017	28,748	1,131,766	189,470	942,296	1,147,514

CLASSIFICATION 31/12/2015	CARRYING VALUE								FAIR VALUE		
	Financial assets/liabilities designated at fair value	Financial assets/liabilities measured at fair value held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized cost	Hedging instruments	Total		of which current	of which non-current
ASSETS											
Other non-current liabilities											
Sundry receivables and other non-current assets			86					86	86	86	
Equity investments			6,366					6,366	6,366	6,366	
Non-current financial assets			493					493	493	493	
Assets for derivative instruments						12		12	12	12	
Current assets											
Trade and other receivables			12,963					12,963	12,963	12,963	
Related parties trade and other receivables			1,111					1,111	1,111	1,111	
Other current assets			1,043					1,043	1,043	1,043	
Related party financial receivables and other current financial assets			151					151	151	151	
Financial receivables and other current financial assets				9,023				9,023	9,023	9,023	
Cash and cash equivalents			23,603					23,603	23,603	23,603	
TOTAL FINANCIAL ASSETS	0	0	45,816	9,023	0	0	12	54,851	47,894	6,957	54,851
LIABILITIES											
Financial liabilities											
Liabilities for derivative instruments						35,002		35,002	35,002	35,002	
Due to banks					177,612			177,612	177,612	177,612	
Leasing					4,867			4,867	303	4,564	4,640
Bond					290,300			290,300	7,951	282,349	306,409
Due to other sources of finance					2,717			2,717	2,342	375	2,717
Mortgage loans					542,589			542,589	64,947	477,642	536,268
Non-current financial liabilities											
Sundry payables and other non-current liabilities					6,613			6,613	6,613	6,613	6,613
Related parties sundry payables and other non-current liabilities					13,956			13,956	13,956	13,956	13,956
Current liabilities											
Trade and other payables					14,372			14,372	14,372		14,372
Related parties trade and other payables					432			432	432		432
Other current liabilities					5,453			5,453	5,453		5,453
Related parties other current liabilities					6,924			6,924	6,924		6,924
TOTAL FINANCIAL LIABILITIES	0	0	0	0	1,065,835	35,002	1,100,837	280,336	820,501	1,110,398	

For each financial instrument, both carrying value and fair value are indicated. The two values coincide for most instruments, as their maturity is short term. They differ for long-term instruments, such as mortgage loans, leasing installments and bonds. To calculate the fair value of liabilities measured at amortized cost, the

Group has discounted future cash flows to present value using a risk-free (zero coupon) curve estimated at 31 December, as reported by Bloomberg. The calculation takes account of the credit spread that banks would currently grant to IGD. The fair value of interest rate swaps for which no active market exists is

determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 7: although quoted prices in active markets (level 1) are not available for these instruments,

it is possible to base measurements on data observable either directly or indirectly in the market. The fair value of financial liabilities was calculated using the credit spread that banks would grant to IGD SIIQ S.p.A. as of the measurement date. At 31 December 2016 the estimated credit spread was 2% (2.35% the previous year).

Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

COLLATERAL GIVEN	CARRYING VALUE	
	31/12/2016	31/12/2015
Security deposits		
- Sundry receivables and other assets	89	86

The following table shows the impairment of trade receivables:

IMPAIRMENT	IMPAIRMENT OF TRADE RECEIVABLES	
	31/12/2016	31/12/2015
Opening balance	15,149	15,673
Allocations		
- from individual writedowns	1,223	1,470
Utilizations	-1,331	-1,879
Impairment reversals		
Other movements	-147	-115
Total	14,893	15,149

Gains and losses from financial instruments

The table below reports the gains and losses from financial instruments held. These derive from the impairment of trade receivables and hedge derivatives.

For hedge derivatives, the table shows the amount of the differentials paid and collected. The effects of *fair value*

changes charged to the cash flow hedge reserve under equity (net of the tax effects) came to +€567K in 2016 and +€3,104K in 2015. The effects of *fair value* changes in the derivatives held by consolidated subsidiaries, charged to a separate cash flow hedge reserve under equity (net of the tax effects), amounted to +€2,524K in 2016 and +€1,996K the previous year.

INCOME STATEMENT 31/12/2016 NET GAIN (LOSSES)	CARRYING VALUE						
	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE HELD FOR TRADING	RECEIVABLES AND LOANS	FINANCIAL ASSETS HELD TO MATURITY	FINANCIAL ASSETS AVAILABLE FOR SALE	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	HEDGING INSTRUMENTS
Financial assets/liabilities							-11,526
Trade and other receivables			-1,223				
Total	0	0	-1,223	0	0	0	-11,526

INCOME STATEMENT 31/12/2015 NET GAIN (LOSSES)	CARRYING VALUE						
	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE HELD FOR TRADING	RECEIVABLES AND LOANS	FINANCIAL ASSETS HELD TO MATURITY	FINANCIAL ASSETS AVAILABLE FOR SALE	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	HEDGING INSTRUMENTS
Financial assets/liabilities							-12,113
Trade and other receivables			-1,470				
Total	0	0	-1,470	0	0	0	-12,113

The next table shows income and charges from financial assets and liabilities not measured at fair value:

INTEREST INCOME	31/12/2016	31/12/2015
Interest income on financial assets not measured at fair value		
- Deposits	228	43
- From affiliates	5	5

INTEREST EXPENSES	31/12/2016	31/12/2015
Interest expenses on financial liabilities not measured at fair value		
- Security deposits	28	69
- Sundry payables and other liabilities	1,187	828
- To parent	12	-
- Financial liabilities		
- Mortgage loans	12,922	14,372
- Leasing	64	80
- Bond	16,381	11,936
- Capitalized interest	0	0
- Short-term borrowings	238	217

Credit risk

The maximum credit risk on the Group's other financial assets, including cash and cash equivalents and certain derivative instruments, is the carrying value of these assets in the event of the counterparty's insolvency. This analysis includes off-balance sheet positions, such as future commitments. The maximum exposure is presented gross of any mitigation through the use of various kinds of hedge.

The table below presents the maximum exposure to credit risk for bal-

ance sheet components, divided into categories, including derivatives with a positive fair value. Derivative financial instruments are listed as "hedge derivatives," although in the statement of financial position they are included under "financial assets."

Where financial instruments are measured at fair value, the amounts shown represent current credit risk, but not the maximum exposure to credit risk that could arise in the future due to changes in fair value.

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2016	31/12/2015
Receivables and loans		
Sundry receivables and other assets	89	86
Financial assets	-	9,023
Trade and other receivables	11,570	12,963
Related parties trade and other receivables	1,136	1,111
Other assets	912	1,043
Cash and cash equivalents	2,994	23,480
Financial receivables and other financial assets	544	644
Receivables from third parties		
Hedging Instruments	-	12
Guarantees		
Totale	17,245	48,362

Liquidity risk

Maturities are broken down below on the basis of undiscounted cash flows; the amounts shown take account of the first date on which payment can be requested.

The assumptions underlying the maturity analysis are as follows:

- for the future cash flows of long-term floating-rate payables, the forward rate curve at 31 December has been used;
- for the future cash flows of the fixed-rate bonds, the contractual flows have been used;

- for derivatives, the analysis includes those representing assets at 31 December, for which both outflows and inflows are shown, as their purpose is to hedge financial liabilities. At the balance sheet date, all derivatives had a negative fair value;

- amounts include cash flows from both the interest and the principal component.

The method used to analyze and determine significant variables did not change since the previous year.

MATURITY ANALYSIS AT 31/12/2016 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	5,083	3,030	10,349	18,644	37,804	118,131	186,459	379,500
Leasing	31	62	93	187	380	1,208	3,163	5,124
Bond	4,840	0	20,140	0	16,633	465,119	166,293	673,024
Short-term credit lines	110,554	0	0	0	0	0	0	110,554
Total	120,507	3,091	30,581	18,831	54,817	584,458	355,915	1,168,202
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	1,651	853	2,806	3,393	6,033	11,459	3,643	29,838
Total	1,651	853	2,806	3,393	6,033	11,459	3,643	29,838
EXPOSURE AT 31/12/2016	122,158	3,944	33,387	22,224	60,850	595,917	359,558	1,198,039

MATURITY ANALYSIS AT 31/12/2015 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	6,827	3,135	22,600	42,063	43,590	259,265	234,775	612,255
Leasing	31	62	93	186	380	1,233	3,670	5,655
Bond	4,840	0	4,640	0	17,480	147,459	170,586	345,005
Short-term credit lines	177,612	0	0	0	0	0	0	177,612
Total	189,310	3,197	27,333	42,249	61,450	407,957	409,031	1,140,527
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	1,821	999	3,102	5,656	8,277	12,310	4,087	36,252
Total	1,821	999	3,102	5,656	8,277	12,310	4,087	36,252
EXPOSURE AT 31/12/2015	191,131	4,196	30,436	47,905	69,727	420,267	413,118	1,176,779

Interest rate risk

The basic objective of managing interest rate risk is to immunize the Group's net financial income from changes in market rates, by keeping volatility in check through the consistent management of the risk/yield profile of the Group's financial liabilities.

Floating-rate instruments expose the Group to interest rate risks on cash flows, while fixed-rate instruments expose the Group to interest rate risk on fair value.

The following table presents the sensitivity analysis of interest rate risk, showing the impact on equity and profit/loss, as required by IFRS 7.

The sensitivity analysis was conducted in consideration of the financial statement items that generate interest at floating rates or that are exposed to fair value changes, assuming parallel increases or decreases in the interest rate curves of each currency.

INTEREST RATE RISK - EXPOSURE AND SENSITIVITY ANALYSIS	BENCHMARK	INCOME STATEMENT				NET EQUITY			
		SHOCK UP		SHOCK DOWN		SHOCK UP		SHOCK DOWN	
		31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Interest-bearing assets	Euribor	30	193	-3	-19				
Ultra-short-term borrowings	Euribor	-1,106	-1,776	111	178				
Financial liabilities	Euribor	-3,560	-4,169	356	417				
Derivatives	Euribor								
- cash flow		2,969	3,565	-297	-357				
- fair value						10,030	12,955	-1,043	-1,347
TOTAL		-1,667	-2,187	167	219	10,030	12,955	-1,043	-1,347

The assumptions underlying the sensitivity analysis are as follows:

- medium- and long-term mortgage loans were analyzed according to exposure at the reporting date;
- ultra-short-term borrowings and deposits were analyzed according to exposure at the end of the year;
- the initial shift in the interest rate curve was assumed to be +100/-10 basis points (unchanged since the previous year);
- in determining changes associated with floating-rate financial instruments, it was assumed that no inter-

est rates have already been set;

- the values affecting equity have been calculated as the difference between the fair values calculated with the shock-modified curve and the fair values of derivatives at the balance sheet date;
- The analysis assumes that all other risk variables remain constant.

For the sake of comparison, the same measurement was conducted on 2016 and 2015.

The method used to analyze and determine significant variables did not change since the previous year.

4.7**MANAGEMENT AND
COORDINATION**

IGD SIIQ S.p.A. is a subsidiary of Coop Adriatica S.c.a.r.l. (from 1 January 2016: Coop Alleanza 3.0 Soc. Coop.) of Villanova di Castenaso (province of Bologna) and is under the management and coordination of that company.

Pursuant to Article 2497 *bis* (4) of the Italian Civil Code, key figures from the latest approved financial statements of Coop Adriatica S.c.a.r.l. are presented below:

FINANCIAL STATEMENTS: COOP ADRIATICA	2015	2014
BALANCE SHEET (ex art. 2424 Civil Code)		
ASSETS		
A) - SUBSCRIBED CAPITAL UNPAID		
B) - FIXED ASSETS	1,591,312,173	1,555,692,475
C) - CURRENT ASSETS	2,445,022,612	2,476,588,949
D) - ACCRUED INCOME AND PREPAYMENTS	25,762,338	24,712,772
TOTAL ASSETS	4,062,097,123	4,056,994,195
LIABILITIES		
A) - NET EQUITY	1,011,913,246	977,228,869
B) - GENERAL PROVISIONS	16,129,769	17,660,268
C) - PROVISIONS FOR EMPLOYEES SEVERANCE INDEMNITIES	64,600,031	67,693,570
D) - PAYABLES	2,968,228,114	2,992,774,170
E) - ACCRUED LIABILITIES AND DEFERRED INCOME	1,225,964	1,637,317
TOTAL LIABILITIES AND NET EQUITY	4,062,097,123	4,056,994,195
MEMORANDUM ACCOUNT		
INCOME STATEMENT (ex art. 2425 Civil Code)		
A) - PRODUCTION VALUE	2,004,317,386	2,045,545,131
B) - PRODUCTION COSTS	-2,025,080,877	-2,051,890,514
C) - FINANCIAL INCOME AND CHARGES	136,006,232	75,050,399
D) - ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS	-73,157,449	-17,006,801
E) - EXTRAORDINARY INCOME AND CHARGES	5,466,941	-3,152,421
Income taxes	-12,446,018	-19,874,195
NET PROFIT (LOSS) FOR THE YEAR	35,106,215	28,671,599

4.8

LIST OF SIGNIFICANT EQUITY INVESTMENTS

Below is a full list of significant equity investments held by IGD SIIQ S.p.A. at 31 December 2016.

NAME	REGISTERED OFFICE	COUNTRY	HELD BY	% HELD DIRECTLY	% HELD INDIRECTLY	TOTAL % HELD
IGD Management S.r.l.	Ravenna, via Villa Glori 4	Italy	IGD SIIQ S.p.A.	100.00%		100.00%
Millennium Gallery S.r.l.	Ravenna, via Villa Glori 4	Italy	IGD SIIQ S.p.A.	100.00%		100.00%
IGD Property SIIQ S.p.A.	Ravenna, via Villa Glori 4	Italy	IGD SIIQ S.p.A.	100.00%		100.00%
Punta di Ferro SIIQ S.p.A.	Ravenna, via Villa Glori 4	Italy	IGD SIIQ S.p.A.	100.00%		100.00%
Porta Medicea S.r.l.	Bologna, Via Trattati Comunitari Europei 1957-2007 13	Italy	IGD Management S.r.l.		80.00%	80.00%
Win Magazin S.A.	Bucarest	Romania	IGD Management S.r.l.		99.90%	100.00%
			IGD SIIQ S.p.A.	0.10%		
Winmarkt Management S.r.l.	Bucarest	Romania	Win Magazin S.A.		100.00%	100.00%
Arco Campus S.r.l.	Bologna, via dell'Arcoveggio 49/2	Italy	IGD SIIQ S.p.A.	99.98%		99.98%
Millennium Center soc. cons. r.l.	Rovereto (Trento), via del Garda 175	Italy	Millennium Gallery S.r.l.		35.40%	35.40%
RGD Ferrara 2013 S.r.l.	Roma, via Piemonte 38	Italy	IGD SIIQ S.p.A.	50%		50.00%
Iniziative Bologna Nord S.r.l. in liquidation	Casalecchio di Reno (Bologna), via Isonzo 67	Italy	IGD Management S.r.l.		15.00%	15.00%

4.9

INFORMATION PURSUANT TO ART. 149 *duodecies* OF CONSOB'S REGULATIONS FOR ISSUERS

The following chart, prepared in accordance with Art. 149 *duodecies* of Consob's regulations for issuers, shows the fees pertaining to 2016 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Amounts in thousands of Euro	SERVICE PROVIDER	RECIPIENT	FEES IN 2016
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIQ S.p.A.	104
	PricewaterhouseCoopers S.p.A.	Subsidiaries IGD Property SIINQ S.p.A., Punta di Ferro SIINQ S.p.A., IGD Management S.r.l., Millennium Gallery S.r.l., Porta Medicea S.r.l.	69
	PricewaterhouseCoopers Audit S.r.l.	Romanian subsidiaries	25
Other services	PricewaterhouseCoopers S.p.A.	IGD SIQ S.p.A.	155
TOTAL			353

4.10

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ART. 81-TER OF THE CONSOB REGULATION ADOPTED

WITH RESOLUTION 11971 OF 14 MAY 1999, AS AMENDED

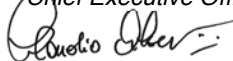
1. We, the undersigned, Claudio Albertini as chief executive officer and Grazia Margherita Piolanti as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:
 - the adequacy of in relation to the characteristics of the business; and
 - the company's due compliance with the administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2016.

2. We also confirm that:
 - 2.1. the consolidated financial statements:
 - a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
 - b) correspond to the ledgers and accounting entries;
 - c) provide fair and truthful disclosure of the financial status and performance of the issuer and the companies included in the consolidation.

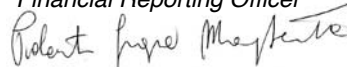
 - 2.2 the directors' report contains a reliable analysis of the performance, results, and current situation of the issuer and the companies in the consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Bologna, 28 February 2017

Claudio Albertini
Chief Executive Officer



Grazia Margherita Piolanti
Financial Reporting Officer



4.11**EXTERNAL AUDITORS'
REPORT****INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF
LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010**

To the shareholders of
Immobiliare Grande Distribuzione SIQ SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Immobiliare Grande Distribuzione SIQ SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "IGD Group"), which comprise the consolidated statement of financial position as of 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the IGD Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Other matters

As required by law, the Company included in the notes to the consolidated financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of the Company, with the consolidated financial statements of the IGD Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the IGD Group as of 31 December 2016.

Bologna, 20 March 2017

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

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



TIBURTINO SHOPPING CENTER

Guidonia Montecelio (Rome)

Opening 2009

Mall GLA sq.m 33,496

Food anchor GLA sq.m 7,663



5,355,841 visitors in 2016

Environmental certification:

UNI EN ISO 14001



IGD SIIQ S.P.A.
SEPARATE FINANCIAL
STATEMENTS
AT 31/12/2016

05

5.1**INCOME STATEMENT**

INCOME STATEMENT (amounts in Euro)	Note	31/12/2016 (A)	31/12/2015 (B)	CHANGES (A-B)
Revenues:	1	74,803,975	73,465,042	1,338,933
- from third parties		40,585,385	39,657,012	928,373
- from related parties		34,218,590	33,808,030	410,560
Other income:	2	2,049,632	1,535,902	513,730
- from third parties		426,453	90,941	335,512
- from related parties		1,623,179	1,444,961	178,218
Total revenues and operating income		76,853,607	75,000,944	1,852,663
Service costs	3	11,552,761	11,676,657	(123,896)
- from third parties		9,847,638	10,020,482	(172,844)
- from related parties		1,705,123	1,656,175	48,948
Personnel costs	4	5,023,402	4,726,197	297,205
Other operating costs	5	5,756,552	5,744,196	12,356
Total operating costs		22,332,715	22,147,050	185,665
(Amortization and provisions)		(1,259,400)	(1,731,544)	472,144
(Impairment losses)/Reversals on work in progress		(127,158)	(698,278)	571,120
Fair value changes - increases/(decreases)		9,485,445	12,874,895	(3,389,450)
Total amortization, provisions, impairment loss and fair value changes	6	8,098,887	10,445,073	(2,346,186)
EBIT		62,619,779	63,298,967	(679,188)
Results from equity investments and assets disposals	7	8,729,237	8,822,357	(93,120)
Financial income:		422,387	751,054	(328,667)
- from third parties		193,218	19,442	173,776
- from related parties		229,169	731,612	(502,443)
Financial charges:		29,390,308	27,038,297	2,352,011
- from third parties		29,346,638	26,986,892	2,359,746
- from related parties		43,670	51,405	(7,735)
Net financial income	8	(28,967,921)	(26,287,243)	(2,680,678)
PRE-TAX PROFIT		42,381,095	45,834,081	(3,452,986)
Income taxes for the period	9	152,408	822,881	(670,473)
NET PROFIT FOR THE PERIOD		42,228,687	45,011,200	(2,782,513)

5.2

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (amounts in Euro)	31/12/2016	31/12/2015
NET PROFIT FOR THE PERIOD	42,228,687	45,011,200
Other comprehensive income that will not be reclassified to profit or loss:		
Transaction cost for capital increase	0	(672,179)
Recalculation of defined benefit plans	(135,908)	135,405
Total comprehensive income that will not be reclassified to profit or loss for the period, net of tax effects	(135,908)	(536,774)
Other comprehensive income that will be reclassified to profit or loss		
Hedge derivatives' effects on net equity	1,212,309	5,674,846
Hedge derivatives' tax effects on net equity	(645,004)	(2,570,558)
Total other comprehensive income that will be reclassified to profit or loss for the period, net of tax effect	567,305	3,104,288
Total comprehensive profit/(loss) for the period	42,660,084	47,578,714

5.3

STATEMENT OF
FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (Amounts in Euro)	Note	31/12/2016 (A)	31/12/2015 (B)	CHANGES (A-B)
NON CURRENT ASSETS:				
Intangible assets				
Intangible assets with finite useful lives	10	33,060	39,779	(6,719)
Goodwill	11	1,300,000	1,300,000	0
		1,333,060	1,339,779	(6,719)
Tangible assets				
Investment property	12	1,239,357,298	1,180,382,983	58,974,315
Building	13	8,374,484	8,617,990	(243,506)
Plants and machinery	14	37,000	9,621	27,379
Equipments and other assets	14	340,874	545,344	(204,470)
Improvement on leasehold assets	14	11,062	4,270	6,792
Assets under construction and deposits	15	59,633,405	36,019,895	23,613,510
		1,307,754,123	1,225,580,103	82,174,020
Other non-current assets				
Deferred tax assets	16	7,534,352	8,209,632	(675,280)
Sundry receivables and other non-current assets	17	20,424	23,648	(3,224)
Equity investments	18	518,051,100	522,512,481	(4,461,381)
Non-current financial assets	19	100,000	100,000	0
Derivative assets	41	-	12,057	(12,057)
		525,705,876	530,857,818	(5,151,942)
TOTAL NON-CURRENT ASSETS (A)		1,834,793,059	1,757,777,700	77,015,359
CURRENT ASSETS:				
Trade and other receivables	20	5,712,278	7,098,872	(1,386,594)
Related parties trade and other receivables	21	871,265	526,759	344,506
Other current assets	22	12,183,707	1,913,872	10,269,835
Related parties other current assets	23	208,648	68,983	139,665
Related parties financial receivables and other current financial assets	24	187,018,210	51,447,409	135,570,801
Cash and cash equivalents	25	1,125,370	8,571,706	(7,446,336)
TOTAL CURRENT ASSETS (B)		207,119,478	69,627,601	137,491,877
TOTAL ASSETS (A+B)		2,041,912,537	1,827,405,301	214,507,236
NET EQUITY				
Share capital		599,760,278	599,760,278	0
Share premium reserve		29,971,151	39,971,151	(10,000,000)
Other reserves		354,396,513	331,475,850	22,920,663
Profits		42,229,060	45,011,306	(2,782,246)
TOTAL NET EQUITY (C)	26	1,026,357,002	1,016,218,585	10,138,417
NON-CURRENT LIABILITIES:				
Derivative liabilities	41	27,062,806	30,007,631	(2,944,825)
Non-current financial liabilities	27	824,946,282	554,576,714	270,369,568
Provisions for employee severance indemnities	28	1,563,146	1,267,684	295,462
General provisions	29	4,426,362	4,158,391	267,971
Sundry payables and other non-current liabilities	30	84,442	159,101	(74,659)
Related party sundry payables and other non-current liabilities	30	9,822,965	9,830,153	(7,188)
TOTAL NON-CURRENT LIABILITIES (D)		867,906,003	599,999,674	267,906,329
CURRENT LIABILITIES:				
Current financial liabilities	31	112,835,598	191,879,417	(79,043,819)
Related party current financial liabilities	31	18,170,927	2,000,089	16,170,838
Trade and other payables	33	10,363,410	7,487,998	2,875,412
Related party trade and other payables	34	1,366,358	349,029	1,017,329
Tax liabilities	35	460,514	1,242,565	(782,051)
Other current liabilities	36	4,113,656	3,154,985	958,671
Related party other current liabilities	37	339,069	5,072,959	(4,733,890)
TOTAL CURRENT LIABILITIES (E)		147,649,532	211,187,042	(63,537,510)
TOTAL LIABILITIES (F = D + E)		1,015,555,535	811,186,716	204,368,819
TOTAL NET EQUITY AND LIABILITIES (C + F)		2,041,912,537	1,827,405,301	214,507,236

5.4

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM RESERVES	OTHER RESERVE	PROFITS	NET EQUITY
Balance at 01/01/2015	549,760,279	147,730,288	241,359,144	8,153,415	947,003,126
Net profit for the period				45,011,200	45,011,200
Cash flow derivative evaluation			3,104,288		3,104,288
Other comprehensive income (losses)			(536,774)		(536,774)
Total comprehensive income (losses)	0	0	2,567,514	45,011,200	47,578,714
Other effects	0			107	107
Share capital increase	49,999,999				49,999,999
<i>Allocation of 2014 profit:</i>					
- distributed dividends		0	(9,779,676)	(18,583,685)	(28,363,361)
- to legal reserve		(97,580,905)	97,580,905		0
- to other reserve	0	(10,178,232)	(252,037)	10,430,269	0
Balance at 31/12/2015	599,760,278	39,971,151	331,475,850	45,011,306	1,016,218,585

	SHARE CAPITAL	SHARE PREMIUM RESERVES	OTHER RESERVE	PROFITS	NET EQUITY
Balance at 01/01/2016	599,760,278	39,971,151	331,475,850	45,011,306	1,016,218,585
Net profit for the period				42,228,687	42,228,687
Cash flow derivative evaluation			567,305		567,305
Other comprehensive income (losses)			(135,908)		(135,908)
Total comprehensive income (losses)	0	0	431,397	42,228,687	42,660,084
Other effects				158	158
<i>Allocation of 2015 profits:</i>					
- distributed dividends			(6,828,836)	(25,692,989)	(32,521,825)
- to legal reserve		(10,000,000)	10,000,000	0	0
- to other reserve		0	19,318,102	(19,318,102)	0
Balance at 31/12/2016	599,760,278	29,971,151	354,396,513	42,229,060	1,026,357,002

5.5**STATEMENT
OF CASH FLOWS**

STATEMENT OF CASH FLOW (in Euro)	31/12/2016	31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES		
Pre-tax profit	42,381,095	45,834,081
Adjustments to reconcile net profit for the period with cash flow generated (absorbed) by operating activities		
Non-cash items	6,962,065	1,759,684
(Amortization and provisions)	1,259,400	1,731,544
(Impairment losses)/Reversals on assets under construction	127,158	698,278
Change in fair value - Increases/(Decreases)	(9,485,445)	(12,874,895)
Capital gains / Losses from equity investments	11,370	441,493
CASH FLOW FROM OPERATING ACTIVITIES	41,255,643	37,590,185
Current taxes	(253,862)	(205,228)
CASH FLOW FROM OPERATING ACTIVITIES NET OF TAXES	41,001,781	37,384,957
Net change in current assets and liabilities with third parties	(6,180,962)	109,258
Net change in current assets and liabilities with related parties	(5,200,732)	5,871,589
Net change in non-current assets and liabilities with third parties	33,076	97,655
Net change in non-current assets and liabilities with related parties	(7,188)	463,679
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	29,645,975	43,927,137
(Investments) in fixed assets	(72,604,556)	(14,748,250)
Disposals in fixed assets	315,114	29,420,630
Disposals in equity investments	4,465,737	0
(Investments) in fixed assets	(18,780)	(133,739,210)
CASH FLOW FROM INVESTING ACTIVITIES	(67,842,485)	(119,066,830)
Change in non-current financial assets	0	494,500
Change in financial receivables and other current financial assets with related parties	(135,570,801)	37,650,132
Share capital increase	0	49,318,292
Cash flow hedge reserve	(1,658,500)	0
Dividends distribution	(32,521,825)	(28,363,361)
Change in current financial debt with third parties	(82,842,534)	103,992,061
Change in current financial debt with related parties	16,170,838	1,811,874
Change in non-current financial debt with third parties	267,172,996	(83,316,452)
Change in non-current financial debt with related parties	0	(200)
CASH FLOW FROM FINANCING ACTIVITIES	30,750,174	81,586,846
NET INCREASE (DECREASE) IN CASH BALANCE	(7,446,336)	6,447,153
CASH BALANCE AT THE BEGINNING OF THE YEAR	8,571,706	2,124,553
CASH BALANCE AT THE END OF THE YEAR	1,125,370	8,571,706

5.6

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The draft financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2016 were approved and authorized for publication by the Board of Directors on 28 February 2017.

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. and is under the management and coordination of that company.

2. Summary of accounting standards

→ **2.1 Preparation criteria**

Statement of compliance with International Accounting Standards

The separate financial statements for 2016 have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), that as of the reporting date had been endorsed following the procedure specified in Regulation (EC) 1606/2002. The IFRS have been applied consistently to all reporting periods presented.

Reporting formats

The items in the statement of financial position have been classified as current or non-current, and those in the income statement by type.

The statement of comprehensive income shows the net profit or loss along with income and charges that by express requirement of IFRS are recognized directly in equity.

The statement of changes in equity presents comprehensive income and charges, transactions with shareholders and other changes in shareholders' equity.

The statement of cash flows is prepared using the indirect method, adjusting the profit for non-cash items.

The financial statements, tables and explanatory notes are expressed in euro (EUR), unless specified otherwise.

Changes in accounting standards

a) New accounting standards

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

COMMISSION REGULATION (EU)	TITLE
2016/1703	Commission Regulation (EU) 2016/1703 of 22 September 2016, published in the Official Journal of the European Union L 257 on 23 September, adopting the publication "Investment Entities: Applying the Consolidation Exception" which amends IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities, and IAS 28 Investments in associates and joint ventures. The amendments aim to clarify the requirements when accounting for investment entities and provide relief in particular circumstances. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2016. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.
2015/2441	Commission Regulation (EU) 2015/2441 of 18 December 2015, published in the Official Journal of the European Union L 336 on 23 December, adopting Amendments to IAS 27 - Separate financial statements: Equity method in separate financial statements. The amendments allow an entity to use the net equity method described in IAS 28 - Investments in Associates and Joint Ventures to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.

continue

COMMISSION REGULATION (EU)	TITLE
2015/2406	Commission Regulation (EU) 2015/2406 of 18 December 2015, published in the Official Journal of the European Union L 333 on 19 December, adopting Amendments to IAS 1 - Presentation of financial statements: Disclosure initiative. The amendments aim to improve the effectiveness of disclosure and to encourage companies to apply professional judgment in determining what information to disclose in their financial statements when applying IAS 1. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.
2015/2343	Commission Regulation (EU) 2015/2343 of 15 December 2015, published in the Official Journal of the European Union L 330 on 16 December, adopting the IFRS Annual Improvements 2012-2014 Cycle as part of the ordinary process of streamlining and clarifying the international accounting standards. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.
2015/2231	Commission Regulation (EU) 2015/2231 of 2 December 2015, published in the Official Journal of the European Union L 317 on 3 December, adopting amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets - Clarification of acceptable methods of depreciation and amortization. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.
2015/2173	Commission Regulation (EU) 2015/2173 of 24 November 2015, published in the Official Journal of the European Union L 307 on 25 November, adopting amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations. The amendments provide guidance on accounting for acquisitions of interests in joint operations that constitute a business. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.
2015/29	Commission Regulation (EU) 2015/29 of 17 December 2014, published in the Official Journal of the European Union L 5 on 9 January, adopting Amendments to IAS 19 - Defined benefit plans: employee contributions. The amendments aim to simplify and clarify the accounting for employee or third party contributions linked to defined benefit plans. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.
2015/28	Commission Regulation (EU) 2015/28 of 17 December 2014, published in the Official Journal of the European Union L 5 on 9 January, adopting the Annual Improvements to IFRS 2010-2012 Cycle. The objective of the annual improvements is to address non-urgent, but necessary issues discussed by the IASB during the project cycle that began in 2011 on areas of inconsistency in International Financial Reporting Standards or where clarification of wording is required. Amendments to IFRS 8 and to IAS 16, 24 and 38 are clarifications or corrections to the respective standards. Amendments to IFRS 2 and IFRS 3 involve changes to the existing requirements or additional guidance on the implementation of those requirements. Adoption of the new standard is not believed to have had a significant impact on the Company's financial statements.

b) Accounting standards, amendments, and interpretations not yet effective and not applied in advance

The table below reports the new international accounting standards, or amendments to existing standards, which were not yet mandatory for financial periods beginning on 1 January 2017. The Company has not opted for early adoption.

COMMISSION REGULATION (EU)	TITLE
2016/2067	Commission Regulation (EU) 2016/2067 of 22 November 2016, published in the Official Journal of the European Union L 323 on 29 November 2016, adopting IFRS 9 - Financial Instruments in order to improve the reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 responds to the G20's call to move to a more forward-looking model for the recognition of expected losses on financial assets. Companies must apply the standard, at the latest, from the first day of the financial period beginning on or after 1 January 2018.
2016/1905	Commission Regulation (EU) 2016/1905 of 22 September 2016, published in the Official Journal of the European Union L 295 on 29 October 2016, adopting IFRS 15 - Revenue from Contracts with Customers in order to improve the financial reporting of revenue and to improve comparability of the top line in financial statements globally. Companies must apply the standard, at the latest, from the first day of the financial period beginning on or after 1 January 2018. From an initial review of contracts with customers, it appears that the Company will not be affected by the new standard.

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

DATE	EVENT
13 January 2016	IASB publishes the new standard IFRS 16 Leases, to replace IAS 17. IFRS 16 is effective from 1 January 2019. Early adoption is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. The Company has begun a financial review to estimate the impact of IFRS 16, with particular reference to the leasing of a mall from a third party.
19 January 2016	IASB publishes amendments to IAS 12 Income Tax. "Recognition of Deferred Tax Assets for Unrealized Losses" (Amendments to IAS 12) aims to clarify the accounting for deferred tax assets on debt instruments measured at fair value. The changes are effective from 1 January 2017. Early adoption is permitted.
29 January 2016	The IASB publishes amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. They are effective from 1 January 2017.
21 June 2016	The IASB publishes amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions, effective from 1 January 2018. Early adoption is permitted.
28 June 2016	IASB publishes the exposure draft for consultation Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11) , aiming to clarify the definition of a business and the accounting for previously held interests when control or joint control is acquired.
9 December 2016	The IASB publishes various amendments to standards and an IFRIC interpretation, aiming to clarify some IFRS provisions. Specifically: <ul style="list-style-type: none">- Annual Improvements to IFRS Standards 2014-2016 Cycle, which amends IFRS 1, IFRS 12 and IAS 28;- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective from 1 January 2018;- Amendment to IAS 40 Investment Property: Transfers of Investment Property, effective from 1 January 2018.

None of these changes were used to prepare the financial statements as they have not yet been approved by the European Commission.

→ 2.2 Intangible assets

Intangible assets are recognized at cost when it is likely that use of the asset will generate future economic benefits and when its cost can be reliably determined. Intangible assets acquired through business combinations are recognized at the fair value defined as of the acquisition date, if that value can be reliably determined.

After their initial recognition, intangible assets are carried at cost. The useful life of intangibles can be either finite or indefinite. Intangible assets with indefinite useful lives are not amortized but are subject to impairment testing each year, or more frequently, whenever there is any indication of impairment. Further to such testing, if the recoverable value of an asset is less than its book value, the latter is reduced to recoverable value. This reduction constitutes an impairment loss, which is immediately posted to the income statement. An asset's recoverable value is the higher of its net sale value or value in use. Value in use is the present value of expected cash flows generated by the asset. In order to assess losses in value, assets are aggregated to the lowest cash generating unit, i.e. the lowest level for which independent cash flows can be separately identified. In the case of an indicator implying recovery of the value lost, the asset's recoverable value is re-determined and the book value is increased to that new value. However, the increase in book value can never exceed the net book value that the fixed asset would have had if no impairment had occurred.

→ 2.3 Business combinations and goodwill

Business combinations are accounted for using the purchase method. This requires the fair value recognition of the identifiable assets (including intangible assets previously not recognized) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the entity acquired. Transaction costs are recognized as soon as they are incurred.

Goodwill acquired in a business combination, which in the separate financial statements is incorporated into the value of the investment acquired, is calculated as the excess of the total consideration transferred, minority interests in net equity and the fair value of any previously held interest in the company over the acquisition-date fair value of the net assets acquired and the liabilities assumed. If the acquisition-date fair value of the net assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, minority interests in net equity and the fair value of any previously held interest in the acquiree, the excess is recognized immediately as income arising from the transaction.

Minority interests in net equity, as of the acquisition date, can be measured at fair value or as a pro-quota proportion of the value of the net assets recognized for the acquiree. This choice is made on a case-by-case basis.

Any contingent consideration provided for in the acquisition agreement is measured at its acquisition-date fair value, and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Subsequent changes in fair value that qualify as adjustments arising during the measurement period are included in goodwill retrospectively. Such changes are those caused by additional information, obtained during the

measurement period (not to exceed one year from the business combination), regarding facts and circumstances that existed on the acquisition date.

In the case of business combinations achieved in stages, the interest previously held by the Group is remeasured at fair value as of the date control is acquired, and any resulting gain or loss is recognized in the income statement. Any amounts deriving from the previously held interest and reported in other comprehensive income or losses are reclassified to profit or loss as if the interest had been sold. If the initial values of a business combination are incomplete at the end of the financial period in which it occurred, in the consolidated financial statements the Group uses provisional amounts for those elements that cannot be measured in full. The provisional amounts are adjusted during the measurement period to take account of new information on facts and circumstances existing on the acquisition date which, if known, would have affected the acquisition-date value of the assets and liabilities recognized.

Business combinations occurring before 1 January 2010 are reported according to the previous version of IFRS 3.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the acquirer's individual cash generating units or to the groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IFRS 8 - Segment Reporting;
- when goodwill is part of a cash generating unit or group of cash generating units and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill transferred under these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

If the disposal concerns a subsidiary, the difference between the sale price and net assets plus accumulated translation differences and goodwill is recognized in profit or loss.

After first-time recognition, goodwill is decreased by accumulated impairment losses, determined as described below.

The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment. If the amount recoverable by the cash generating unit is lower than the carrying value attributed, then an impairment loss is recognized. Impairment losses on goodwill cannot be reversed in subsequent years. The Company tests goodwill for impairment at 31 December of each year.

→ 2.4 Investment property and assets under construction

Investment property is real estate held in order to earn rent while appreciating in value over time.

Investment property is initially recognized at cost, including transaction expenses (as well as borrowing costs, where applicable), and is subsequently measured at fair value with changes reported in the income statement.

Any work on the properties is added to their carrying value only if it is likely to produce future economic benefits and if the cost can be reliably determined. Other maintenance and repair costs are recognized in the income statement when incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure.

The market value of properties includes the value of their plant and machinery, as well as goodwill acquired.

Investment property is derecognized on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses from the withdrawal or disposal of investment property are recognized to profit or loss in the period in which the withdrawal or disposal takes place.

Assets under construction, consisting of deposits and advance payments, are valued at cost. For land and accessory works on which investment property will be developed, once the building permits are obtained and/or the urban planning agreements signed, and once the procedure for obtaining administrative permits is completed and construction is underway, fair value can be reliably determined and the fair value method is therefore used. Until that time, the asset is recognized at cost, which is compared with recoverable amount at each reporting date in order to determine any loss in value. When construction or development of an investment property is completed, it is restated to "investment property".

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of investment property in accordance with IFRS 13 must reflect, among other things, rental income from current leases and other reasonable and supportable assumptions that market participants would use when pricing the asset under current market conditions.

As stated in paragraph 27 of IFRS 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
- a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset

(e.g. the zoning regulations applicable to a property);

- a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Highest and best use is determined from the perspective of market participants. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset. According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.

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

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

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

→ 2.5 IAS 23 - Borrowing costs

Borrowing costs directly attributable to the purchase and construction of investment property relating to both new constructions and extensions, are added to the carrying value of the property in question. Interest is capitalized provided that the augmented carrying amount of the asset does *not* increase beyond *fair value*.

→ 2.6 Plant, machinery and equipment

Plant, machinery and equipment that are owned by IGD and are not attributable to investment property are recognized at cost, less commercial discounts and rebates, considering directly attributable expenses as well as an initial estimate of the cost of dismantling and removing the asset and restoring the site where it was located. Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs (including financial expenses directly attributable to the purchase, construction or production of the asset) are recognized to profit or loss when incurred. The capitalized charge is recognized to profit and loss throughout the useful life of the tangible asset by means of depreciation. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

CATEGORY	RATE
Wiring, sprinkler system, compressed air	10 %
HVAC system	15 %
Fittings	20 %
Plant management computer	20 %
Special communication systems - telephone	25 %
Special plant	25 %
Alarm/security system	30 %
Sundry equipment	15 %
Office furnishings	12 %
Cash registers and EDP machines	20 %
Personal computers and accessories	40 %

An asset is subject to impairment testing whenever events or changes in circumstances indicate that its carrying value cannot be fully recovered. If the carrying value exceeds the recoverable amount, the asset is written down to reflect the impairment. An asset's recoverable value is the higher of its net sale value or value in use.

In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. Impairment is charged to the income statement as depreciation. Impairment is reversed if the reasons cease to apply. When an asset is sold or when its use is no longer expected to produce future economic benefits, it is derecognized and any loss or gain (calculated as the difference between the sale value and carrying value) is taken to profit or loss the year the asset is eliminated.

→ 2.7 Leasing

Goods held under finance leases, in which IGD assumes all of the risks and benefits of ownership, are capitalized from the inception of the lease at the fair value of the leased good or, if lower, at the present value of the minimum lease payments, including the price of the redemption option.

The liability is recognized under financial payables. Leasing installments are divided into principal and interest so as to obtain a constant interest rate applicable to the remaining principal due. The financial charges are recognized to profit and loss.

Leased investment property is recognized at fair value, on the same basis as investment property owned by IGD.

→ 2.8 Equity investments

Equity investments in subsidiaries and associates are recognized at cost less any impairment. The positive difference, at the time of the acquisition, between the purchase cost and IGD's share of net equity at present values is therefore included in the carrying value of the investment. Should IGD's share of the acquiree's losses exceed the carrying value of the investment, the investment is written off, and the Company's share of further losses is recognized as a liability provision if IGD is liable for this.

→ 2.9 Other non-current assets

Other non-current assets consist of deferred tax assets, financial assets relating to derivatives, and miscellaneous. Receivables and other financial assets other than derivatives, to be held until maturity, are recognized at cost which corresponds to the fair value of the initial consideration paid plus transaction costs. The initial value recognized is subsequently adjusted to take account of the reimbursement of principal, any impairment losses, and amortization of the difference between the redemption value and the initial carrying value. Amortization is charged at the effective interest rate, corresponding to the rate which, upon first-time recognition, makes the present value of projected cash flows equal to the initial carrying amount (amortized cost method).

→ 2.10 Trade and other receivables

Receivables are shown at fair value, which coincides with their face value less any impairment. For trade receivables, an impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the Company will not be able to recover all amounts due under the original terms and conditions. The carrying amount of the receivable is reduced by means of a separate provision. Impaired receivables are written off when they are found to be irrecoverable.

→ 2.11 Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at face value or amortized cost.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity of no more than three months.

→ 2.12 Financial receivables and other current financial assets

These consist mainly of financial assets held to maturity. This category includes financial assets with fixed or determinate payments and a set maturity, that the company plans and is able to hold until that time. They are initially valued at cost, and subsequently at amortized cost.

→ 2.13 Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.

They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

→ 2.14 General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated.

The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

→ 2.15 Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to the statement of comprehensive income under "other comprehensive income". The Company does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Company does not offer employee incentive plans in the form of share participation instruments.

→ 2.16 Revenue

Revenue is recognized to the extent the Company is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the fair value of the consideration received, excluding discounts, rebates and taxes. The following recognition criteria must always be satisfied before revenue is posted to the income statement.

- Rent and business lease revenue

Rental income and business lease revenue from the Company's freehold and leasehold properties is recorded on an accruals basis, according to the leases in force.

- Service income

Service income is recorded with reference to the state of completion of the transaction and only when the outcome of the service can be reliably estimated.

→ 2.17 Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

→ 2.18 Dividends

Dividends are recognized when the Company is entitled to their receipt.

→ 2.19 Income taxes

a) Current taxes

Current tax liabilities for the present and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date.

Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes

Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.

Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse.

Income taxes relating to items that are credited or charged

directly to equity are also charged or credited directly to equity and not to profit or loss.

→ 2.20 Derecognition of financial assets and financial liabilities

a) Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Company's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that IGD could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

→ 2.21 Derivative financial instruments

The Company holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities.

In accordance with IAS 39, derivative financial instruments used for hedging qualify for hedge accounting only if:

- a) at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- b) the hedge is expected to be highly effective;
- c) the effectiveness of the hedge can be reliably measured;
- d) the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value. When the financial instruments qualify for hedge accounting, the following rules apply:

Fair value hedge - If a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in profit or loss. The part of the gain or loss from remeasuring the hedged item at fair value that is attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable, the effective portion of the gain or loss from remeasuring the instrument at fair value is recognized in a separate equity reserve. The cumulative gain or loss is reversed from the equity reserve and transferred to profit or loss the same year that the effects of the hedged transaction are recognized in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. If a hedging instrument is closed but the hedged transaction has not yet taken place, the cumulative gains and losses remain in the equity reserve and are restated to profit or loss when the transaction is realized or when a loss in value occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized in the equity reserve are immediately reclassified to profit or loss.

If hedge accounting does not apply, the gains or losses arising from measurement at fair value of the derivative financial instrument are recognized directly to profit or loss.

→ 2.22 SIIQ status

A company defined as an SIIQ (Società di Investimento Immobiliare Quotata, similar to a real estate investment trust or REIT), pursuant to Law 296 of 27 December 2006 (as amended) and Ministry Decree 174 of 7 September 2007, can exclude rental income and the equivalent for the purposes of IRES (corporate income tax) and IRAP (regional business tax).

On 16 April 2008, IGD SIIQ S.p.A., which meets the organizational, ownership and statutory requirements, opted for this special status.

At the close of 2016, as at the end of previous years since 2008, it satisfied the financial and earnings parameters set by law and thus met the objective requirements (see Note 9 of the separate financial statements).

In demanding that property rentals and the equivalent (known as "exempt operations") be the prevailing factor in a company's income statement and statement of financial position, SIIQ rules do not require that they be its sole activity.

IGD SIIQ S.p.A. does maintain marginal operations other than property rental and the equivalent ("taxable operations").

Income from taxable operations has been subject to the standard rules of computation, while the rules stated in paragraphs 119 et seq. of Law 296/06 and its implementation decree have been followed for income from exempt operations, taking account of the changes introduced by Decree Law 133 of 12 September 2014, converted with amendments into Law 164 of 11 November 2014.

To distinguish the results of separate operations, subject to different accounting and tax treatment in accordance with

paragraph 121 of Law 296/06, IGD SIIQ S.p.A. has kept separate accounts for exempt rental operations and taxable marginal operations.

In keeping with the accounting standards, income from exempt operations include revenue and costs typical of the property rental business, as well as those typical of operations considered to be equivalent.

Likewise, revenue and costs stemming from the company's remaining activities have been allocated to taxable operations. Under the rules introduced by Law 164 of 11 November 2014 ("*Conversion into law, with amendments, of Decree 133 of 12 September 2014*"), capital gains and losses on rental properties (whether realized or implicit in fair value measurements) are also included in exempt operations.

In accordance with paragraph 121 of Law 296/06 and with the recommendations contained in Revenue Office Circular 8/E of 7 February 2008, general, administrative and financial costs that cannot be directly attributed to exempt or taxable operations or allocated on the basis of objective

parameters have been split according to the ratio of exempt revenue/income/dividends to total revenue/income/dividends.

As for properties (owned or held on the basis of other corporeal rights) forming part of rental package deals, the accurate and objective determination of the portion of fees pertaining to the real estate component has been ensured by making the exempt/taxable allocation on the basis of an expert appraisal to quantify the fair value of fees at each property that pertain to rent.

Likewise, the costs common to package deals as a whole (such as shopping center promotion and advertising costs) have been allocated to exempt and taxable operations in the same proportions used for rent. In this specific case, such a policy was thought to be more representative than an allocation based on the company's total revenue. Since these costs relate directly to the package deals and not to IGD's operations as a whole, their correlation with contractual fees is immediate and objective.

3. Use of estimates

The preparation of the separate financial statements and notes in accordance with IFRS requires Management to follow accounting policies and methods that in some cases depend on difficult subjective quantifications and estimates based on past experience, and assumptions that are considered reasonable and realistic on a case-by-case basis. These affect the carrying values of assets and liabilities and disclosures of contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.

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

→ Investment property

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms with acknowledged professional qualifications and in-depth knowledge of the characteristics of the properties appraised. To that end, on 8 May 2016 the Board of Directors of IGD SIIQ S.p.A. hired CBRE Valuation S.p.A., Real Estate Advisory Group S.p.A., Jones Lang LaSalle, and Cushman & Wakefield, specialized in the appraisal of investment property, to prepare a report from which the company can determine the fair value of the currently rented portions of shopping centers, malls, hypermarkets, supermarkets, fitness zones, stores, offices, and land. The periodic appraisals are conducted according to an internal procedure that governs the entire process of valuing investment property at fair value: criteria for the selection and appointment of independent appraisers, protocol for extending assign-

ments, protocol for sharing information and documents between the company and the independent appraisers, and overall monitoring and responsibility. The appraisers' contracts define valuation criteria and methods, the means and timing of physical inspections and any other checks of the appraised properties, and the specific reasoning for the method(s) used to appraise the individual asset. The main information required by the appraisers includes, for rented properties, the rental status of each unit in each shopping center; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs. For construction in progress, the information concerns the start and end dates of the work, the status of building permits and authorizations, remaining costs, the state of progress, the ribbon-cutting date and projected rentals. The independent appraisers formulate their own assumptions, such as inflation rates, discount rates and capitalization rates, on the basis of their professional judgment. The following are taken into account when determining the capitalization and discounting rates used to value individual properties:

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

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

IGD periodically conducts sensitivity analyses on the values assigned to its assets in order to monitor the impact on the real estate portfolio of changes in the discount rate or capitalization rate as a result of macroeconomic developments. Monitoring of the indicators defined in the enterprise risk

management system supports the Company's evaluation of how this risk is likely to evolve.

→ Recoverable amount of goodwill

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

→ Recoverability of deferred tax assets

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

→ Fair value of derivative instruments

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

→ Variable revenue

Variable revenue at 31 December is determined on the basis of annual earnings reports from the individual tenants, if available, and otherwise on the basis of monthly reports.

→ Provision for doubtful accounts

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

→ Contingent liabilities

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

The Company monitors the status of such litigation and consults with its attorneys and with experts in law and taxation.

4. Segment reporting

The income statement and statement of financial position are broken down below by business segment, in accordance with IFRS 8.

INCOME STATEMENT	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
	CORE BUSINESS PROPERTIES		SERVICES		SHARED		TOTAL	
Total revenues and operating income	74,803,975	73,495,969	2,049,632	1,504,975	0	0	76,853,607	75,000,944
Direct costs (a) (excluding provisions for doubtful accounts)	12,587,223	12,823,626	251,133	49,012	0	0	12,838,356	12,872,639
G&A expenses (b)					9,494,359	9,274,411	9,494,359	9,274,411
Total operating costs (a) + (b)	12,587,223	12,823,626	251,133	49,012	9,494,359	9,274,411	22,332,715	22,147,050
(Depreciations, amortizations and provisions)	(996,221)	(1,457,467)	0	0	(263,179)	(274,077)	(1,259,400)	(1,731,544)
(Impairment losses) / Reversals on work in progress and inventories	(127,158)	(698,278)	0	0	0	0	(127,158)	(698,278)
Change in Fair Value - increases/(decreases)	9,485,445	12,874,895	0	0	0	0	9,485,445	12,874,895
Total depreciations, amortizations, provisions, impairment and fair value changes	8,362,066	10,719,150	0	0	(263,179)	(274,077)	8,098,887	10,445,073
EBIT	70,578,818	71,391,493	1,798,499	1,455,962	(9,757,538)	(9,548,488)	62,619,779	63,298,967
Results from equity investments and assets disposals					8,729,237	8,822,357	8,729,237	8,822,357
Financial income:					422,387	751,054	422,387	751,054
- third parties					193,218	19,442	193,218	19,442
- related parties					229,169	731,612	229,169	731,612
Financial charges:					29,390,308	27,038,297	29,390,308	27,038,297
- third parties					29,346,638	26,986,892	29,346,638	26,986,892
- related parties					43,670	51,405	43,670	51,405
Net financial income					(28,967,921)	(26,287,243)	(28,967,921)	(26,287,243)
PRE-TAX PROFIT	70,578,818	71,391,493	1,798,499	1,455,962	(29,996,222)	(27,013,374)	42,381,095	45,834,081
Current income taxes					152,408	822,881	152,408	822,881
NET PROFIT FOR THE PERIOD	70,578,818	71,391,493	1,798,499	1,455,962	(30,148,630)	(27,836,255)	42,228,687	45,011,200

STATEMENT OF FINANCIAL POSITION	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
	CORE BUSINESS PROPERTIES		SHARED		TOTAL	
- Real estate investments	1,239,357,298	1,180,382,983	0	0	1,239,357,298	1,180,382,983
- Assets under construction	59,633,405	36,019,895	0	0	59,633,405	36,019,895
Intangible assets	1,300,001	1,300,000	33,060	39,779	1,333,061	1,339,779
Other tangible assets	388,937	559,235	8,374,484	8,617,990	8,763,421	9,177,225
- Sundry receivables and other non-current assets	0	0	20,424	23,648	20,424	23,648
- Equity investments	517,967,126	518,069,302	83,974	4,443,179	518,051,100	522,512,481
NWC	2,124,242	(7,699,050)	0	0	2,124,242	(7,699,050)
Funds	(5,989,508)	(5,426,075)	0	0	(5,989,508)	(5,426,075)
Sundry payables and other non-current liabilities	(9,907,408)	(9,989,254)	0	0	(9,907,408)	(9,989,254)
Net deferred tax (assets)/liabilities	7,534,352	8,209,632	0	0	7,534,352	8,209,632
Total use of funds	1,812,408,446	1,721,426,668	8,511,942	13,124,596	1,820,920,388	1,734,551,264
Total Group Net equity	1,026,148,355	1,016,218,585	0	0	1,026,148,355	1,016,218,585
Net (assets) and liabilities for derivative instruments	27,062,806	29,995,574	0	0	27,062,806	29,995,574
Net debt	759,197,285	675,212,509	8,511,942	13,124,596	767,709,227	688,337,105
Total sources	1,812,408,446	1,721,426,668	8,511,942	13,124,596	1,820,920,388	1,734,551,264

Notes to the financial statements

Note 1) Revenue

		31/12/2016	31/12/2015	CHANGE
Freehold hypermarkets - lease and business rents to related parties	a.1	27,950,682	27,629,298	321,384
Freehold supermarkets - lease and business rents to related parties	a.2	1,699,203	1,699,203	0
TOTAL HYPERMARKETS/SUPERMARKETS	a	29,649,885	29,328,501	321,384
Freehold malls, offices and city center	b.1	40,360,839	39,450,393	910,446
Rents		6,262,210	6,638,620	(376,410)
To related parties		4,125,400	4,116,155	9,245
To third parties		2,136,810	2,522,465	(385,655)
Business lease		34,098,629	32,811,773	1,286,856
To related parties		357,179	281,748	75,431
To third parties		33,741,450	32,530,025	1,211,425
Leasehold malls	b.2	3,285,146	3,304,609	(19,463)
Rents		193,011	199,016	(6,005)
To related parties		31,376	31,376	0
To third parties		161,635	167,640	(6,005)
Business lease		3,092,135	3,105,593	(13,458)
To related parties		50,250	50,250	0
To third parties		3,041,885	3,055,343	(13,458)
Other contracts and temporary rents revenues	b.3	1,508,105	1,381,539	126,566
Other contracts and temporary rents revenues		1,503,605	1,381,539	122,066
Related party other contracts and temporary rents revenues		4,500	0	4,500
TOTAL MALLS	b	45,154,090	44,136,541	1,017,549
GRAND TOTAL	a+b	74,803,975	73,465,042	1,338,933
of which related parties		34,218,590	33,808,030	410,560
of which third parties		40,585,385	39,657,012	928,373

Rent and business lease revenue increased since the previous year (+€1,338,933).

Rent from freehold hypermarkets and supermarkets was up by €321,384, due to the full-period contribution of the hypermarket at Clodi Retail Park in Chioggia.

Rent and business lease revenue from

malls, offices and city center properties increased by €1,017,549, thanks mainly to the opening of the Maremà mall on 27 October 2016 and the contribution for the full 12 months of Clodi Retail Park, opened in May 2015. These positive factors were partially offset by the disposal of City Center Rizzoli at the end of May 2015.

Note 2) Other income

	31/12/2016	31/12/2015	CHANGE
Various refunds	9,030	600	8,430
Contingent assets/liabilities	(4,214)	0	(4,214)
Portfolio management and rent management revenues	7,000	0	7,000
Pilotage and construction revenues	327,748	70,411	257,337
Other revenues	86,889	19,930	66,959
Other income from third parties	426,453	90,941	335,512
Related parties various refunds	50,839	38,979	11,860
Related parties pilotage and construction revenues	4,600	47,988	(43,388)
Related parties portfolio management and rent management revenues	35,740	40,994	(5,254)
Related parties administrative services	1,532,000	1,317,000	215,000
Other income from related parties	1,623,179	1,444,961	178,218
OTHER INCOME	2,049,632	1,535,902	513,730

The increase in "other income" was caused essentially by revenue for administrative services to related parties, reflecting the administrative and technical services provided to the sub-

sidiary Punta di Ferro SIIQ S.p.A. (acquired in December 2015). There was also a rise in pilotage revenue with the opening of the Maremà mall in Grosseto.

Note 3) Service costs

	31/12/2016	31/12/2015	CHANGE
Third parties service costs	9,847,638	10,020,482	(172,844)
Rents and payable leases	3,468,740	3,467,484	1,256
Promotional and advertising expenses	497,452	622,094	(124,642)
Facility management costs due to vacant	841,804	1,062,028	(220,224)
Facility management costs due to cap on tenants' expenses	995,761	934,111	61,650
Insurances	425,924	423,180	2,744
Professional fees	106,549	89,403	17,146
Directors and statutory auditors fees	754,270	743,873	10,397
External auditing fees	104,291	104,291	0
Investor Relations, Consob, Monte Titoli fees	375,574	373,608	1,966
Pilotage and construction costs	198,200	50,246	147,954
Consulting	607,268	579,115	28,153
Fees for appraisals	274,900	289,200	(14,300)
Maintenance and repairs	192,036	185,441	6,595
Other service costs	1,004,869	1,096,408	(91,539)
Related parties service costs	1,705,123	1,656,175	48,948
Rents and payable leases	2,400	2,400	0
Promotional and advertising expenses	0	25,000	(25,000)
Service	295,592	297,309	(1,717)
Facility management costs due to vacant	521,987	632,607	(110,620)
Facility management costs due to cap on tenants' expenses	752,598	581,750	170,848
Insurances	33,046	32,130	916
Directors and statutory auditors fees	99,500	84,979	14,521
Service costs	11,552,761	11,676,657	(123,896)

Service costs decreased by €123,896 with respect to the previous year.

The main decreases concerned promotional expenses and facility management costs for unlet space, due to the rise in occupancy.

These were offset by a rise in "facility management costs for tenant expense ceilings" (reflecting the greater number of contracts setting a limit on tenants'

expenses) and pilotage costs, for work done in 2016 in relation to the new Maremà mall.

Rent paid refers mainly to the Fonti del Corallo mall in Livorno, rented since 2014 from BNP Paribas Real Estate Investment Management Italy SGR S.p.A., under a 24-year lease ending on 25 February 2038 (with an early withdrawal option at the halfway

mark on 25 February 2026) that will automatically renew upon expiration for another six years (until 25 February 2044). Rent is set at €3,325,000 for six years and will then be adjusted by 100% of the ISTAT index.

The following table provides details of directors' and statutory auditors' fees for their work at the company. The fees indicated refer to compensation for 2016.

DIRECTORS AND STATUTORY AUDITORS	TITLE	DATES IN OFFICE	END OF TERM	EMOLUMENTS
BOARD OF DIRECTORS				
Gilberto Coffari	Chairman	01/01/16-31/12/16	2017 FY Approval	91,500
Fernando Pellegrini	Director	01/01/16-31/12/16	2017 FY Approval	16,500
	Vice Chairman	01/01/16-31/12/16	2017 FY Approval	50,000
Claudio Albertini	Director	01/01/16-31/12/16	2017 FY Approval	16,500
	Chief Executive Officer	01/01/16-31/12/16	2017 FY Approval	250,000
Leonardo Caporioni	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Aristide Canosani	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Andrea Parenti	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Elisabetta Gualandri	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Livia Salvini	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Elio Gasperoni	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Milva Carletti	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Rossella Saoncella	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Matthew David Lentz	Director	01/01/16-31/12/16	2017 FY Approval	16,500
Luca Dondi Dall'Orologio	Director	03/03/16-31/12/16	2017 FY Approval	13,705
BOARD OF STATUTORY AUDITORS				
Anna Maria Allievi	Chairman	01/01/16-31/12/16	2017 FY Approval	24,750
Roberto Chiusoli	Standing Auditor	01/01/16-31/12/16	2017 FY Approval	16,500
Pasquina Corsi	Standing Auditor	01/01/16-31/12/16	2017 FY Approval	16,500
CONTROL AND RISK COMMITTEE				
Elisabetta Gualandri	Director (Chairman)	01/01/16-31/12/16	when no longer Director	12,000
Livia Salvini	Director	01/01/16-31/12/16	when no longer Director	8,000
Rossella Saoncella	Director	01/01/16-31/12/16	when no longer Director	8,000
SUPERVISORY BOARD				
Fabio Carpanelli	External (Chairman)	01/01/16-31/12/16	2017 FY Approval	12,000
Riccardo Sabadini	External	01/01/16-31/12/16	2017 FY Approval	8,000
Alessandra De Martino	External	01/01/16-31/12/16	2017 FY Approval	8,000
NOMINATIONS AND COMPENSATION COMMITTEE				
Andrea Parenti	Director (Chairman)	01/01/16-31/12/16	when no longer Director	3,750
Milva Carletti	Director	01/01/16-31/12/16	when no longer Director	3,750
Elisabetta Gualandri	Director	01/01/16-31/12/16	when no longer Director	3,750
CHAIRMAN'S COMMITTEE				
Gilberto Coffari	Chairman	01/01/16-31/12/16	when no longer Director	0
Fernando Pellegrini	Vice Chairman	01/01/16-31/12/16	when no longer Director	0
Claudio Albertini	Chief Executive Officer	01/01/16-31/12/16	when no longer Director	0
Elio Gasperoni	Director	01/01/16-31/12/16	when no longer Director	0
RELATED PARTY TRANSACTION COMMITTEE				
Rossella Saoncella	Director (Chairman)	01/01/16-31/12/16	when no longer Director	1,500
Andrea Parenti	Director	01/01/16-31/12/16	when no longer Director	1,500
Matthew David Lentz	Director	01/01/16-31/12/16	when no longer Director	1,500

For further details, see the Remuneration Report prepared in accordance with the law.

Note 4) Cost of labor

The cost of labor is detailed below:

	31/12/2016	31/12/2015	CHANGE
Wage and salaries	3,591,677	3,343,408	248,269
Social security	1,028,971	964,969	64,002
Severance pay	232,759	271,644	(38,885)
Other cost	169,995	146,176	23,819
Personnel cost	5,023,402	4,726,197	297,205

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

Severance pay includes contributions to supplementary funds in the amount of €62,233.

The workforce is broken down by category below:

DIVISION OF WORKFORCE BY CATEGORY	31/12/2016	31/12/15
Executives	6	4
Middle managers	13	13
White Collars	51	50
TOTAL	70	67

Note 5) Other operating costs

	31/12/2016	31/12/2015	CHANGE
IMU/TASI property tax	5,066,431	5,019,391	47,040
Other taxes	65,685	49,683	16,002
Ordinary out-of-period (income)/charges	(12,475)	(13,580)	1,105
Contracts registration	226,935	241,152	(14,217)
Membership fees	126,460	122,068	4,392
Loss on receivables	32,184	50,350	(18,166)
Fuel and tolls	116,586	110,176	6,410
Other costs	134,746	164,956	(30,210)
Other operating costs	5,756,552	5,744,196	12,356

The increase in other operating costs is due essentially to the municipal tax on freehold properties, which went

up as a result of the taxes paid on Clodi Retail Park in Chioggia and the Maremà mall in Grosseto.

Note 6) Depreciation, amortization, provisions and fair value changes

	31/12/2016	31/12/2015	CHANGE
Intangible assets amortization	(19,673)	(30,571)	10,898
Tangible assets amortization	(463,809)	(513,232)	49,423
Doubtful accounts	(581,643)	(776,365)	194,722
Other provisions	(194,275)	(411,376)	217,101
Total amortization and depreciation	(1,259,400)	(1,731,544)	472,144
(Impairment losses)/Reversals on assets under construction	(127,158)	(698,278)	571,120
Fair Value Change	9,485,445	12,874,895	(3,389,450)
Total amortization, provision, impairment and fair value change	8,098,887	10,445,073	(2,346,186)

- Depreciation and amortization decreased by €60,321 due to the conclusion of the depreciation process for equipment.
- The allocation to the provision for doubtful accounts, €581,643, was lower than the previous year's by €194,722 in consideration of the improved economic climate. The amount is determined by evaluating the individual positions of clients in order to adjust them to estimated realizable value, and decreased to reflect the reduction in impaired receivables. See Note 20 for changes in this provision.
- Other provisions refer to the estimated outcome of two IMU (municipal property tax) disputes regarding Le Maioliche (Faenza) and La Torre (Palermo) shopping centers.
- "Impairment losses/(reversals) on work in progress" (-€127,158; see Note 15) concern the impairment loss on the Porto Grande expansion, listed under assets under construction and carried at the lower of cost and appraised fair value.
- The item "Fair value changes" (€9,485,445) covers: (i) a net revaluation of €7,914,940 (see Note 12) to match the carrying value of investment property to its appraised fair value at 31 December 2016; (ii) a revaluation of €1,570,505 (see Note 15) to match the carrying value of the Esp expansion in Ravenna to its fair value.

Note 7) Income/(loss) from equity investments and property sales

	31/12/2016	31/12/2015	CHANGE
Dividends from subsidiaries	8,740,581	9,461,364	(720,783)
Dividends from other companies	26	52	(26)
Capital loss from the sale of San Benedetto building/(Rizzoli 2015)	3,053	(291,493)	294,546
Transaction costs of Punta di Ferro equity investments	0	(191,452)	191,452
Equity investment writedowns	(107,358)	(156,114)	48,756
Result from the sale of SGR	92,935	0	92,935
Total results of equity investments and asset disposals	8,729,237	8,822,357	(93,120)

The balance of €8,729,237 for the year is ascribable mainly to: (i) dividends from the subsidiary IGD Property SIIQ S.p.A.; (ii) proceeds from the sale of the investment in UnipolSai Investimenti

SGR S.p.A. further to a call option exercised by UnipolSai Assicurazioni S.p.A.; and (iii) impairment losses of €107,358 on Arco Campus S.r.l. and RGD Ferrara 2013 S.r.l..

Note 8) Financial income and charges

	31/12/2016	31/12/2015	CHANGE
Bank interests income	174,088	4,869	169,219
Other interest income	19,130	14,573	4,557
Third party financial income	193,218	19,442	173,776
Interest income from related party	229,169	731,612	(502,443)
Related party financial income	229,169	731,612	(502,443)
Financial income	422,387	751,054	(328,667)

Most of the decrease in financial income was caused by lower interest rates on loans to subsidiaries (reflecting both the Euribor rate and the spreads), which was partially off-

set by the investment of temporary excess cash resulting from the €300 million bond loan, restricted until 28 November 2016 and paying interest of 0.60%.

	31/12/2016	31/12/2015	CHANGE
Interest expenses to subsidiaries	12,174	3,301	8,873
Interest expenses on security deposits	19,556	48,104	(28,548)
Interest expenses to Coop Adriatica	11,940	0	11,940
Related party financial charges	43,670	51,405	(7,735)
Interest expenses to banks	148,297	151,293	(2,996)
Mortgage loan interest expenses	3,403,217	5,167,644	(1,764,427)
Loans amortized costs	394,486	378,096	16,390
IRS spread	8,111,716	8,758,224	(646,508)
Amortized costs of bond equity component	125,131	198,480	(73,349)
Bond interests and charges	13,885,969	10,213,270	3,672,699
Bonds amortized costs	2,369,880	1,524,177	845,703
Financial charges on leasing	63,648	79,892	(16,244)
Other interests and charges	844,294	515,816	328,478
Third party financial charges	29,346,638	26,986,892	2,359,746
Financial charges	29,390,308	27,038,297	2,352,011

Financial charges increased primarily as a result of the €300 million bond loan, issued on 31 May 2016, in addition to rating costs.

This was partially offset by decreased financial charges resulting from:

- the early repayment of the Centrobanca loan for Coné hypermarket;
- IRS spreads;
- the swap carried out in April 2015 in relation to the bond loans.

Note 9) Income taxes

	31/12/2016	31/12/2015	CHANGE
Current taxes	54,000	(788,763)	842,763
<i>In detail:</i>			
<i>Ires</i>	33,279	33,279	0
<i>Irap</i>	252,451	208,484	43,967
<i>Irap tax credit</i>	(231,730)	(1,030,526)	798,796
Deferred tax liabilities	(521)	(13,311)	12,790
Deferred tax assets	(2,482)	1,525,832	(1,528,314)
Out-of-period income/charges - Provisions	101,411	99,123	2,288
Income taxes of the period	152,408	822,881	(670,473)

Current and deferred tax decreased to €152,408.

As in 2015, the tax consolidation for IRES purposes showed a loss and no deferred tax assets were recognized. The amount shown in the income statement is fully offset by a decrease in current taxes charged directly to equity and relating to capital increase costs.

The amount due for IRAP, slightly higher than in 2015, allowed an additional

conversion of the unused ACE benefit into a tax credit to be taken against IRAP in the amount of €231,730 .

See Note 16 for movements in deferred tax liabilities and deferred tax assets.

The following tables show the calculations used to confirm the economic and financial conditions for maintaining SIIQ status, as required by law (see Section 2.7 of the Directors' report):

INCOME STATEMENT EXEMPT OPERATIONS AND TAXABLE INCOME (amounts in Euro)	31/12/2016 TOTAL	31/12/2016 EXEMPT OPERATIONS	31/12/2016 TAXABLE OPERATIONS
Total revenues and operating income	76,853,607	68,766,284	8,087,323
Total operating costs	22,332,715	17,836,772	4,495,943
(Amortization and provisions)	(1,259,400)	(1,224,054)	(35,346)
(Impairment losses)/Reversals on work in progress	(127,158)	(127,158)	0
Fair value changes - increases/(decreases)	9,485,445	9,485,445	0
EBIT	62,619,779	59,063,745	3,556,034
Investment management results	8,729,237	8,741,634	(12,397)
Financial income	422,387	13,772	408,615
Financial charges	29,390,308	27,336,692	2,053,616
Financial management result	(28,967,921)	(27,322,920)	(1,645,001)
PRE-TAX PROFIT	42,381,095	40,482,459	1,898,636
Income taxes for the period	152,408		152,408
NET PROFIT FOR THE PERIOD	42,228,687	40,482,459	1,746,228

CONFIRMATION OF THE ECONOMIC CONDITIONS	31/12/2016
Rental and equivalent income (exempt income) (A)	77,273,562
Positive components (B)	85,784,980
Income ratio (A/B)	90.08%

CONFIRMATION OF FINANCIAL CONDITIONS	31/12/2016
Rental properties	1,239,357,298
Properties under construction	59,633,405
Investments in SIIQ	331,616,411
Total rental properties, properties under construction and investments in SIIQ	A 1,630,607,114
TOTAL ASSETS	B 2,041,912,537
Elements excluded from the ratio	C (222,197,583)
Cash and cash equivalents	(1,125,370)
Group companies loans	(187,018,210)
Trade receivables	(6,583,543)
IGD SIIQ Headquarters	(8,374,484)
Derivative assets	0
Deferred tax assets	(7,534,352)
Tax credit	(11,561,624)
Total adjusted assets B - C = D	D 1,819,714,954
FINANCIAL RATIO A/D	89.61%

Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2016 and 31 December 2015.

INCOME TAXES RECONCILIATION APPLICABLE TO PRE-TAX PROFIT	31/12/2016	31/12/2015
Pre-tax profit	42,381,095	45,834,081
<i>Theoretical tax charge (rate 27.5%)</i>	11,654,801	12,604,372
Profit resulting from the income statement	42,381,095	45,834,081
Increases:		
IMU (Property taxes)	4,789,583	4,741,259
Negative fair value	20,185,687	0
Impairment losses on assets under construction	127,158	698,278
Other increases	5,615,305	4,945,549
Decreases:		
Change in exempt income	(37,404,740)	(37,521,634)
Amortization	(1,273,392)	(1,269,149)
Positive fair value	(29,671,132)	(12,874,895)
Other changes	(2,459,150)	(3,319,115)
Taxable income	2,290,414	1,234,373
Use of Ace benefit	2,290,414	1,234,373
Taxable income net of losses	0	0
Lower current taxes charged directly to equity	(33,279)	(33,279)
Current taxes	33,279	33,279
Irapp tax credit	(231,730)	(1,030,526)
Total current taxes for the year	(198,451)	(997,247)
Difference between value and cost of production	58,645,317	57,031,846
<i>Theoretical IRAP (3.9%)</i>	2,287,167	2,224,242
Difference between value and cost of production	58,645,317	57,031,846
Changes:		
Increases	5,705,173	7,991,434
Decreases	(519,048)	(1,225,673)
Change in exempt income	(52,533,281)	(53,825,869)
Other deductions	(4,871,531)	(4,726,196)
Taxable income for IRAP purpose	6,426,630	5,245,542
Lower taxes for IRAP charged directly to equity	0	(2,379)
Current IRAP for the year	252,451	208,484

Note 10) Intangible assets with finite useful lives

	BALANCE AT 01/01/2015	INCREASES	DECREASES	AMORTIZATION	RECLASSIFI- CATIONS	BALANCE AT 31/12/2015
Intangible assets with finite useful lives	50,655	19,695	0	(30,571)	0	39,779

	BALANCE AT 01/01/2016	INCREASES	DECREASES	AMORTIZATION	RECLASSIFI- CATIONS	BALANCE AT 31/12/2016
Intangible assets with finite useful lives	39,779	12,954	0	(19,673)	0	33,060

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of company trademarks and for business software. Trademarks are amortized over ten years and software over three years. In 2016 there were no impair-

ment losses or reversals on intangible assets. Increases refer to: (i) the purchase of business/financial software for €10,589; (ii) the trademark of the new Maremà shopping center in Grosseto for €2,365.

Note 11) Goodwill

	BALANCE AT 01/01/2015	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2015
Goodwill	1,300,000	0	0	0	1,300,000

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Goodwill	1,300,000	0	0	0	1,300,000

Goodwill has been allocated to the individual cash generating units (CGUs). No changes took place during the year.

Below is the breakdown of goodwill by CGU at 31 December 2016.

GOODWILL	31/12/2016	31/12/2015
Fonti del Corallo	1,300,000	1,300,000
Total	1,300,000	1,300,000

The figures were retested for impairment during preparation of the financial statements. Value in use was calculated by projecting cash flows estimated in the 2017 budget and, for 2018, in the 2016-2018 business plan approved by the Board of Directors on 10 May 2016. The discount rate

(WACC) was 4.33%; the risk premium contained in the cost of equity is 5.2%, while the borrowing rate used is the average rate of competitors or 2.41%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 12) Investment property

As required by IAS 40, the following table reconciles the opening and closing value of investment property, with

increases, decreases, and changes in fair value shown separately.

	BALANCE AT 01/01/2015	INCREASES	DECREASES	REVALUATION	IMPAIRMENT	RECLASSIFICATIONS	BALANCE AT 31/12/2015
Investment property	1,127,201,271	10,793,267	(1,112,123)	27,327,637	(14,878,523)	31,051,454	1,180,382,983

	BALANCE AT 01/01/2016	INCREASES	DECREASES	REVALUATION	IMPAIRMENT	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Investment property	1,180,382,983	51,356,450	(312,061)	28,100,627	(20,185,687)	14,986	1,239,357,298

Changes for the year in investment property concern increases of €51,356,450 for the purchase of the Maremà mall on 13 December 2016 (€46,584,249) and work carried out and completed (€4,772,201), including: (i) purchase of land and continuation of urban development works at Chioggia Retail Park, for €976K; (ii) fit-out work for Città delle Stelle shopping center in Ascoli, for €661K; (iii) construction work at

Esp shopping center (€359K); (iv) construction and roofing work at Tiburtino Shopping Center (€1,041K); (v) roofing and fit-out work at Mondovi retail park, amounting to €331K; and other minor improvements (mostly at Conè mall and Lugo hypermarket) for €1,404K. On 30 November, the "palazzina San Benedetto" (with a carrying value of €236,947) was sold for €240,000; along with other minor decreases, this

reduced investment property by a total of €312,061. As for fair value adjustments, investment property was revalued in the amount of €28,100,627 and written down by €20,185,687, for a net negative impact of €7,914,940. For the calculation of fair value and an analysis of the real estate portfolio, see section 2.5 ("The real estate portfolio") in this Annual Report.

Fair value hierarchy

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measure-

ment date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
 - (a) quoted prices for similar assets or liabilities in active markets;
 - (b) quoted prices for identical or similar assets or liabilities in markets that are not active;
 - (c) inputs other than quoted prices that are observable for the asset or liability, for example:

- (i) interest rates and yield curves observable at commonly quoted intervals;
- (ii) implied volatilities; and
- (iii) credit spreads;
- (d) market-corroborated inputs.

- level 3 inputs are unobservable inputs for the asset or liability.

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

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

FAIR VALUE MEASUREMENTS 31/12/2016	LISTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS AND LIABILITIES (LEVEL 1)	SIGNIFICANT INPUTS OBSERVABLE IN THE MARKET (LEVEL 2)	SIGNIFICANT INPUTS NOT OBSERVABLE IN THE MARKETS (LEVEL 3)
Investment property in Italy			
Italian shopping malls			736,151,853
City Center			23,500,000
Hypermarkets and Supermarkets			475,493,364
Residual portion of property			4,212,081
Total investment property in Italy			1,239,357,298
Total development initiatives			39,100,000
Total IGD investment property measured at Fair Value			1,278,457,298

Note 13) Buildings

	BALANCE AT 01/01/2015	INCREASES	DECREASES	AMORTIZATIONS	BALANCE AT 31/12/2015
Historical cost	10,114,243	0	0		10,114,243
Accumulated depreciation	(1,252,747)	0	0	(243,506)	(1,496,253)
Net carrying value	8,861,496	0	0	(243,506)	8,617,990

	BALANCE AT 01/01/2016	INCREASES	DECREASES	AMORTIZATIONS	BALANCE AT 31/12/2016
Historical cost	10,114,243	0	0		10,114,243
Accumulated depreciation	(1,496,253)	0	0	(243,506)	(1,739,759)
Net carrying value	8,617,990	0	0	(243,506)	8,374,484

This item refers to the purchase of the building that houses the head office. As

in 2015, the only movement during the year was depreciation.

Note 14) Plant and machinery, equipment, and leasehold improvements

	BALANCE AT 01/01/2015	BALANCE AT 01/01/2015	BALANCE AT 01/01/2015					BALANCE AT 31/12/2015	BALANCE AT 31/12/2015	BALANCE AT 31/12/2015
	Historical cost	Accumulated depreciation	Net carrying value	Increases	Historical cost de- creases	Accumulated depreciations - decrease	Depreciations 2015	Historical cost	Accumulated depreciation	Net carrying value
Plant and machinery	105,859	(94,253)	11,606				(1,985)	105,859	(96,238)	9,621
Equipments	2,267,166	(1,498,374)	768,792	44,164			(267,612)	2,311,330	(1,765,986)	545,344
Leasehold improvements	0	0	0	4,400			(130)	4,400	(130)	4,270

	BALANCE AT 01/01/2016	BALANCE AT 01/01/2016	BALANCE AT 01/01/2016					BALANCE AT 31/12/2016	BALANCE AT 31/12/2016	BALANCE AT 31/12/2016
	Historical cost	Accumulated depreciation	Net carrying value	Increases	Historical cost de- creases	Accumulated depreciations - decrease	Depreciations 2016	Historical cost	Accumulated depreciation	Net carrying value
Plant and machinery	105,859	(96,238)	9,621	33,613			(6,234)	139,472	(102,472)	37,000
Equipments	2,311,330	(1,765,986)	545,344	9,284	(93)	93	(213,754)	2,320,521	(1,979,647)	340,874
Leasehold improvements	4,400	(130)	4,270	7,107			(315)	11,507	(445)	11,062

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year (€220,303) and purchases worth €50,004. Leasehold

improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the lease.

Note 15) Assets under construction

	BALANCE AT 01/01/2015	INCREASES	DECREASES	RECLASSIFICA- TION	(IMPAIRMENT)/ REVERSALS	FAIR VALUE CHANGE	BALANCE AT 31/12/2015
Assets under construction	55,217,173	3,207,783	(14,352)	(31,051,454)	(698,278)	425,781	27,086,653
Advances	8,239,948	693,294	0				8,933,242
Assets under construction and advances	63,457,121	3,901,077	(14,352)	(31,051,454)	(698,278)	425,781	36,019,895

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFICA- TION	(IMPAIRMENT)/ REVERSALS	FAIR VALUE CHANGE	BALANCE AT 31/12/2016
Assets under construction	27,086,653	15,529,025		(14,986)	(127,158)	1,570,505	44,044,039
Advances	8,933,242	7,175,160	(519,036)				15,589,366
Assets under construction and advances	36,019,895	22,704,185	(519,036)	(14,986)	(127,158)	1,570,505	59,633,405

Assets under construction increased due to finished works and investments still in course for a total of €15,529,025, including: (i) planning and design for the expansion of Gran Rondò shopping mall in Crema (€134K); (ii) the continued expansion of Esp in Ravenna (€14,029); (iii) improved earthquake resistance at Darsena (€648K) and other minor improvements (€718K), for earthquake proofing at various shopping centers and roofing work at Katanè. The increase of €7,175,160 in Advances refers to down payments received during the year under the preliminary agreement for the purchase

from a related party (Porta Medicea) of the retail "Officine storiche" portion. The decreases reflect lower advances paid due to progress on the Esp expansion at 31 December 2016. The Portogrande expansion was written down by €127,158 to bring its carrying value into line with the lower of cost and appraised fair value. The Esp expansion in Ravenna, carried at fair value due to its advanced stage of construction, was revalued by €1,570,505.

See section 2.5 on the real estate portfolio for further details.

Note 16) Net deferred tax assets

Deferred tax assets and liabilities have been offset in accordance with paragraph 74 of IAS 12, given that: (i) the company is entitled to offset current tax assets and liabilities and (ii) the

deferred tax assets and liabilities are associated with income taxes charged by the same tax jurisdiction. Therefore, "net deferred tax assets" reflect deferred tax assets and liabilities.

	31/12/2016	31/12/2015	CHANGE
Deferred tax assets	7,548,903	8,224,704	(675,801)
Deferred tax liabilities	(14,551)	(15,072)	521
Net deferred tax assets and liabilities	7,534,352	8,209,632	(675,280)

Deferred tax assets are shown in detail below:

	31/12/2016	31/12/2015	CHANGE
Capital operation	58,316	91,595	(33,279)
Taxed provisions	37,315	40,012	(2,697)
IAS 19	9,286	4,107	5,179
IRS operations	6,280,549	6,925,553	(645,004)
Loss from tax consolidation	1,163,437	1,163,437	0
Deferred tax assets	7,548,903	8,224,704	(675,801)

Deferred tax assets mainly originate from:

- taxed provisions, such as the provision for doubtful accounts and the bonus provision;
- transaction costs for capital increases;
- the recognition of deferred tax assets on mortgage hedging instruments

- (IRS);
- tax losses carried forward.

Most of the change for the year stems from: (i) the reversal of deferred tax assets on mortgage hedging instruments (IRS) due to the decrease in their negative fair value.

DEFERRED TAX ASSETS	BALANCE AT 31/12/2015				BALANCE AT 31/12/2016			
	TEMPORARY DIFFERENCE	DEFERRED TAX ASSETS	INCREASES	DECREASES	INCREASES	REVERSAL	TEMPORARY DIFFERENCE	DEFERRED TAX ASSETS
			TEMPORARY DIFFERENCE		DEFERRED TAX ASSETS			
IAS 19 tax effect	178,889	4,107	160,849		5,179		339,738	9,286
Doubtful accounts	710,782	28,589	35,349	62,885	8,484	15,092	683,246	21,981
Variable salary	512,469	11,423	597,574	451,729	14,284	10,373	658,314	15,334
Tax consolidation loss	4,847,647	1,163,437					4,847,647	1,163,437
Irs operation*	28,856,472	6,925,553		2,687,519		645,004	26,168,953	6,280,549
Costs for capital increase 2012*	117,295	1,054		117,295		1,054	0	0
Costs for capital increase 2013*	164,545	1,420		82,272		758	82,273	662
Sale of treasury shares*	14,419	402		4,806		146	9,613	256
2014 DRO costs*	228,984	6,379		76,328		2,324	152,656	4,055
Costs for capital increase 2014*	2,548,980	71,013		849,660		25,866	1,699,320	45,147
2015 capitalized costs on 2014 capital increase reserve*	86,731	1,801		21,683		498	65,048	1,303
Costs for capital increase 2015*	458,635	9,526		114,659		2,633	343,976	6,893
TOTAL	38,725,847	8,224,704	793,772	4,468,836	27,947	703,748	35,050,784	7,548,903

* effect charged or credited directly to equity

Below are the details of deferred tax liabilities:

	31/12/2016	31/12/2015	CHANGE
Bond	14,551	15,072	(521)
Deferred tax liabilities	14,551	15,072	(521)

Deferred tax liabilities refer to temporary differences regarding the value for tax purposes of the bond loans.

DEFERRED TAX LIABILITIES	BALANCE AT 31/12/2015				BALANCE AT 31/12/2016			
	TEMPORARY DIFFERENCE	DEFERRED	INCREASES	DECREASES	INCREASES	REVERSAL	TEMPORARY DIFFERENCE	DEFERRED
			TEMPORARY DIFFERENCE		DEFERRED			
Bond	733,861	15,072		125,131		521	608,730	14,551
TOTAL	733,861	15,072	-	125,131	-	521	608,730	14,551

Note 17) Sundry receivables and other non-current assets

	31/12/2016	31/12/2015	CHANGES
Tax credits	0	4,489	(4,489)
Due from other	3	3	0
Security deposits	20,421	19,156	1,265
Sundry receivables and other non-current assets	20,424	23,648	(3,224)

Sundry receivables and other non-current assets are essentially in line with the previous year.

Note 18) Equity investments

Equity investments are detailed in the table below:

	31/12/2015	INCREASES	DECREASES	RECLASSIFICATIONS	IMPAIRMENT	31/12/2016
Equity investments in subsidiaries						
IGD Management S.r.l.	170,183,477					170,183,477
Millennium Gallery S.r.l.	14,463,025					14,463,025
Consorzio Proprietari Fonti del Corallo	6,800					6,800
Consorzio Proprietari C.C.Leonardo	52,000					52,000
Winmagazin S.A.	185,618					185,618
Consorzio I Bricchi	4,335					4,335
IGD Property SIIQ S.p.A.	202,167,074					202,167,074
Punta di ferro SIIQ S.p.A.	129,449,337					129,449,337
Consorzio del Commendone	0	6,039				6,039
Arco campus S.r.l.	1,506,779				(66,270)	1,440,509
Equity investments in associates						
Rgd Ferrara 2013 S.r.l.	50,000				(41,088)	8,912
UnipolSai Investimenti SGR S.p.A.	4,360,062	12,740	(4,372,802)			0
Equity investments in other companies	83,974	0	0	0	0	83,974
Total	522,512,481	18,779	(4,372,802)	0	(107,358)	518,051,100

On 9 September, further to a call option exercised by UnipolSai Assicurazioni S.p.A. on IGD's 20% interest, UnipolSai Investimenti SGR S.p.A. was sold for €4,465,737.40.

For investments deemed to be significant, the equity value (enterprise value + NFP) was determined and compared with the carrying value.

Enterprise value was calculated using the cash flow projections for each company, derived from estimates in the 2017 budget and, for 2018, in the 2016-2018 business plan approved by the directors on 10 May 2016. The discount rate (WACC) was 4.33%; the risk premium contained in the cost of equity is 5.2%, while the borrowing rate

used is the average rate of competitors or 2.41%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported, aside from the impairment losses of €107,358 with respect to Arco Campus S.r.l. and RGD Ferrara 2013 S.r.l. as shown in the table.

Note 19) Non-current financial assets

	31/12/2016	31/12/2015	CHANGE
Non-current financial assets	100,000	100,000	0

These refer to an interest-bearing loan of €100,000 to Fondazione Virtus Pallacanestro.

Note 20) Trade and other receivables

	31/12/2016	31/12/2015	CHANGE
Trade and other receivables	16,112,549	17,721,792	(1,609,243)
Provision for doubtful accounts	(10,400,271)	(10,622,920)	222,649
Trade and other receivables	5,712,278	7,098,872	(1,386,594)

Net trade receivables decreased with respect to 31 December 2015. They are shown net of the provision for doubtful accounts, which reflects recovery estimates on problem credits. IGD has received €179,947 plus VAT

with the second and definitive payment from the Darsena FM bankruptcy, and has therefore reversed to the income statement the excess provision against the Darsena account, in the amount of €179,947.

Movements in the provision for doubtful accounts are shown below:

MOVEMENTS IN PROVISION FOR DOUBTFUL ACCOUNTS	31/12/2016	31/12/2015
Provision for doubtful account at the beginning of the year	10,622,920	11,573,584
Uses	(629,735)	(1,367,483)
Devaluation / (Uses) Default interests	5,390	(6,031)
Provisions	581,643	776,365
Darsena provision surplus	(179,947)	(353,515)
Provision for doubtful account at the end of the year	10,400,271	10,622,920

Receivables are written down based on an analysis of each tenant's position.

Note 21) Related party trade and other receivables

	31/12/2016	31/12/2015	CHANGE
Coop Alleanza 3.0 Soc. Coop.	127,273	8,949	118,324
Rgd Ferrara 2013 S.r.l.	347,554	355,413	(7,859)
IGD Management S.r.l.	30,908	33,327	(2,419)
Porta Medicea S.r.l.	38,839	38,972	(133)
IGD Property SIHQ S.p.A.	0	1,919	(1,919)
R.P.T. Robintur Travel Partner S.r.l.	3	0	3
Punta di ferro SIHQ S.p.A.	116,533	219	116,314
Win Magazin S.A.	8,192	1,724	6,468
Winmarkt Management S.r.l.	27,952	0	27,952
Consorzio I Bricchi	32,683	0	32,683
Adriatica Luce e Gas S.r.l.	26,020	11,368	14,652
Viaggia con noi S.r.l.	66	66	0
Consorzio Clodi	7,315	0	7,315
Unicoop Tirreno Soc. Coop.	32,463	28,828	3,635
Distribuzione Lazio Umbria S.r.l.	1,356	0	1,356
Arco Campus S.r.l.	32	0	32
Librerie.Coop S.p.A.	21,465	8,827	12,638
Robintur S.p.A.	147	147	0
Consorzio del Commendone	1,281	0	1,281
Consorzio La Torre	437	0	437
Consorzio Porta a Mare	50,583	37,000	13,583
Consorzio Katané	163	0	163
Related party trade and other receivables	871,265	526,759	344,506

See Note 39 for comments.

Note 22) Other current assets

	31/12/2016	31/12/2015	CHANGE
<i>Tax credits</i>			
VAT credits	10,154,817	5,618	10,149,199
Ires credits	444,936	421,350	23,586
Irap credits	961,871	941,775	20,096
<i>Due from others</i>			
Accrued income and prepayments	424,879	287,983	136,896
Deferred costs	102,642	22,500	80,142
Other	94,562	234,646	(140,084)
Other current assets	12,183,707	1,913,872	10,269,835

Other current assets increased by €10,269,835, due mainly to: (i) a higher VAT credit reflecting the purchase of the Maremà mall; (ii) an increase in accrued assets and prepayments for

costs not pertaining to the year; and (iii) a rise in deferred costs for pilotage work relating to the Esp expansion, to be reversed to profit and loss the year the new mall is opened.

Note 23) Related party other current assets

	31/12/2016	31/12/2015	CHANGE
Receivables from tax consolidation	208,648	68,983	139,665
In detail:			
Millennium Gallery S.r.l.	105,842	1,977	103,865
IGD Property SIINQ S.p.A.	102,806	67,006	35,800
Total receivables from tax consolidation	208,648	68,983	139,665

This item consists of the amount due from Millennium Gallery S.r.l. and IGD Property SIINQ S.p.A. The increase

reflects the transfer of their 2016 taxable income and IRES credits to the tax consolidation.

Note 24) Financial receivables and other current financial assets

	31/12/2016	31/12/2015	CHANGE
Associates	151,226	151,307	(81)
Other related parties	186,866,984	51,296,102	135,570,882
Related party financial receivables and other financial assets	187,018,210	51,447,409	135,570,801

The amount due from associates refers to the €150,000 loan granted in 2013 to RGD Ferrara 2013 S.r.l., plus interest calculated at the 3-month Euribor plus 350 basis points.

Receivables from other related parties consist of loans granted to the subsidiaries IGD Property SIINQ S.p.A., Millennium Gallery S.r.l. and IGD Management S.r.l., all of them charging interest at the 3-month Euribor plus 50 basis points, as follows:

- loan granted to IGD Property SIINQ S.p.A. in May 2016: €2,900,000;
- loan granted to IGD Property SIINQ S.p.A. in May 2016: €30,000,000;
- loan granted to IGD Property SIINQ S.p.A. in November 2016:

€92,460,000;

- loan granted to Millennium Gallery S.r.l. in previous years: €300,000;
- loan granted to Millennium Gallery S.r.l. in previous years: €4,988,000;
- loan granted to IGD Management S.r.l. in previous years: €15,000,000;
- loan granted to IGD Management S.r.l.: €39,800,000, of which €28,250,000 in previous years and €11,550,000 in 2016.

There is also a receivable arising from the use of a pooled account (Group treasury), due from Millennium Gallery S.r.l. for €962,695 and from IGD Property SIINQ S.p.A. for €382,214.

The new €300 million bond loan, issued on 31 May 2016, has allowed IGD to streamline its bank and market borrowing through:

- a reduction in short-term bank loans;
- the early repayment of the €135 million mortgage loan taken out by IGD Property SIINQ S.p.A. in November 2013, which was repaid in two installments, of €29.65 million in May and €105.35 million in November;
- the early repayment of the mortgage loan taken out by Porta Medicea S.r.l., an indirect subsidiary through IGD Management S.r.l.

Note 25) Cash and cash equivalents

	31/12/2016	31/12/2015	CHANGES
Cash and cash equivalents	1,085,973	8,512,703	(7,426,730)
Cash on hand	39,397	59,003	(19,606)
Cash and cash equivalents	1,125,370	8,571,706	(7,446,336)

Cash and cash equivalents at 31 December 2016 consisted mainly of ordinary bank account balances. The

decrease reflects temporary deposits in the accounts at the end of the previous year.

Note 26) Net equity

	31/12/2016	31/12/2015	CHANGES
Share capital	599,760,278	599,760,278	0
Share premium reserve	29,971,151	39,971,151	(10,000,000)
Total other reserves	354,396,513	331,475,850	22,920,663
Legal reserve	119,952,056	109,952,056	10,000,000
Merger surplus reserve	0	3,955,934	(3,955,934)
Cash Flow Hedge reserve	(21,363,610)	(21,930,915)	567,305
Bond issue reserve	29,595,515	29,806,440	(210,925)
Share capital increase costs reserve	(6,155,903)	(6,155,903)	0
Recalculation of defined benefit plan	(153,996)	(18,088)	(135,908)
Fair Value reserve	232,522,451	213,204,349	19,318,102
Reserve available for asset disposal	0	2,661,977	(2,661,977)
Profits	42,229,060	45,011,306	(2,782,246)
New net profit (loss)	373	106	267
Net profit (loss) for the period	42,228,687	45,011,200	(2,782,513)
Total net equity	1,026,357,002	1,016,218,585	10,138,417

The following actions taken during the year were approved by the annual general meeting held to approve the 2015 financial statements: (i) removal of €10,000,000 from the share premium reserve to supplement the legal reserve; (ii) addition of €10,000,000 to the legal reserve, as above, bringing it to the full amount required by Art. 2430 of the Italian Civil Code; (iii) reclassification of €2,661,977 from the reserve available for asset disposal to profit carried forward; (iv) allocation of IGD SIIQ S.p.A.'s profit to the fair value reserve, in the amount

of €19,318,102; and (v) distribution of €32,521,825.24 in dividends for 2015, through full use of the merger surplus reserve (€3,955,934.45) and the bond issue reserve (€210,924.41), and use of profit carried forward for the remainder.

Net equity also changed due to the adjustment of cash flow hedge reserves for outstanding derivatives (+€567,305), the adjustment of the reserve for the redetermination of defined benefit plans (-€135,908), and net profit for the year (€42,228,687).

Pursuant to Civil Code Article 2427, paragraph 7 bis, the components of net equity are shown along with their origin, possibility for use and eligibility for distribution. The fair value reserve incorporates the revaluation reserve pursuant to Law 266/2005, for €150,411,622 net of the substitute tax of €20,510,676. Utilizations of the share premium reserve and the Euro conversion reserve over the past three years have gone into the legal reserve, which needs to reach a certain balance in accordance with Art. 2430 of the Italian Civil Code.

ITEM/DESCRIPTION €/000	AMOUNT	ELIGIBILITY FOR USE	AMOUNT AVAILABLE	SUMMAR OF THE USES MADE IN THE PAST THREE YEARS	
				for loss coverage	for other reasons
Share capital	599,760,278				
Capital reserves:					
Share premium reserve	29,971,151	A, B, C	29,971,151	(10,178,232)	(107,580,905)
Euro conversion reserve	0	A, B			(23,113)
Merger surplus reserve	0	A, B, C			
Bond issue reserve	29,595,515	A, B, C	29,595,515		
Total capital reserve	59,566,666		59,566,666		
Profit reserve					
Legal reserve*	119,952,056	B			107,604,018
Fair value reserve	232,522,451	B			
Cash Flow Hedge reserve	(21,363,610)	---	(21,363,610)		
Share capital increase costs reserve	(6,155,903)	---	(6,155,903)		
Recalculation of defined benefit plans	(153,996)	---	(153,996)		
New net profit/loss	373	A, B, C	373		
Total profit reserve	324,801,371		(27,673,136)		
Total reserve	384,368,037		31,893,530		
Non-distributable portion			0		
Remaining distributable amount			31,893,530		

Legend: A: for capital increase - B: for loss coverage - C: for shareholders distribution - * Legal reserve contains capital reserve for 107,604,018

Note 27) Non-current financial liabilities

This item includes the non-current portion of floating-rate loans from banks, bonds, and amounts due to other lenders, as detailed below:

	DURATION	31/12/2016	31/12/2015	CHANGE
Mortgage loans with banks		246,554,453	267,663,232	(21,108,779)
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	7,490,280	0	7,490,280
09 Interbanca IGD	25/09/2006 - 05/10/2021	57,023,248	70,004,692	(12,981,444)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	6,560,009	7,546,545	(986,536)
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	47,102,364	51,088,229	(3,985,865)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	7,643,950	8,245,209	(601,259)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	20,167,526	21,571,767	(1,404,241)
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	18,896,332	20,497,907	(1,601,575)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	10,680,426	11,609,518	(929,092)
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	23,377,568	25,295,451	(1,917,883)
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	16,770,185	18,341,105	(1,570,920)
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	30,842,565	33,462,809	(2,620,244)
Total payables for bonds		574,141,038	282,349,799	291,791,239
Bond 122,90ML	07/05/2013 - 07/05/2017	0	6,722,435	(6,722,435)
Bond 22 ML	07/05/2013 - 07/05/2017	0	1,210,084	(1,210,084)
Bond 150 ML	07/05/2014 - 07/01/2019	124,191,951	123,848,785	343,166
Bond 162 ML	21/04/2015 - 21/04/2022	152,205,210	150,568,495	1,636,715
Bond 300 ML	31/05/2016 - 31/05/2021	297,743,877	0	297,743,877
Due to other sources of finance		4,250,791	4,563,683	(312,892)
Sardaleasing per sede Bologna	30/04/2009 - 30/04/2027	4,250,791	4,563,683	(312,892)
Non-current financial liabilities		824,946,282	554,576,714	270,369,568

Mortgage loans

Mortgage loans are secured by properties. The change is due to the reclassification to current financial liabilities of the principal falling due in the next 12 months, and the extension of the BNL Rimini loan until 2021.

Bonds

The increase in this item refers to a new €300 million bond loan issued on 31 May 2016, the terms of which are reported in section 2.4 on significant events during the year. Additional transaction costs came to €2,538K.

On 10 February 2016, the company contracted forward-starting interest rate swaps at 0.119% from various banks, for a total notional amount of €300 million, to hedge interest rate risk on the highly probable future issue of a €300 million bond loan. The transaction was closed on 31 May 2016 and produced a cash flow hedge reserve of €1,659K. This will be taken to the income statement using the amortized cost method for the duration of the new bonds. Details of outstanding bonds are presented in the table below:

DUE TO BONDS	NON-CUR- RENT PORTION	CURRENT PORTION	Bond issuance	Ancillary costs amortization at 31/12/2016	Financial charges at 31/12/2016	NON-CUR- RENT PORTION	CURRENT PORTION	Nominal interest rate	Actual interest rate
	31/12/2015	31/12/2015				31/12/2016	31/12/2016		
Bond 150 ML	124,900,000					124,900,000			
Ancillary costs	(1,051,215)			343,166		(708,049)			
Coupon rate 31.12.2015		4,747,097			(4,747,097)				
Interest paid					4,839,875				
Coupon rate 31.12.2016					4,747,350		4,747,350		
Totale Bond 150 ML	123,848,785	4,747,097	0	343,166	4,840,129	124,191,951	4,747,350	3.875%	4.17%
Bond 122,90ML	6,785,369						6,785,369		
Ancillary costs	(62,935)			46,506			(16,429)		
Coupon rate 31.12.2015		191,275			(191,275)				
Interest paid					294,146				
Coupon rate 31.12.2016					191,799		191,799		
Totale Bond 122,90ML	6,722,435	191,275	0	46,506	294,670	0	6,960,739	4.335%	5.07%
Bond 22 ML	1,214,631						1,214,631		
Ancillary costs	(4,547)			3,361			(1,186)		
Coupon rate 31.12.2015		34,240			(34,240)				
Interest paid					52,654				
Coupon rate 31.12.2016					34,333		34,333		
Totale Bond 22 ML	1,210,084	34,240	0	3,361	52,748	0	1,247,778	4.335%	4.63%
Bond 162 ML	162,000,000					162,000,000			
Ancillary costs	(11,431,505)			1,636,715		(9,794,790)			
Coupon rate 31.12.2015		2,979,295			(2,979,295)				
Interest paid					4,293,000				
Coupon rate 31.12.2016					2,987,458		2,987,458		
Totale Bond 162 ML	150,568,495	2,979,295	0	1,636,715	4,301,162	152,205,210	2,987,458	2.65%	3.94%
Bond 300 ML		300,000,000				300,000,000			
Ancillary costs		(2,538,094)		281,971		(2,256,123)			
Coupon rate 31.12.2015							0		
Interest paid									
Coupon rate 31.12.2016					4,397,260		4,397,260		
Total bond 300 ML		297,461,906		281,971	4,397,260	297,743,877	4,397,260	2.50%	2.80%*
*including the effect of the Cash Flow Hedge reserve									
Total bonds	282,349,799	7,951,907	297,461,906	2,311,719	13,885,969	574,141,038	20,340,585		
Cash Flow Hedge reserve (Bond 300 ml)			(1,658,500)	183,292		(1,475,208)			
Total financial charges				2,495,011	13,885,969				

Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2016.

PRODUCT REFERENCE PROPERTY	OWNER	TYPE OF PRODUCT COUNTERPARTY	START DATE END DATE	REPAYMENT FINANCIAL "COVENANT"	INDICA- TOR I)	INDICA- TOR II)	INDICA- TOR III)	INDICA- TOR IV)
04 BNL Rimini IGD	IGD SIIQ S.p.A.	Loan	06/09/2006	Straight-line amortization of principal € 2mn p.a.				
MALATESTA - Rimini		BNL Banca Nazionale del Lavoro	06/07/2021	Financial condition of IGD Siiq SpA: ratio of net debt (including derivative assets and liabilities) and difference between equity and dividends approved for the current year, must not exceed 2 through to maturity"	0.77			
05 BreBanca IGD	IGD SIIQ S.p.A.	Mortgage	23/11/2006	Amortization with increasing principal				
MONDOVICINO (mall)		Banca Regionale Europea	10/01/2023					
06 Unipol Lungosavio IGD	IGD SIIQ S.p.A.	Mortgage	31/12/2008	Amortization with increasing principal and balloon payment of € 3.6mn				
LUNGO SAVIO - Cesena (mall)		Unipol Merchant	31/12/2023					
07 Carige Nikefin Asti	IGD SIIQ S.p.A.	Mortgage	31/12/2008	Amortization with increasing principal and balloon payment of € 9.5mn				
I BRICCHI - Isola D'Asti (mall)		Banca Carige	31/03/2024					
08 Carisbo Guidonia IGD	IGD SIIQ S.p.A.	Mortgage	27/03/2009	Straight-line amortization of principal € 4.1 mn p.a.; balloon payment € 24mn				
TIBURTINO - Guidonia (mall + hypermarket)		Cassa di Risparmio di Bologna	27/03/2024	Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity	1.01			
09 Interbanca IGD	IGD SIIQ S.p.A.	Loan	25/09/2006	Amortization with increasing principal				
Hypermarkets LUGO - Ravenna, MAESTRALE - Senigallia, MIRALFIORE - Pesaro, CENTRO D'ABRUZZO - Pescara (hypermarket), LE PORTE DI NAPOLI - Afragola (hypermarket) - PORTOGRANDE (hyper.+mall), LEONARDO		GE Capital	05/10/2021	Consolidated financial statements: ratio of net debt (including derivative assets liabilities) to equity must not exceed 2 from 31/12/2006 to maturity	1.01			
10 Mediocredito Faenza IGD	IGD SIIQ S.p.A.	Loan	05/10/2009	Straight-line amortization of principal: € 0.94 mn p.a.				
LE MAIOLICHE - Faenza (Hypermarket)		Mediocredito banca SPA	30/06/2029	IGD Siiq SpA financial statements: ratio of external net debt to equity + intercompany loans must not exceed 2.7	1.07			
14 MPS Palermo	IGD SIIQ S.p.A.	Mortgage	21/12/2010	Amortization with increasing principal and balloon payment of € 6.6mn				
Palermo (mall)		Monte dei Paschi di Siena	30/11/2025	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.7 ii) loan to value ratio for the individual property must not exceed 70%	1.01	48.65%		

continue

continue

PRODUCT REFERENCE PROPERTY	OWNER	TYPE OF PRODUCT COUNTERPARTY	START DATE END DATE	REPAYMENT FINANCIAL "COVENANT"	INDICA- TOR I)	INDICA- TOR II)	INDICA- TOR III)	INDICA- TOR IV)
15 CentroBanca Coné Gall CONĒ (mall)	IGD SIIQ S.p.A.	Loan CentroBanca	22/12/2010 31/12/2025	Straight-line amortization of principal € 2.64mn p.a.; balloon payment € 10.56mn Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity no higher than 2	1.01			
13 CR Veneto Mondovì MONDOVICINO (Retail Park)	IGD SIIQ S.p.A.	Mortgage Cassa di Risparmio del Veneto	08/10/2009 01/11/2024	Straight-line amortization of principal € 1.65mn p.a.; balloon payment € 8.55mn Certified consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6	1.01			
17 Carige Palermo IGD PALERMO (Hypermarket)	IGD SIIQ S.p.A.	Mortgage Banca Carige	12/07/2011 30/06/2027	Amortization with increasing principal				
24 Notes 3,875% - Due 07/01/2019 Unsecured	IGD SIIQ S.p.A.	Bond Payng Agent - Bnp paribas	07/05/2014 07/01/2019	Bullet i) LTV ratio must not exceed (excluding derivative liabilities) 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	47.57%	2.88	15.88%	1.99
25 Notes 4,335% - Due 07/05/2017 Unsecured	IGD SIIQ S.p.A.	Bond Payng Agent - Bnp paribas	07/05/2013 07/05/2017	Bullet				
26 Notes 2,65% - 21/04/2022 Unsecured	IGD SIIQ S.p.A.	Bond Payng Agent - Bnp paribas	21/04/2015 21/04/2022	Bullet i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	47.57%	2.88	15.88%	1.99
27 Notes 2,50% - 31/05/2021 Unsecured	IGD SIIQ S.p.A.	Bond Paying Agent - Citigroup	31/05/2016 31/05/2021	Bullet i) LTV ratio (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1,7; iii) Ratio of secured debt to market value less than 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1,25.	47.57%	2.88	15.88%	1.99

Note 28) Provision for employee severance indemnities

	BALANCE AT 01/01/2015	USEFUL LOSSES/ (PROFIT)	UTILIZATION	ALLOCATION	IAS 19 FINANCIAL CHARGES	BALANCE AT 31/12/2015
Provision for employees severance indemnities	1,188,237	(135,405)	(19,357)	212,288	21,921	1,267,684

	BALANCE AT 01/01/2016	USEFUL LOSSES/ (PROFIT)	UTILIZATION	ALLOCATION	IAS 19 FINANCIAL CHARGES	BALANCE AT 31/12/2016
Provision for employees severance indemnities	1,267,684	135,908	(39,711)	170,527	28,738	1,563,146

The following charts show the demographic and financial assumptions used:

DEMOGRAPHIC ASSUMPTIONS	EMPLOYEES	FINANCIAL ASSUMPTIONS	2016
Probability of death	RG 48	Cost of living increase	1.50%
Probability of long-term disability	INPS (national statistics) by age and gender	Discount rate	1.62%
Probability of retirement	Achievement of retirement age under mandatory general insurance	Increase in total compensation	Executives 2.5%
Probability of resignation	2%		White collar/Middle managers 1.0%
Probability of receiving TFR advance at beginning of the year (provisioned at 70%)	1%		Blue collar 1.0%
		Increase in severance indemnity provision	2.625%

The provision qualifies as a defined benefit plan. In accordance with paragraph 83 of IAS 19, the annual discount rate used to calculate the present value of the liability is based on the iBoxx Corporate A index with duration 10+ as of the measurement

date. Use of a discount rate based on the Iboxx Corporate AA 10+ would not have made a significant difference.

Additional information

- sensitivity analysis, showing the impact in absolute terms of each reasonably possible change in

actuarial hypotheses at the close of the year;

- amount of contribution for the following year;
- average financial duration of the liability for defined benefit plans;
- estimated payouts.

SENSITIVITY ANALYSIS OF MAIN VARIABLES ON TFR AT 31 DECEMBER 2016

	€
Inflation rate +0.25% - TFR provision:	1,608,695.48
Inflation rate -0.25% - TFR provision:	1,519,361.45
Discount rate +0.25% - TFR provision:	1,507,680.84
Discount rate -0.25% - TFR provision:	1,621,660.34
Turnover rate +1% -TFR provision:	1,534,179.54
Turnover rate -1% - TFR provision:	1,596,732.25

	€
Service Cost 2017	192,404.79

	years
Plan duration	19.70

	€
Estimated payouts, year 1	51,585.02
Estimated payouts, year 2	48,819.28
Estimated payouts, year 3	54,265.30
Estimated payouts, year 4	161,655.60
Estimated payouts, year 5	61,350.78

Note 29) General provisions

	31/12/2015	UTILIZATIONS	ALLOCATIONS	31/12/2016
Provision for taxation	1,091,580	-147,149	294,275	1,238,706
Provision for variable salary	482,469	-451,729	572,574	603,314
Other general provisions	2,584,342			2,584,342
General provisions	4,158,391	-598,878	866,849	4,426,362

Provision for taxation

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

Bonus provision

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

Other general provisions

These cover the risks arising from litigation in course, as well as probable future expenses. See Note 44 for further information.

Note 30) Sundry payables and other non-current liabilities

	31/12/2016	31/12/2015	CHANGES
Substitute tax liabilities	78,729	153,388	(74,659)
Other liabilities	5,713	5,713	0
Sundry payables and other non-current liabilities	84,442	159,101	(74,659)

Payables for substitute tax consist of the non-current portion of the substitute tax on the capital gain from the

2013 sale of Centro Lame hypermarket, due in June 2018.

Related party payables are shown below:

	31/12/2016	31/12/2015	CHANGE
Security deposits from Coop Alleanza 3.0 Soc. Coop.	8,340,465	8,340,465	0
Security deposits from Unicoop Tirreno Soc. Coop.	1,002,500	1,007,438	(4,938)
Security deposits from Distribuzione Centro Sud S.r.l.	450,000	0	450,000
Security deposits from Adriatica Luce e Gas S.r.l.	30,000	30,000	0
Security deposits from Campania Distribuzione Moderna S.r.l.	0	452,250	(452,250)
Related party sundry payables and other non-current liabilities	9,822,965	9,830,153	(7,188)

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

from Campania Distribuzione Moderna is due to their reclassification to Distribuzione Centro Sud. See Note 39 for additional information.

Note 31) Current financial liabilities

	DURATION	31/12/2016	31/12/2015	CHANGE
Banca Pop. Emilia Romagna - Hot Money	16/12/2015 - 16/06/2016	0	16,700,000	(16,700,000)
Carisbo - Hot Money	16/12/2015 - 16/02/2016	0	10,001,233	(10,001,233)
Banco Popolare - Hot Money	16/12/2015 - 16/03/2016	0	3,500,000	(3,500,000)
Banco Popolare - Hot Money	13/12/2016 - 12/01/2017	12,500,000	9,000,000	3,500,000
Cassa di Risparmio del Veneto	13/12/2016 - 12/01/2017	18,502,053	15,001,973	3,500,080
Bnl - Bologna	30/12/2016 - 12/01/2017	8,540,196	18,500,000	(9,959,804)
Cassa risp. Firenze hot money	21/12/2015 - 22/02/2016	0	15,001,233	(15,001,233)
Banca Regionale Europea hot money	13/12/2016 - 12/01/2017	20,000,394	20,001,890	(1,496)
Cassa di Risparmio di Cesena c/c	at sight	0	4,996,228	(4,996,228)
Mps c/c	at sight	0	7,985,552	(7,985,552)
Banca Carige	at sight	21,518	0	21,518
Emilbanca c/c	at sight	1,489,363	1,489,395	(32)
Total due to banks		61,053,524	122,177,504	(61,123,980)
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	2,002,247	11,388,031	(9,385,784)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	1,008,633	970,109	38,524
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	603,258	567,802	35,456
09 Interbanca IGD	25/09/2006 - 05/10/2021	13,144,524	12,731,069	413,455
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	4,134,074	4,136,127	(2,053)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	1,413,866	1,325,580	88,286
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,714,100	1,728,868	(14,768)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	933,852	933,333	519
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	1,962,111	1,918,189	43,922
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	1,571,932	1,536,922	35,010
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	2,640,000	2,640,000	0
18 Cassa risp Firenze ipotecario	20/12/2011 - 19/12/2016	0	19,979,018	(19,979,018)
Total mortgage loans		31,128,597	59,855,048	(28,726,451)
Leasing IGD headquarters	30/04/2009 - 30/04/2027	312,892	302,914	9,978
Punta di Ferrp adjustment price		0	1,592,044	(1,592,044)
Total due to other sources of finance		312,892	1,894,958	(1,582,066)
Bond 122,9 ML	07/05/2013 - 07/05/2017	6,960,739	191,275	6,769,464
Bond 22 ML	07/05/2013 - 07/05/2017	1,247,778	34,240	1,213,538
Bond 150 ML	07/05/2014 - 07/01/2019	4,747,350	4,747,097	253
Bond 162 ML	21/04/2015 - 21/04/2022	2,987,458	2,979,295	8,163
Bond 300 ML	31/05/2016 - 31/05/2021	4,397,260	0	4,397,260
Total due to bond		20,340,585	7,951,907	12,388,678
Current financial liabilities		112,835,598	191,879,417	(79,043,819)
Total related party current financial liabilities		18,170,927	2,000,089	16,170,838

Current financial liabilities with third parties include the current portion of lease payments on the new head office, the current portion of outstanding mortgage and bond loans (including interest accrued), short-term bank borrowings, and financial payables to related parties in connection with the use of a pooled treasury account.

The principal changes in current financial liabilities relate to:

- the reduction in the ultra-short-term credit lines, which were replaced by non-current liabilities with the issue of the bond loan discussed in Note 27;
- the payment of the amount due for

the price adjustment on the Punta di Ferro acquisition;

- the repayment of principal falling due during the period on existing mortgage loans, and the reclassification of payments due within 12 months from non-current financial liabilities;
- the reclassification from non-current financial liabilities of the bond maturing on 7 May 2017;
- the increase in payables to Punta di Ferro SIIQ S.p.A. and IGD Management S.r.l. concerning use of the pooled account, respectively for €17,680,514 and €482,492 plus interest.

Note 32) Net financial position

The table below presents the net financial position at 31 December 2016 and 31 December 2015. At neither date does it include derivatives held

for hedging purposes, which by nature do not constitute monetary assets or liabilities.

NET FINANCIAL POSITION	31/12/2016	31/12/2015
Cash and cash equivalents	(1,125,370)	(8,571,706)
Related party financial receivables and other current financial assets	(187,018,210)	(51,447,409)
LIQUIDITY	(188,143,580)	(60,019,115)
Related party current financial liabilities	18,170,927	2,000,089
Current financial liabilities	61,053,524	123,769,548
Mortgage loan current portion	31,128,597	59,855,048
Leasing current portion	312,892	302,914
Bond current portion	20,340,585	7,951,907
CURRENT DEBT	131,006,525	193,879,506
CURRENT NET DEBT	(57,137,055)	133,860,391
Non-current financial assets	(100,000)	(100,000)
Leasing non-current portion	4,250,791	4,563,683
Non-current financial liabilities	246,554,453	267,663,232
Bond	574,141,038	282,349,799
NON-CURRENT NET DEBT	824.846.282	554.476.714
NET FINANCIAL POSITION	767.709.227	688.337.105

Note 33) Trade and other payables

	31/12/2016	31/12/2015	CHANGE
Trade and other payables	10,363,410	7,487,998	2,875,412

Most of the increase in this item reflects construction and contract work carried

out during the last quarter of the year, particularly for the Esp expansion.

Note 34) Related party trade and other payables

	31/12/2016	31/12/2015	CHANGES
Coop Alleanza 3.0 Soc. Coop.	189,122	140,254	48,868
IGD Management S.r.l.	11,197	9,856	1,341
Consorzio Lame	8,075	8,075	0
Consorzio La Torre	17,868	4,500	13,368
Consorzio Cone'	587	622	(35)
Consorzio Clodi	0	54,517	(54,517)
Consorzio Porta a Mare	3,350	0	3,350
Consorzio Leonardo	27,466	3,522	23,944
Consorzio I Bricchi	0	104,420	(104,420)
Unicoop Tirreno Soc. Coop.	1,013,891	0	1,013,891
Consorzio Centro Le Maioliche	1,437	0	1,437
DistribuzioneCentro Sud S.r.l.	900	0	900
Consorzio Crema	23,463	4,003	19,460
Consorzio prop. Fonti del Corallo	5,960	19,260	(13,300)
Consorzio del Commendone	63,042	0	63,042
Related party trade and other payables	1,366,358	349,029	1,017,329

Related party payables increased by €1,017,329, due mostly to the deferral of the balance due for the pur-

chase of the Maremà mall (€1 million) from Unicoop Tirreno. See Note 39 for details.

Note 35) Current tax liabilities

	31/12/2016	31/12/2015	CHANGE
Irpef including regional and municipal surtax	381,785	341,820	39,965
VAT	0	809,375	(809,375)
Drainage consortium	0	10,900	(10,900)
Due to substitute tax	78,729	80,470	(1,741)
Current tax liabilities	460,514	1,242,565	(782,051)

The decrease in current tax liabilities is essentially due to net VAT payable for the month of December 2015, as a result of rent for the first quarter of 2016 that had been invoiced in advance to the parent, Coop Alleanza

3.0. This item also includes the current portion of the substitute tax on the capital gain for Lame hypermarket, as well as IRPEF withheld from employees and consultants.

Note 36) Other current liabilities

	31/12/2016	31/12/2015	CHANGE
Social security	203,288	180,814	22,474
Insurance	8,000	8,000	0
Due to employees	351,789	336,245	15,544
Security deposits	2,782,966	2,283,022	499,944
Unclaimed dividends	867	848	19
Advances due within one year	4,739	62,829	(58,090)
Due to Directors for emoluments	245,700	149,685	96,015
Other liabilities	516,307	133,542	382,765
Other current liabilities	4,113,656	3,154,985	958,671

These consist mainly of security deposits received from tenants. Most of the increase reflects deposits received upon the opening of the shopping center in Grosseto.

The rise in Other liabilities concerns expropriation and occupation allowances for land connected with the Esp expansion.

Note 37) Related party other current liabilities

	31/12/2016	31/12/2015	CHANGES
Due to tax consolidation	324,585	181,531	143,054
In detail:			
IGD Management S.r.l.	193,559	131,164	62,395
Porta Medicea S.r.l.	106,717	50,367	56,350
Punta di ferro SIIQ S.p.A.	24,309	0	24,309
Other payables	14,484	4,891,428	(4,876,944)
Related party current liabilities	339,069	5,072,959	(4,733,890)

Most of the decrease reflects the recognition in the income statement of rent for the first quarter of 2016 that had been invoiced in advance to the parent, Coop Alleanza 3.0, in 2015. The amount due for the tax consolidation

at the end of 2016 was €324,585; the increase concerns the transfer to the 2016 consolidation of the tax losses (net of IRES credits) of Porta Medicea S.r.l., Punta di Ferro SIIQ S.p.A. and IGD Management S.r.l.

Note 38) Dividends

During the year, as resolved by the annual general meeting of shareholders held to approve the 2015 financial statements on 14 April 2016, a divi-

dend of €0.04 was paid for each of the 813,045,631 shares outstanding, for a total of €32,521,825.24.

Note 39) Related party disclosures

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

RELATED PARTY DISCLOSURE	RECEIVABLES AND OTHER CURRENT ASSETS	FINANCIAL RECEIVABLES	PAYABLES AND OTHER CURRENT LIABILITIES	PAYABLES AND OTHER NON-CURRENT LIABILITIES	FINANCIAL PAYABLES	SUNDRY RECEIVABLES AND OTHER NON-CURRENT ASSETS	FIXED ASSETS - INCREASES	FIXED ASSETS - DECREASES
Coop Alleanza 3.0 Soc. Coop.	127,273	0	189,122	8,340,465	1	0	724,333	73,114
Robintur S.p.A.	147	0	0	0	0	0	0	
Viaggia con noi S.r.l.	66	0	0	0	0	0	0	
Librerie.Coop S.p.A.	21,465	0	0	0	0	0	0	
Adriatica Luce e Gas S.r.l.	26,020	0	0	30,000	0	0	0	
Unicoop Tirreno Soc. Coop.	32,463	0	1,028,375	1,002,500	0	0	43,880,000	
Consorzio prop. Fonti del Corallo	0	0	5,960	0	0	0	17,960	
Consorzio Cone'	0	0	587	0	0	0	0	
Consorzio Clodi	7,315	0	0	0	0	0	0	
Consorzio Crema	0	0	23,463	0	0	0	19,232	
Consorzio I Bricchi	32,683	0	0	0	0	0	0	
Consorzio Katané	163	0	0	0	0	0	0	
Consorzio Lama	0	0	8,075	0	0	0	0	
Consorzio Leonardo	0	0	27,466	0	0	0	28,626	
Consorzio La Torre	437	0	17,868	0	0	0	0	
Consorzio Porta a Mare	50,583	0	3,350	0	0	0	0	
DistribuzioneCentro Sud S.r.l.	0	0	900	450,000	0	0	40,000	
Distribuzione Lazio Umbria S.r.l.	1,356	0	0	0	0	0	0	
Consorzio del Commendone	1,281	0	63,042	0	0	0	0	
Consorzio Centro Le Maioliche	0	0	1,437	0	0	0	0	
R.P.T. Robintur Travel Partner S.r.l.	3	0	0	0	0	0	0	
Rgd ferrara 2013 S.r.l.	347,554	151,226	0	0	0	0	0	
IGD Management S.r.l.	30,908	54,833,622	204,756	0	482,565	0	0	
Punta di ferro SIINQ S.p.A.	116,533	0	24,309	0	17,688,361	0	0	
Millennium Gallery S.r.l.	105,842	6,256,679	0	0	0	0	0	
IGD Property SIINQ S.p.A.	102,806	125,776,683	0	0	0	0	0	
Porta Medicea S.r.l.	38,839	0	106,717	0	0	0	7,175,160	
Winmarkt Management S.r.l.	27,952	0	0	0	0	0	0	
Win Magazin S.A.	8,192	0	0	0	0	0	0	
Arco Campus s.r.l.	32	0	0	0	0	0	0	
Total	1,079,913	187,018,210	1,705,427	9,822,965	18,170,927	0	51,885,311	73,114
Amount reported	18,767,250	187,118,210	16,182,493	9,907,407	955,952,807	20,424		
Total increase/decrease of the period							74,123,593	831,097
% out of the total	5.75%	99.95%	10.54%	99.15%	1.90%	0.00%	70.00%	8.80%

RELATED PART DISCLOSURE	REVENUES AND OTHER INCOME	FINANCIAL INCOME	COSTS	FINANCIAL CHARGES
Coop Alleanza 3.0 Soc. Coop.	19,584,660	0	312,092	28,621
Robintur S.p.A.	50,782	0	0	0
Librerie Coop S.p.A.	468,583	0	0	0
Adriatica Luce e Gas S.r.l.	136,725	0	0	0
Unicoop Tirreno Soc. Coop.	3,395,717	0	83,000	1,975
Consorzio Cone'	0	0	146,237	0
Consorzio Clodi	0	0	63,443	0
Consorzio I Bricchi	0	0	493,191	0
Consorzio Katané	133	0	0	0
Consorzio La Torre	317	0	251,911	0
Consorzio Porta a Mare	0	0	199,927	0
DistribuzioneCentro Sud S.r.l.	1,499,388	0	0	900
Distribuzione Lazio Umbria S.r.l.	213,750	0	0	0
Coop Sicilia S.p.A.	5,138,850	0	0	0
Consorzio del Commendone	0	0	51,674	0
Consorzio Centro Le Maioliche	634	0	101,248	0
R.P.T. Robintur Travel Partner S.r.l.	13,092	0	0	0
Rgd ferrara 2013 S.r.l.	484,040	4,972	0	0
IGD Management S.r.l.	121,000	143,548	2,400	73
Punta di ferro SIINQ S.p.A.	235,000	0	0	10,395
Millennium Gallery S.r.l.	3,325,259	20,825	0	0
IGD Property SIINQ S.p.A.	1,024,459	59,824	0	1,706
Porta Medicea S.r.l.	134,500	0	0	0
Win Magazin S.A.	14,880	0	0	0
Total	35,841,769	229,169	1,705,123	43,670
Amount reported	76,853,607	422,387	22,332,715	29,390,308
% out of the total	46.64%	54.26%	7.64%	0.15%

The Company has financial and economic relationships with its controlling company, Coop Alleanza 3.0 Soc. Coop.; with other companies in the Coop Alleanza 3.0 Group (Coop Sicilia S.p.A., Robintur S.p.A., Librerie Coop S.p.A., R.P.T. Robintur Travel Partner S.r.l. and Adriatica Luce e Gas S.r.l.); with Unicoop Tirreno Soc. Coop., Campania Distribuzione Moderna S.r.l. (absorbed by Distribuzione Centro Sud S.r.l. on 1 March 2016), Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno Soc. Coop.) and Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0 Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.).

Related party transactions are conducted at arm's length and are recognized at face value.

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

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

- the rental of investment property to Coop Alleanza for use as hypermarkets and supermarkets; rental income in 2016, including for retail premises, amounted to €19.5 million;

- the provision of IT services by Coop Alleanza 3.0 Soc. Coop.;
- security deposits received on leases;
- purchase of land and partial reimbursement of the work on Chioggia retail park;

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the year ended 31 December 2016, €51K in rent was received from Robintur S.p.A. and €13K from R.P.T. Robintur Travel Partner S.r.l.

Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the year, the Group received €469K under these arrangements.

Transactions with Adriatica Luce e Gas S.r.l. refer to the rental of part of the second floor of the building where IGD has its head office. For the year, the Group received €105K under this arrangement, and also has payables for security deposits received.

Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0 Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.) refer to the lease to those companies of the Guidonia

and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.

Transactions with Coop Sicilia S.p.A., owned 100% by Coop Alleanza 3.0 Soc. Coop., concern receivables and income from the leasing of properties used as hypermarkets. In the year ended 31 December 2016 such income amounted to €5.1 million.

Transactions with Unicoop Tirreno Soc. Coop.

Transactions with Unicoop Tirreno Soc. Coop. consist of:

- security deposits received on leases;
- receivables and income for the leasing of properties used as hypermarkets. For the year, the Group received €3.4 million under these arrangements;
- the acquisition on 13 December 2016 of the mall at Maremà shopping center in Grosseto. The purchase price was €43.75 million, plus taxes and transaction costs.

Transactions with Distribuzione Lazio Umbria S.r.l. (held 99.86% by Unicoop Tirreno) concern its rental of the Civita Castellana supermarket for €213K.

Transactions with other Group companies

Transactions with the direct and indirect subsidiaries IGD Management S.r.l., Millennium Gallery S.r.l., IGD Property SIIQ S.p.A., Porta Medicea S.r.l., Punta di Ferro SIIQ S.p.A. and Winmagazin S.A. concern the following: (i) administrative, technical and financial services provided by IGD; (ii) loans granted to the subsidiaries IGD Property SIIQ S.p.A., IGD Management S.r.l. and Millennium Gallery S.r.l., and financial payables to Punta di Ferro SIIQ S.p.A. and IGD Management S.r.l. for use of the pooled account; (iii) the

tax consolidation agreement with IGD Management S.r.l., Millennium Gallery S.r.l., IGD Property SIIQ S.p.A., Porta Medicea S.r.l. and Punta di Ferro SIIQ S.p.A.; (iv) the preliminary agreement for the purchase from a related party (Porta Medicea S.r.l.) of the retail portion ("Officine Storiche," "Lips" and "Arsenale") of the Porta a Mare project in Livorno, for an original amount of €48 million, of which advances have been paid in the amount of €15.2 million (€7.1 million during the course of 2016).

Transactions with consortiums concern receivables and income for facil-

ity management services at shopping centers; the costs incurred refer to service charges for vacant units and extraordinary maintenance work on properties.

Transactions with RGD Ferrara 2013 S.r.l., formed on 30 September 2013 to manage the Darsena City shopping center in Ferrara (a joint venture between IGD and Beni Stabili), consist of: (i) rental of the Darsena property by IGD (rent for 2016 amounted to €484K) and (ii) an interest-bearing loan in the amount of €150K, with interest charged at the 3-month Euribor plus a spread of 350 basis points.

Note 40) Management of financial risk**Management of financial risk**

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

Interest rate risk

The main risk factor is the volatility of interest rates and the effect this has on borrowing and on the investment of liquid funds.

The Group finances its operations through short-term borrowings, long-term mortgage loans charging adjustable interest, and bond loans, so it risks an increase in financial charges if interest rates go up or if it refinances debt at higher rates.

The Finance department monitors interest rate risk constantly, in coordination with top management, including through analysis and measurement tools developed within the Group's enterprise risk management program. It also monitors trends in the main economic and financial indicators that may affect the Group's performance.

Interest rate swaps hedge 93.8% of the Group's exposure to rate fluctuations on long-term loans, including bonds.

The Finance department analyzes and measures interest rate and liquidity risk while constantly evaluating the

best means of implementation of the risk management model, and conducts routine scouting activities to find opportunities to reduce the cost of debt with banks and/or the capital markets.

See Note 41 for quantitative information on derivatives.

Liquidity risk

This refers to problems with liquidity management, insufficient resources to finance the business, and difficulty keeping up with loans or obtaining new credit. Liquidity is monitored through cash flow planning, and risk is mitigated by the Group's extensive credit lines.

The Finance department uses a financial forecasting tool to monitor expected cash flows over a one-quarter rolling horizon and makes sure there is enough liquidity to operate the business, while establishing the proper ratio of bank debt to capital market debt.

As for long-term loans, each bank facility finances a specific project, which reduces the risk of needing to refinance. Some long-term loans involve covenants; this aspect is monitored constantly by the chief financial officer, who also coordinates with management to gauge the likelihood of violating the covenants as a result of the strategic, operational, compliance and financial risks mapped, using the enterprise risk management system.

Financial commitments are covered by funds confirmed by the banks, and unutilized credit facilities are available. Liquidity risk is managed prudently

to avoid incurring excessive costs in the case of unforeseen events, which could have a further negative impact on market reputation and financial viability.

Credit risk

Credit risk takes the form of customer insolvency and difficulty collecting payments. To mitigate these risks, tenants go through a pre-contractual selection process, based on financial standing and earnings prospects.

Reviews of potential customers are performed also with the help of external specialists and aim to identify any risk factors for the company. Monthly analyses analyze the level of risk associated with each tenant and monitor their solvency.

All customers are asked for bank guarantees and/or security deposits to guarantee fulfillment of their commitments. Throughout the life of the contract, the company monitors compliance on an ongoing basis, and follows internal credit management procedures in the event any problems arise; when the business relationship is secure, measures to assist the tenant may be taken. The Group also uses an ad hoc program to measure each tenant's risk level and solvency, an analysis that is formally conducted every quarter but monitored on a daily basis to stay abreast of the actions taken or needed to collect receivables.

Foreign exchange risk

IGD uses the euro as its accounting currency for all purchases and sales.

Capital management

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

1. keeping the net debt/equity ratio at 1x or below (the ratio was 0.93x at 31 December 2015 and 0.97x at the end of 2016);
2. keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50% (it was 48.25% at the close of the year, down from 47.07% at the end of 2015).

Note 41) Derivative instruments

The Company has engaged in derivative contracts for the use of interest rate swaps. The fair value of interest rate swaps for which no active market exists is determined with assistance from specialized firms according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement

dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 7: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

FAIR VALUE - HIERARCHY	31/12/2016	31/12/2015	CHANGE	LEVEL
Derivative assets	0	12,057	(12,057)	2
Derivative liabilities	(27,062,806)	(30,007,631)	2,944,825	2
IRS net effect	(27,062,806)	(29,995,574)	2,932,768	

The contracts are detailed below:

CONTRACTS DETAIL	IRS 07 - BANCA ALETTI 3.420%	IRS 09 - BNP PARIBAS 3.439%	IRS 10 - EX MPS 3.439%	IRS 08 - EX MPS 3.420%	IRS 06 - CARISBO 3.3495%	IRS 12 - CARISBO 3.177%	IRS 11 - EX MPS 3.175%
Nominal amount	11,787,842	11,787,842	11,787,842	11,787,842	7,546,547	11,787,842	11,787,842
Inception date	10/06/09	10/06/09	11/06/09	12/06/09	12/02/09	27/10/09	28/10/09
Maturity	05/10/21	05/10/21	05/10/21	05/10/21	10/01/23	05/10/21	05/10/21
IRS frequency	Quarterly	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months
Customer rate	3.42%	3.44%	3.44%	3.42%	3.35%	3.18%	3.18%

CONTRACTS DETAIL	IRS 16 - ALETTI 3.285%	IRS 17 - ALETTI 2.30%	IRS 14 - CARISBO 3.272%	IRS 13 - CARISBO 3.412%	IRS 15 - EX MPS 3.25%	IRS 18 - MPS 2.30%	IRS 19 - CARISBO 2.30%
Nominal amount	6,495,302	13,056,250	8,660,403	8,261,173	6,495,302	13,056,250	13,056,250
Inception date	28/04/10	27/08/10	28/04/10	28/04/10	30/04/10	31/08/10	27/08/10
Maturity	31/03/24	27/03/24	28/03/24	29/12/23	28/03/24	27/03/24	27/03/24
IRS frequency	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	3.29%	2.30%	3.27%	3.41%	3.25%	2.30%	2.30%

CONTRACTS DETAIL	IRS 20 - CARISBO 2.285%	IRS 21 - MPS 2.80%	IRS 22 - CARISBO 3.25%	IRS 24 - CARISBO 2.429%	IRS 23 - CARISBO 2.429%	IRS 25 - ALETTI 2.427%
Nominal amount	13,056,250	10,357,143	20,925,000	16,830,000	6,732,000	10,098,000
Inception date	27/08/10	12/07/11	12/07/11	12/09/11	12/09/11	12/09/11
Maturity	27/03/24	31/03/24	01/11/24	31/12/25	31/12/25	31/12/25
IRS frequency	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	2.29%	2.80%	3.25%	2.43%	2.43%	2.43%

Note 42) Subsequent events

At the date of approval, no events following the balance sheet date had occurred that would require the

Company to adjust the figures in the financial statements or report elements not previously disclosed.

Note 43) Commitments

At 31 December 2016 the Company had the following significant commitments:

- Preliminary agreement for the purchase from a related party (Porta Medicea S.r.l.) of the retail portion ("Officine," "Lips" and "Arsenale") of the Porta a Mare project in Livorno, for an original amount of €48 million, of which advances have been paid in the amount of €15.2 million;
- Contract for urban infrastructure and digging in relation to the expansion of ESP shopping center (remaining amount: €1.2 million), under the Urban Planning Agreement signed with the City of Ravenna on 24 June 2014. There are further commit-

ments under that agreement amounting to €1.9 million;

- Contract for structural work, civil construction and finishing work in relation to the expansion of ESP shopping center, for a total of €6 million.
- Contract for systems work in relation to the expansion of ESP shopping center, for a total of €2.7 million.
- Rent due for the Fonti del Corallo mall: the estimated liability to be settled within 12 months comes to €3,325K, in addition to €13,300K due from the second to the fifth year and €14,131K from the sixth to the tenth. See Note 1) with regard to revenue earned from this mall.

Note 44) Disputes**Darsena**

Due to the dissolution of the joint venture with Beni Stabili S.p.A. SIIQ on 15 December 2010, resulting in the sale of 50% of RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) by Immobiliare Larice (now IGD Management S.r.l.) and the joint purchase of the Darsena City shopping center, IGD SIIQ S.p.A., as part of the litigation strategy agreed with Beni Stabili S.p.A. SIIQ, has taken the following action:

In November 2011 IGD filed a complaint per Art. 447 *bis* of the Code of Civil Procedure with the Court of Ferrara, demanding that Magazzini Darsena S.p.A. settle unpaid rent accrued since 1 January 2011. After a series of postponements, both procedural and as a result of Decree Law 74/2012, the case was suspended at the hearing of 27 November 2013 due to Magazzini Darsena's declaration of bankruptcy.

In July 2013 IGD also filed a complaint per Art. 447 *bis* of the Code of Civil Procedure against Darsena FM S.r.l., in subrogation, for the rent due from Magazzini Darsena S.p.A. Because Darsena FM was declared bankrupt, the case was suspended at the hearing of 22 January 2014.

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

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

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

Under the partial settlement, the companies were awarded the building by the receivership of Magazzini Darsena and through a 50-50 joint venture between IGD SIIQ S.p.A. and Beni Stabili S.p.A. they acquired the business (with its commercial permits) from the receivership of Darsena FM for the price of €255K plus taxes, terminated the preliminary contract to purchase the adjacent property ("Building B") and the associated agreements, and obtained Magazzini Darsena's definitive acceptance of the price reduction of €2,500K for the purchase of "Building A" (the amount Beni Stabili S.p.A. SIIQ had already collected through enforcement of the €2.5 million guarantee provided by Magazzini Darsena to secure payment of the price adjustment).

Under the settlement, the companies did not waive their right to the receivables accrued up to the date of

bankruptcy and resulting from court decisions against the bankrupt firms, nearly all of which were therefore registered as claims.

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

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

Vibo Valentia

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

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

refused to allow the withdrawal.

The present lawsuit therefore alleged that the framework agreement was terminated for breach of obligation by IGD and asked for compensation of the damages allegedly suffered by GAM. IGD contested that claim and asked the court to rule that the framework agreement had lapsed for a number of reasons (including the negative due diligence and resulting withdrawal), filing a counterclaim against the plaintiff. Given the groundlessness of GAM's claims, as confirmed by IGD's legal advisors, no liability had been recognized in this regard. The Court of Milan settled the dispute at the lower-court level with decision 628 of December 2014, published on 19 January 2015, which logically and coherently rejects all of GAM's claims against IGD by agreeing with the basis of the negative due diligence report and therefore with IGD's legitimate withdrawal from the (no longer valid) framework agreement, ordering the plaintiff not only to reimburse IGD's legal expenses but also to pay it damages for frivolous action in accordance with Art. 96 of the Code of Civil Procedure.

On 10 April 2015, GAM notified IGD that it had appealed the lower-court decision and asked for enforcement of that ruling to be suspended. On 30 June 2015, IGD filed an appearance and response, including a cross-appeal contesting all of its adversary's pleas. At the hearing of 15 September 2015 the commission rejected GAM's request for suspension of enforcement of the lower-court decision and scheduled arguments for 1 December 2015. The decision was withheld, with concluding statements due by 29 January 2016 and rebuttals by 19 February. On 25 February 2016 the Appeals Court of Milan demanded relief from the expiration of time due to a leave of absence by one of its judges; as the court was temporarily unable to meet and reach a decision, it set a new deadline for concluding statements of 7 June 2016, from when it then had the standard amount of time to issue a ruling. The ruling, summarized below, was announced by the court clerk's office on 7 July 2016.

GAM's appeal demands the reversal of decision 628/2015 based on the same arguments it put to the Court of Milan, which that court rejected as baseless in a sound and logical explanation. The Appeals Court ruling wholly rejects GAM's appeal and confirms the lower-court decision (including dam-

ages for frivolous action pursuant to Art. 96 of the Code of Civil Procedure), agreeing with IGD's arguments and ordering GAM to reimburse IGD's legal expenses at the second level of justice. The deadline has elapsed for GAM to appeal the second-instance decision, which is therefore definitive.

Iniziativa Immobiliari Siciliane S.r.l.

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

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

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

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

On the basis of the arguments filed, IGD asked the Court of Ravenna to reject all demands made by IIS. As a subordinate measure, IGD objected that a different interpretation of the clause on how to

quantify a price supplement should be considered null and void, as the object of the contract would be undetermined and undeterminable.

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

After the standard exchange of pleadings, the court set the discovery hearing for 6 April 2016. Deciding on an outstanding issue, on 6 June the Ravenna judge ruled that IIS would not be allowed the interrogatories and witness testimony it had requested, while the witness testimony requested by IGD would be granted. The judge also allowed an expert witness to be hired to quantify the rent valid for calculating whether the price supplement was due under the contract, indicating the variables the expert should consider for this purpose, and scheduled a hearing for 6 July 2016 to swear in the expert and question the witnesses listed by IGD (those listed by the plaintiff were not admitted).

At the hearing of 6 July, the judge questioned the witnesses called by IGD and formally engaged the services of the expert witness, who was sworn in as required by law. The first session to examine the evidence was scheduled for 12 September 2016. The expert testimony hearing originally set for 15 February 2017 has been postponed for 120 days. As of this writing, it will not be held before 15 June 2017.

The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

Note 45) Tax litigation

Following the tax audit concluded on 11 September 2008, IGD received an audit report without significant findings, but with a recommendation to revalue closing inventories for about €645K; this generated an IRES (corporate tax) charge of €213.1K and an IRAP (regional business tax) charge of €27.4K plus penalties of €240.5K, all of which has been paid.

IGD then received an assessment claiming that it had mistakenly inter-

preted the type of contract (sale of a future asset rather than a commissioned job) and therefore misclassified inventories, subjecting them to the wrong set of tax rules. The Company's appeal to the Provincial Tax Commission of Ravenna was rejected with a ruling of January 2011.

In September 2011 IGD appealed the lower commission's decision and requested a public hearing with the Regional Tax Commission, asking it to

declare the assessment null and void.

In May 2014 the Regional Commission rejected the appeal and on 28 August IGD was ordered to settle the remaining third of the taxes and penalties charged, which it paid on 24 October 2014.

In December 2014 IGD appealed to the Court of Cassation; after that final ruling, it plans to request that the tax be refunded because any error caused a simple carry-over effect from one year to the next.

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

requests for both.

During the subsequent debate phase, the company presented its arguments against the assessments to the Emilia Romagna authorities, who decided to consider IGD's arguments regarding IRES and IRAP but to uphold the complaint regarding VAT. Nevertheless, as the deadline approached for contesting the two assessments and no reversal notice had been received from the regional authorities, the company decided to prevent them from becoming definitive and on 6 June 2016 filed a formal appeal against each with the Provincial Tax Commission of Bologna. On 30 November 2016 the Emilia Romagna regional authorities annulled the IRES assessment in full, while the IRAP/VAT assessment was annulled for the IRAP portion only and the VAT violation was confirmed.

At a hearing of 25 January 2017, the Provincial Tax Commission of Bologna acknowledged that there was no further contest as far as IRES and IRAP were concerned, while for the authorities' counterarguments and IGD's response concerning VAT, the commission decided to look into the matter and has not

yet come out with a ruling.

On 17 March 2016 the Ravenna provincial office initiated a tax audit for 2013, which concluded with an audit report served to the Company on 6 July. The report calls for:

- (i) a portion of net income to be reallocated from exempt to taxable operations (increasing theoretical taxable income by €418,674.70 for IRES purposes and €877,469.93 for IRAP);
- (ii) the disallowance of an €80,000 deduction for IRES purposes;
- (iii) reduction of the allowed deduction for the ACE (*Aiuto alla Crescita Economica*) program by €14,780.29

for total taxes of about €132,000.00 (IRES) and €34,000.00 (IRAP).

With respect to IRES, the Group's tax loss for 2013 has not yet been absorbed and is sufficient to cover the full amount alleged to be due, including the lion's share which is based on a finding deemed to be baseless, and which the Group will appeal if it is formally assessed.

Note 46) IFRS 7 - Financial Instruments: Disclosures

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with IAS 39.

For this purpose, financial assets are split into four categories:

- Financial assets measured at fair value through profit and loss: at 31 December 2016 the Company had no financial instruments in this category.
- Held to maturity investments: the Company has no financial instruments belonging to this category.
- Loans and receivables: in this category the Company has trade, finan-

cial and other receivables, and cash and deposits. They mature within 12 months and are therefore carried at face value (net of any impairment).

- Available for sale financial assets: the Company has no financial instruments belonging to this category.

There are only two categories of financial liability:

- Financial liabilities measured at fair value through profit and loss. At 31 December 2016 the Company had no financial instruments in this category;
- Financial liabilities measured at amortized cost.

Classification in the statement of financial position

The Company's financial instruments are included in the statement of financial position as follows. The item "Other non-current assets" covers sundry receivables and other non-current assets, including derivative instruments. The item "Current assets" includes trade receivables, other current receivables, and cash

and cash equivalents. "Cash and cash equivalents" include bank and post office deposits and cash and valuables on hand. The other assets consist of investments outstanding at the balance sheet date. The item "Non-current liabilities" includes mortgage loans from banks, derivatives, the bond loan, sundry payables and security deposits. The

item "Current liabilities" covers short-term payables to banks, the current portion of medium/long-term loans, trade payables and other current payables. The items in the statement of financial position are classified below according to the categories required by IAS 39 at 31 December 2016 and 31 December 2015:

CLASSIFICATION 31/12/2016	CARRYING VALUE										FAIR VALUE
	Financial assets/ liabilities designated at fair value	Financial assets/ liabilities measured at fair value held for trading	Receiv- ables and loans	Financial assets held to maturity	Financial assets available for sale	Financial assets meas- ured at amortized costs	Hedging derivatives	Total	of which current	of which non- current	
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			20,424					20,424		20,424	20,424
Equity investments			518,051,100					518,051,100		518,051,100	518,051,100
Non-current financial assets			100,000					100,000		100,000	100,000
Derivative instruments assets							0	0		0	0
Current assets											
Trade and other receivables			5,712,278					5,712,278	5,712,278		5,712,278
Related party trade and other receivables			871,265					871,265	871,265		871,265
Other current assets			622,083					622,083	622,083		622,083
Related party financial receivables and other current financial assets			187,018,210					187,018,210	187,018,210		187,018,210
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			1,125,370					1,125,370	1,125,370		1,125,370
TOTAL FINANCIAL ASSETS	0	0	713,520,730	0	0	0	0	713,520,730	195,349,205	518,171,525	713,520,730
LIABILITIES											
Financial liabilities											
Derivatives liabilities							27,062,806	27,062,806		27,062,806	27,062,806
Due to banks					61,053,524			61,053,524	61,053,524		61,053,524
Leasing					4,563,683			4,563,683	312,892	4,250,791	4,442,181
Bond					594,481,623			594,481,623	20,340,585	574,141,038	622,469,105
Due to other source of finance					0			0	0	0	0
Mortgage loans					277,683,050			277,683,050	31,128,597	246,554,453	273,154,867
Related parties financial liabilities					18,170,927			18,170,927	18,170,927		18,170,927
Non current liabilities											
Sundry payables and other non-current liabilities					5,713			5,713		5,713	5,713
Related party sundry payables and other non-current liabilities					9,822,965			9,822,965		9,822,965	9,822,965
Current liabilities											
Trade and other payables					10,363,410			10,363,410	10,363,410		10,363,410
Related party trade and other payables					1,366,358			1,366,358	1,366,358		1,366,358
Other current liabilities					3,558,579			3,558,579	3,558,579		3,558,579
Related party other current liabilities					14,484			14,484	14,484		14,484
TOTAL FINANCIAL LIABILITIES	0	0	0	0	981,084,316	27,062,806	1,008,147,122	146,309,356	861,837,766	1,031,484,919	

CLASSIFICATION 31/12/2015	CARRYING VALUE										FAIR VALUE
	Financial assets / liabilities designated at fair value	Financial assets/ liabilities measured at fair value held for trading	Receiv- ables and loans	Financial assets held to maturity	Financial assets available for sale	Financial assets meas- ured at amortized costs	Hedging derivatives	Total	of which current	of which non- current	
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			19,159				19,159		19,159	19,159	
Equity investments			522,512,481				522,512,481		522,512,481	522,512,481	
Non-current financial assets			100,000				100,000		100,000	100,000	
Derivative instruments assets						12,057	12,057		12,057	12,057	
Current assets											
Trade and other receivables			7,098,872				7,098,872	7,098,872		7,098,872	
Related party trade and other receivables			526,759				526,759	526,759		526,759	
Other current assets			545,129				545,129	545,129		545,129	
Related party financial receivables and other current financial assets			51,447,409				51,447,409	51,447,409		51,447,409	
Financial receivables and other current financial assets											
Cash and cash equivalents			8,571,706				8,571,706	8,571,706		8,571,706	
TOTAL FINANCIAL ASSETS	0	0	590,821,515	0	0	0	12,057	590,833,572	68,189,875	522,643,697	590,833,572
LIABILITIES											
Financial liabilities											
Derivatives liabilities						30,007,631	30,007,631		30,007,631	30,007,631	
Due to banks					122,177,504		122,177,504	122,177,504		122,177,504	
Leasing					4,866,597		4,866,597	302,914	4,563,683	4,639,861	
Bond					290,301,706		290,301,706	7,951,907	282,349,799	306,408,891	
Due to other source of finance					1,592,044		1,592,044	1,592,044	0	1,592,044	
Mortgage loans					327,518,280		327,518,280	59,855,048	267,663,232	317,238,701	
Related parties financial liabilities					2,000,089		2,000,089	2,000,089	0	2,000,089	
Non current liabilities											
Sundry payables and other non-current liabilities					5,713		5,713		5,713	5,713	
Related party sundry payables and other non-current liabilities					9,830,153		9,830,153		9,830,153	9,830,153	
Current liabilities											
Trade and other payables					7,487,998		7,487,998	7,487,998		7,487,998	
Related party trade and other payables					349,029		349,029	349,029		349,029	
Other current liabilities					2,637,927		2,637,927	2,637,927		2,637,927	
Related party other current liabilities					5,072,959		5,072,959	5,072,959		5,072,959	
TOTAL FINANCIAL LIABILITIES	0	0	0	0	0	773,839,999	30,007,631	803,847,630	209,427,419	594,420,211	809,448,500

For each financial instrument, both carrying value and fair value are indicated. The two values coincide for most instruments, as their maturity is short term. They differ for long-term instruments, such as mortgage loans, leasing installments and the convertible bond.

To calculate the fair value of liabilities measured at amortized cost, the Company has discounted future cash flows to present value using a risk-free (zero coupon) curve estimated at 31 December, as reported by Bloomberg. The calculation takes account of the credit spread that banks would currently grant to IGD.

The fair value of interest rate swaps for which no active market exists is

determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 7: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market. The fair value of financial liabilities was calculated using the credit spread that banks would grant to IGD S.p.A. as of the measurement date. At 31 December 2016 the estimated credit spread was 2% (2.35% the previous year).

Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

GIVEN COLLATERAL	CARRYING VALUE	
	31/12/2016	31/12/2015
Security deposits		
- Sundry receivables and other assets	20,424	19,159

The following table shows the impairment of trade receivables:

IMPAIRMENT	IMPAIRMENT OF TRADE RECEIVABLES	
	31/12/2016	31/12/2015
Opening balance	10,622,920	11,573,584
Allocations		
- from individual writedowns	587,033	770,334
Utilization	-629,735	-1,367,483
Impairment reversals		
Other movements	-179,947	-353,515
TOTAL	10,400,271	10,622,920

Gains and losses from financial instruments

The table below reports the gains and losses from financial instruments held. These derive from securities trading, the impairment of trade receivables, and hedge derivatives.

For hedge derivatives, the table shows

the amount of the differentials paid and collected. The effects of fair value changes charged to the cash flow hedge reserve under equity (net of the tax effects) came to +€567,305 in 2016 and to +€3,104,288 in 2015.

INCOME STATEMENT 31/12/2016 NET GAIN (LOSSES)	CARRYING VALUE						
	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE HELD FOR TRADING	RECEIVABLES AND LOANS	FINANCIAL ASSETS HELD TO MATURITY	FINANCIAL ASSETS AVAILABLE FOR SALE	FINANCIAL LIABILITIES AT AMORTIZED COSTS	HEDGING DERIVATIVES
Financial assets/liabilities							-8,111,716
Trade and other receivables			-587,033				
Total	0	0	-587,033	0	0	0	-8,111,716

INCOME STATEMENT 31/12/2015 NET GAIN (LOSSES)	CARRYING VALUE						
	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE	FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE FOR TRADING	RECEIVABLES AND LOANS	FINANCIAL ASSETS HELD TO MATURITY	FINANCIAL ASSETS AVAILABLE FOR SALE	FINANCIAL LIABILITIES AT AMORTIZED COSTS	HEDGING DERIVATIVES
Financial assets/liabilities							-8,758,224
Trade and other receivables			-770,334				
Total	0	0	-770,334	0	0	0	-8,758,224

The next table shows income and charges from financial assets and liabilities not measured at fair value:

INTEREST INCOME	31/12/2016	31/12/2015
Interest income on financial assets not measured at fair value		
- Security deposits	193,218	19,442
- Related party receivables	229,169	731,612
INTEREST EXPENSES		
Interest expenses on financial liabilities not measured at fair value		
- Security deposits	19,556	48,104
- Sundry payables and other liabilities	844,294	515,816
- Due to Parent	-	-
- Due to subsidiaries	12,174	3,301
- Financial liabilities		
- Mortgage loans	3,797,703	5,545,740
- Leasing	63,648	79,892
- Bond	16,380,980	11,935,927
- Capitalized interests	0	0
- Short-term borrowings	148,297	151,293

Credit risk

The maximum credit risk on the Company's other financial assets, including cash and cash equivalents and certain derivative instruments, is the carrying value of these assets in the event of the counterparty's insolvency. This analysis includes off-balance sheet positions, such as future commitments. The maximum exposure

is presented gross of any mitigation through the use of various kinds of hedge.

The table below presents the maximum exposure to credit risk for balance sheet components, divided into categories, including derivatives with a positive fair value. Derivative financial instruments are listed as "hedge

derivatives," although in the statement of financial position they are included under "financial assets."

Where financial instruments are measured at fair value, the amounts shown represent current credit risk, but not the maximum exposure to credit risk that could arise in the future due to changes in fair value.

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2016	31/12/2015
Receivables and loans		
Sundry receivables and other assets	20,424	19,159
Financial assets	-	-
Trade and other receivables	5,712,278	7,098,872
Related party trade and other receivables	871,265	526,759
Other assets	622,083	545,129
Cash and cash equivalents	1,085,973	8,512,703
Financial assets and other financial receivables	187,118,210	51,547,409
Due to third parties (Shares)		-
Hedging derivatives	-	12,057
Guarantess		
Total	195,430,232	68,262,088

Liquidity risk

Maturities are broken down below on the basis of undiscounted cash flows; the amounts shown take account of the first date on which payment can be requested.

The assumptions underlying the maturity analysis are as follows:

- for the future cash flows of long-term floating-rate payables, the forward rate curve at 31 December has been used;
- for the future cash flows of the fixed-rate bonds, the contractual flows have been used;

- for derivatives, the analysis includes those representing assets at 31 December, for which both outflows and inflows are shown, as their purpose is to hedge financial liabilities. At the balance sheet date, all derivatives had a negative fair value;
- amounts include cash flows from both the interest and the principal component.

The method used to analyze and determine significant variables did not change since the previous year.

MATURITY ANALYSIS AT 31/12/2016 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTH - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	4,280,024	3,029,752	9,549,365	17,038,772	34,568,186	107,965,374	125,356,880	301,788,353
Leasing	30,720	61,538	92,694	187,016	380,466	1,208,479	3,162,731	5,123,644
Bond	4,839,875	0	20,139,800	0	16,632,875	465,118,875	166,293,000	673,024,425
Short-term credit lines	61,053,524	0	0	0	0	0	0	61,053,524
Related party payables	18,170,927	0	0	0	0	0	0	18,170,927
Total	88,375,070	3,091,290	29,781,859	17,225,788	51,581,527	574,292,728	294,812,612	1,059,160,873
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	794,746	852,810	1,974,468	3,392,559	6,033,088	11,459,029	3,643,263	28,149,963
Total	794,746	852,810	1,974,468	3,392,559	6,033,088	11,459,029	3,643,263	28,149,963
EXPOSURE AT 31/12/2016	89,169,816	3,944,100	31,756,327	20,618,347	57,614,615	585,751,757	298,455,875	1,087,310,836

MATURITY ANALYSIS AT 31/12/2015 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTH - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	4,191,769	3,134,641	19,575,743	36,440,961	32,355,346	103,153,982	163,519,548	362,371,990
Leasing	31,168	62,047	92,997	186,492	379,813	1,233,013	3,670,212	5,655,742
Bond	4,839,875	0	4,639,800	0	17,479,675	147,458,750	170,586,000	345,004,100
Short-term credit lines	122,177,503							122,177,503
Related party payables	2,000,089	0	0	0	0	0	0	2,000,089
Total	133,240,404	3,196,688	24,308,540	36,627,453	50,214,834	251,845,745	337,775,760	837,209,424
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	978,527	998,957	2,259,628	3,972,667	6,636,651	12,309,939	4,087,031	31,243,398
Total	978,527	998,957	2,259,628	3,972,667	6,636,651	12,309,939	4,087,031	31,243,398
EXPOSURE AT 31/12/2015	134,218,931	4,195,645	26,568,168	40,600,120	56,851,485	264,155,684	341,862,791	868,452,822

Interest rate risk

The basic objective of managing interest rate risk is to immunize net financial income from changes in market rates, by keeping volatility in check through the consistent management of the risk/yield profile of the Company's financial liabilities.

Floating-rate instruments expose the Company to interest rate risks on cash flows, while fixed-rate instruments expose it to interest rate risk on fair value.

The following table presents the sensitivity analysis of interest rate risk, showing the impact on equity and profit/loss, as required by IFRS 7.

The sensitivity analysis was conducted in consideration of the financial statement items that generate interest at floating rates or that are exposed to fair value changes, assuming parallel increases or decreases in the interest rate curves of each currency.

INTEREST RATE RISK - EXPOSURE AND SENSITIVITY ANALYSIS	BENCHMARK	INCOME STATEMENT				NET EQUITY			
		SHOCK UP		SHOCK DOWN		SHOCK UP		SHOCK DOWN	
		31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
Interest -bearing assets	Euribor	10,860	52,992	-1,086	-5,299				
Hot money	Euribor	-610,535	-1,221,775	61,054	122,178				
Financial liabilities	Euribor	-2,845,117	-3,349,199	284,512	334,920				
Derivatives	Euribor								
- cash flow		2,253,529	2,820,356	-225,353	-282,036				
- fair value						9,851,260	12,017,024	-1,024,882	-1,252,808
TOTAL		-1,191,263	-1,697,626	119,126	169,763	9,851,260	12,017,024	-1,024,882	-1,252,808

The assumptions underlying the sensitivity analysis are as follows:

- medium- and long-term mortgage loans were analyzed according to exposure at the reporting date;
- ultra-short-term borrowings and deposits were analyzed according to exposure at the end of the year;
- the initial shift in the interest rate curve was assumed to be +100/-10 basis points (unchanged since the previous year);
- in determining changes associated with floating-rate financial instruments, it was assumed that no inter-

est rates have already been set;

- the values affecting equity have been calculated as the difference between the fair values calculated with the shock-modified curve and the fair values of derivatives at the balance sheet date.
- The analysis assumes that all other risk variables remain constant.
- For the sake of comparison, the same measurement was conducted on 2016 and 2015.

The method used to analyze and determine significant variables did not change since the previous year.

5.7**MANAGEMENT
AND COORDINATION**

IGD SIIQ S.p.A. is a subsidiary of Coop Adriatica S.c.a.r.l. (from 1 January 2016: Coop Alleanza 3.0 Soc. Coop.) of Villanova di Castenaso (province of Bologna) and is under the management and coordination of that company.

Pursuant to Article 2497 *bis* (4) of the Italian Civil Code, key figures from the latest approved financial statements of Coop Adriatica S.c.a.r.l. are presented below:

FINANCIAL STATEMENTS COOP ADRIATICA	YEAR 2015	YEAR 2014
BALANCE SHEET (ex art. 2424 C.C.)		
ASSETS		
A) - SUBSCRIBED CAPITAL UNPAID		
B) - FIXED ASSETS	1,591,312,173	1,555,692,475
C) - CURRENT ASSETS	2,445,022,612	2,476,588,949
D) - ACCRUED INCOME AND PREPAYMENTS	25,762,338	24,712,772
TOTAL ASSETS	4,062,097,123	4,056,994,195
LIABILITIES		
A) - NET EQUITY	1,011,913,246	977,228,869
B) - GENERAL PROVISIONS	16,129,769	17,660,268
C) - PROVISION FOR EMPLOYEES SEVERANCE INDEMNITIES	64,600,031	67,693,570
D) - PAYABLES	2,968,228,114	2,992,774,170
E) - ACCRUED INCOME AND PREPAYMENTS	1,225,964	1,637,317
TOTAL NET EQUITY AND LIABILITIES	4,062,097,123	4,056,994,195
MEMORANDUM ACCOUNT		411,997,831
INCOME STATEMENT (ex art. 2425 C.C.)		
A) - PRODUCTION VALUE	2,004,317,386	2,045,545,131
B) - PRODUCTION COSTS	-2,025,080,877	-2,051,890,514
C) - FINANCIAL INCOME AND CHARGES	136,006,232	75,050,399
D) - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-73,157,449	-17,006,801
E) - EXTRAORDINARY INCOME AND CHARGES	5,466,941	-3,152,421
Income taxes	-12,446,018	-19,874,195
PROFIT (LOSS) FOR THE PERIOD	35,106,215	28,671,599

5.8

**INFORMATION PURSUANT
TO ART. 149 *duodecies*
OF CONSOB'S REGULATIONS
FOR ISSUERS**

The following chart, prepared in accordance with Art. 149 *duodecies* of Consob's regulations for issuers, shows the fees pertaining to 2016 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Amounts in Euro	SERVICE PROVIDER	RECIPIEND	2016 FEES
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	104,291
Other services	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	155,000
TOTAL			259,291

5.9

CERTIFICATION OF THE THE SEPARATE FINANCIAL STATEMENTS

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

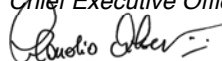
PURSUANT TO ART. 81- TER OF THE CONSOB REGULATION ADOPTED
WITH RESOLUTION 11971 OF 14 MAY 1999, AS AMENDED

1. We, the undersigned, Claudio Albertini as chief executive officer and Grazia Margherita Piolanti as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:
 - the adequacy of in relation to the characteristics of the business; and
 - the company's due compliance with the administrative and accounting procedures for the preparation of the separate financial statements during the year 2016.

2. We also confirm that:
 - 2.1 the separate financial statements:
 - a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
 - b) correspond to the ledgers and accounting entries;
 - c) provide fair and truthful disclosure of the financial status and performance of the issuer.

 - 2.2 the directors' report contains a reliable analysis of the performance, results, and current situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

Bologna, 28 February 2017

Claudio Albertini
Chief Executive Officer


Grazia Margherita Piolanti
Financial Reporting Officer


5.10

ATTACHMENTS

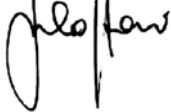
**CERTIFICATION PURSUANT TO ART. 37
CONSOB RESOLUTION 16191/2007**

IN ACCORDANCE WITH ART. 2.6.2 OF THE REGULATIONS FOR MARKETS
ORGANIZED AND MANAGED BY BORSA ITALIANA S.P.A.

Pursuant to Article 2.6.2 of the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A., it is hereby declared that IGD SIIQ S.p.A., under the management and control of Coop Alleanza 3.0 S.c.a.r.l., meets the listing conditions stated in Art. 37 of Consob Resolution 16191/2007 (as amended).

28 February 2017

Gilberto Coffari
Chairman of the Board of Directors



List of equity investments

NAME	REGISTERED OFFICE	SHARE CAPITAL	NET PROFIT (IN EURO)	NET EQUITY (IN EURO)	% HELD	CONTROL	NO. OF SHARES/QUOTA	CARRYING VALUE
IGD Management S.r.l.	Ravenna Via Villa Glori, 4	€ 75,071,221	-15,907,318	146,451,396	100.00%	IGD SIIQ S.p.A.	75,071,221	€ 170,183,477
Millennium Gallery S.r.l.	Ravenna Via Villa Glori, 4	€ 100,000	81,378	330,403	100.00%	IGD SIIQ S.p.A.	100,000	€ 14,463,025
Porta Medicea S.r.l.	Bologna Via Trattati Comunitari Europei 1957-2007, 13	€ 60,000,000	-6,466,012	47,509,020	80.00%	IGD Management S.r.l.	48,000,000	€ 39,494,078
WinMagazin S.A.	Bucarest Romania	113,715.3 Lei	1,035,218	94,379,738	0.10%	IGD SIIQ S.p.A.	114	€ 185,618
					99.90%	IGD Management S.r.l.	113,602	€ 169,314,548
Winmarkt Management S.r.l.	Bucarest Romania	1,001,000 Lei	14,042	478,058	100.00%	Win Magazin S.A.	1,001,000	783,481.1 Lei
IGD Property SIIQ S.p.A.	Ravenna Via Villa Glori, 4	€ 50,000,000	25,911,440	233,832,948	100.00%	IGD SIIQ S.p.A.	50,000,000	€ 202,167,074
Punta di Ferro SIIQ S.p.A.	Ravenna Via Villa Glori, 4	€ 87,202,912	9,924,466	140,166,820	100.00%	IGD SIIQ S.p.A.	87,202,912	€ 129,449,337
Consorzio I Bricchi	Isola d'Asti loc. Molini Via Prato Boschiero	€ 6,000	0	6,000	72.25%	IGD SIIQ S.p.A.	4,335	€ 4,335
RGD Ferrara 2013 S.r.l.	Roma via Piemonte, 38	€ 100,000	-84,217	17,823	50.00%	IGD SIIQ S.p.A.	50,000	€ 8,912
Consorzio Proprietari C.C.Leonardo	Imola (Bologna) Via Amendola, 129	€ 100,000	0	100,000	52.00%	IGD SIIQ S.p.A.	52,000	€ 52,000
Consorzio Proprietari Fonti del Corallo	Livorno Via Gino Graziani, 6	€ 10,000	96	11,130	68.00%	IGD SIIQ S.p.A.	6,800	€ 6,800
Consorzio dei Proprietari del Compendio commerciale del Commendone	Grosseto Compendio Commerciale del Commendone	€ 10,000	0	10,000	52.60%	IGD SIIQ S.p.A.	5,260	€ 6,039
Arco Campus S.r.l.	Bologna via dell'Arcoveggio n.49/2	€ 1,500,000	-40,364	1,440,749	99.98%	IGD SIIQ S.p.A.	1,500,000	€ 1,440,509

5.11

EXTERNAL AUDITORS' REPORT



**INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF
LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010**

To the shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

Report on the financial statements

We have audited the accompanying financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhner 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via del Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Other matters

As required by law, the Company included in the notes to the separate financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of the Company, with the financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2016.

Bologna, 20 March 2017

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

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

5.12

REPORT OF THE BOARD OF STATUTORY AUDITORS

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

Registered Office Via Agro Pontino 13, 48100 Ravenna, Italy

Headquarters Via Trattati Comunitari Europei 1957-2007 n. 13 BOLOGNA

REA 88573 Company Register no. 00397420399

Share capital subscribed and paid-in € 599,760,278.16

Company under the management and control of Coop Alleanza 3.0 Soc. Coop.

**Statutory auditors' report to the Shareholders' Meeting of IGD
Immobiliare Grande Distribuzione Società di investimento
immobiliare quotata (SIIQ) S.p.A. pursuant to Art. 153 of Legislative
Decree 58/1998 and Art. 2429 of the Italian Civil Code**

* * * * *

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Art. 153 of Legislative Decree 58 of 24 February 1998 and Art. 2429 of the Italian Civil Code, requires the Board of Statutory Auditors to report to the shareholders during the general meeting on the board's supervisory activities during the year and on any findings of omission or inappropriate conduct. The Board of Statutory Auditors is also called upon to comment on any proposals relating to the financial statements, the relative approval and the items included on the Agenda for the Annual General Meeting. During the year the Board of Statutory Auditors carried out its duties in accordance with the Italian Civil Code, Legislative Decrees n. 58/1998 and n. 39/2010, statutes, as well as applicable special laws and the provisions issued by the stock exchange regulator (Commissione Nazionale per le Società e la Borsa or Consob) while also taking into account the recommendations of the Italian Accounting Profession. Through the date on which this report was prepared, we have proceeded with the control and supervisory activities assigned to us by law in compliance with the instructions issued by Consob on the subject of corporate control. During the year the Board of Statutory Auditors received the information necessary to fulfil its duties through meetings with corporate bodies; at meetings of the Board of Directors which the statutory auditors always attended; through the exchange of information with the external auditor PriceWaterhouseCoopers S.p.A., the Internal Audit

division, the Financial Reporting Officer and the Supervisory Board; and by attending the meetings of the Control and Risk Committee and the Nominations and Compensation Committee.

Firstly, the Board of Statutory Auditors notes that the separate and consolidated financial statements for the year closed 31 December 2016, were prepared in accordance with the international accounting standards IAS – IFRS (International Accounting Standards and International Financial Reporting Standard) issued by the International Accounting Standards Board – IASB (International Accounting Standards Board), ratified by the European Commission and currently in effect. When necessary, reference was made to the guidelines issued by the IASB (International Accounting Standards Board) or the IFRIC (International Financial Reporting Interpretations Committee), or the documents prepared by the Italian Accounting Profession (*OIC* or *Organismo Italiano di Contabilità*).

Without prejudice to the above, the information called for in Consob Bulletin n.1025664 of 6 April 2001, as subsequently amended, is provided below.

As was the case in last year's report (2015), we have essentially followed the format and numbering specified in the above mentioned Consob bulletin.

I. DESCRIPTION OF TRANSACTIONS WITH A MAJOR IMPACT ON THE COMPANY'S BALANCE SHEET, INCOME STATEMENT AND FINANCIAL POSITION

The most relevant corporate events in 2016 are summarized below:

On 5 January 2016, in accordance with and pursuant to Articles 129 and 131, paragraph 4.b, of the Regulations adopted by Consob in resolution n. 11971 of 14 May 1999, the shareholders' agreement stipulated on 9 March 2015 by Coop Alleanza 3.0 and Unicoop Tirreno Company Cooperativa which established a voting block comprised of shares of Immobiliare Grande Distribuzione SIIQ S.p.A. (registered offices in Ravenna, Via Agro Pontino 13, Tax ID and Ravenna Company Register no. 00397420399) ("IGD"), pursuant to Art. 122 paragraphs 1 and 5 A) and B), of Legislative Decree n. 58/1998 (the "**Agreement**") expired on 31 December 2015. The Agreement pertained to 430,498,768 ordinary IGD shares (the syndicated shares) of which 385,741,707 shares were bound by a voting block. Notice of dissolution of the Agreement was also communicated to Consob and on 4 January 2016 was filed with the Ravenna Business Register's office.

On 3 March 2016 the Board of Directors approved the draft separate and consolidated financial statements, proposing that shareholders approve a dividend of €0.04 per outstanding share. IGD's Board of Directors also approved the Report on Corporate Governance and Ownership Structure and the Directors' Compensation Report. Furthermore, based on the proposal of the Nominations and Compensation Committee, the Board of Directors resolved to substitute John William Vojticek, who resigned in November 2015, by co-opting Luca Dondi dall'Orologio to act as an independent non-executive director of the Board of Directors pursuant to Art. 2386 of the Italian Civil Code.

During the Annual General Meeting held on 14 April 2016, IGD's shareholders approved the FY 2015 financial statements, as presented during the Board of Directors' meeting held on 3 March 2016 and resolved to pay the dividend mentioned above, payable as from 25 May 2016 (record date 24 May 2016) with shares going ex-dividend (detachment of coupon n. 16) on 23 May 2016. A total dividend paid of €0.0375 per share is to be paid (for a total of €28,363,360.84).

The dividend of €0.04 per share paid (for a total of €2,521,825.24) comprises:

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

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

On 7 April 2016 the Board of Directors approved the 2015 Sustainability Report.

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

On 15 December, the Board of Directors of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A. approved the merger plan for the incorporation of the wholly-owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A.. The transaction is part of the program to streamline and simplify the current corporate structure of the IGD SIIQ S.p.A. Group. As a result of the merger a single, more efficient and economically viable corporate structure will be formed which will allow for the

full expression of the assets' value thanks to the direct management by the Issuer of the activities so far carried out by the Incorporated Entities

On 28 February 2017 the Board of Statutory Auditors informed the Board of Directors of the positive outcome of the self-assessment carried out relating to the independence of its members and the criteria and procedures used by the Board in the assessment of its members.

As for investments, during the year the IGD Group continued with development of new properties (Porta a Mare), as well as expansion (ESP) and extraordinary maintenance.

The projects include:

Porta a Mare Project:

Work on the residential portion of the Officine Storiche area continued in the year for a total of around €2,360 thousand. Work on the retail portion, which is expected to be completed by second half 2018, amounted to approximately €6,146 thousand

Esp Ravenna extension

Structural and construction work, as well as work on systems, started in the year for a total of around €14,029 thousand.

Grosseto: On 13 December 2016 the acquisition of the mall in the Maremà shopping center in Grosseto was finalized pursuant to the preliminary purchase agreement signed in the prior year with Uniccop Tirreno Scarl,. Consideration amounted to approximately €46.58 million, including ancillary charges.

Other

In 2016 work was completed on: the restyling, fit outs, as well as the remodeling of the multiplex cinema roof, at Centro Sarca for approximately €733 thousand; the mall in the ESP shopping center for around €653 thousand; fit outs at the Città delle Stelle Shopping Center in Ascoli, for around €661 thousand; extraordinary maintenance at a few Romanian centers and the work done to accommodate a premiere retailer at the Ploiesti mall, for around €2,345 thousand; the roof and fit outs at the retail park in Mondovì for around €331 thousand; the work done at the Portogrande center for around €359 thousand; and other minor projects (the most important ones involved Conè mall, Centro Borgo and the Lugo hypermarket) for a total of €1,990 thousand, in addition to the purchase of a plot of land and continuation of the urbanization work at the Retail Park in Chioggia for €976 thousand.

Extraordinary maintenance continued, and is still underway, relating to (i) work on the expansion of the Gran Rondò mall in Crema for around €134 thousand; (ii) earthquake protection work at Darsena for around €648 thousand and other minor improvements for €1,006 thousand, relating primarily to earthquake protection work at a few Italian shopping centers and work on the roof at the Katanè shopping center.

With regard to disposals:

On 9 September, following exercise of the call option by UnipolSai Assicurazioni S.p.A on the remaining 20% held by IGD, UnipolSai Investimenti SGR S.p.A. was sold for €4,465,737.40.

On 30 November, the "palazzina San Benedetto" (with a carrying value of €237 thousand) was sold for €240 thousand.

Loans:

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

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

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

On 25 May IGD completed the placement with qualified investors of the €300 million unsecured and non-convertible bond approved by the Board of Directors on 17 May 2016.

The newly issued bond has the following characteristics:

- Nominal value of €100,000 each and multiples of €1,000 up to a maximum amount of €199,000;
- Duration of 5 years and expiring on 31 May 2021;
- Gross coupon of 2.50%;
- Issue price of 99.93.

The notes settled on 31 May 2016 and will be listed on the Irish Stock Exchange.

The purpose of the issue is to partially refinance existing debt, as well as finance general corporate transactions, including the financing of possible investments to be made in the future by the Company.

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

On 1 June 2016 the Company was granted two new 3-year Committed Revolving Credit Facilities for a total of €60 million.

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

On 28 November 2016 the Company exercised the option to repay in advance the balance outstanding on a loan granted by BNP Paribas of €105.4 million.

On 1 December the Board of Directors approved the issue of a Euro 100,000,000.00 seven-year unsecured, non-convertible bond reserved exclusively for qualified investors, to be issued by 31 January 2017 with a gross coupon of 2.25%. The placement was completed on 7 December and settled on 11 January 2017.

* * * * *

In 2016 the Board of Statutory Auditors received information about the transactions with a major impact on the company's balance sheet, income statement and financial position, carried out either directly or through direct/indirect affiliates by attending Board of Director meetings and meeting with top management, as well as with Internal Audit and with the financial audit company (PWC).

The Board of Statutory Auditors, to the extent of its knowledge, has verified that these transactions were not manifestly imprudent or hazardous, or presented a potential conflict of interest, or in violation of shareholder resolutions, or liable to compromise the company's financial soundness.

The Directors' Report on Operations submitted to you, provides ample and complete information about these transactions. Please refer to the Directors' report for information about the transactions, reasons why they were undertaken by the Board of Directors which were approved in accordance with the law and the company bylaws. The Board of Statutory Auditors acknowledges the content of this report and has no particular observations to make in this regard.

The Board of Statutory Auditors also acknowledges that at 31 December 2016 the Company IGD SIIQ SpA still complied with the subjective, statutory, and objective requirements called for under the special SIIQ or società di investimento immobiliare quotata (REIT or real

estate investment trust) regime introduced in Art. 1 of Law n. 296 of 27 December 2006 – the 2007 budget law – as well as Art. 3 of Ministerial Decree n.174 of 7 September 2007.

During the year that just ended (2016), on 14 April 2016 the Company's shareholders approved payment of a dividend of €0.04 per each of the 813,045,631 outstanding shares, totalling €32,521,825.24, an amount which is not less than 70% of the income generated by exempt operations that must be distributed each year upon approval of the annual report (Art. 20 of legislative decree n. 133 dated 12 September 2014, converted, with amendments, into Law n. 164 on 11 November 2014 introduced a few substantive changes to the special regime which were subsequently interpreted by the Tax Office in Bulletin n. 32/E issued on 17 September 2015. The changes include the one relating to the distribution of income generated by exempt operations and the broadening of the scope of operations exempt from taxation).

II., III. UNUSUAL AND/OR ATYPICAL TRANSACTIONS, INCLUDING TRANSACTIONS WITH OTHER GROUP COMPANIES AND RELATED PARTIES AND EVALUATION OF THE INFORMATION PROVIDED BY THE DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Based on the Directors' report and the information provided by the Board of Directors, or received from the Chief Executive Officers, or the Company's management, as well as by the statutory auditors of the subsidiaries – and, at any rate, gathered during the Statutory Auditors' supervisory activities - the Board of Statutory Auditors found that no unusual or atypical transactions were carried out with group companies, third parties or related parties.

In accordance with CONSOB Bulletin n. DEM /10078683/2010 of 24-09-2010, which recommends that the procedures adopted for related party transactions be revised every three years, on 15 December 2016 the Board of Directors, after having heard the opinion of the Committee for Related Party Transactions, confirmed the adequacy of the Procedures for Related Party Transactions adopted by the Board of Directors on 11 November 2010 and last amended on 6 August 2015.

The information relating to the transactions with related parties and/or affiliates, found adequate, was provided to the Board of Statutory Auditors by the Directors in the Report on Operations; information was also received as a result of the mandatory quarterly exchanges of information referred to above.

Ordinary intercompany and related party transactions were conducted under normal market conditions, and are described in the Directors' Report in terms of both type and financial and

economic impact.

When considered necessary the Board of Directors passed specific resolutions in relation to intercompany and/or related party transactions which, if deemed opportune, were subject to approval by the Committee for Related Party Transactions. During 2016 the Committee for Related Party Transactions met 2 (two) times. As part of its controls, the Board of Statutory Auditors valued the above-mentioned transactions based on the amounts and business practices held to be in the company's best interest.

We view the methodology used as reliable and believe it provides timely and complete information.

While reference should be made to the explanatory notes attached to the financial statements and the Corporate Governance Report, the Board of Statutory Auditors found the transactions with related parties concluded during 2016 were in the best interest of the company and has not particular comments to make in this regard.

With regard to transactions entered into by relevant parties and persons closely connected to the latter pursuant to art. 114, paragraph 7, of Legislative Decree 58 of 24 February 1998 and articles 152 *sexies*, *septies* and *octies* of Consob's Regulations for Issuers (provisions relating to Internal Dealing), the Board of Statutory Auditors verified that the Company has adopted specific regulations for Internal Dealing.

IV. THE EXTERNAL AUDITORS' REPORT

Please note that the financial audit assignment was granted to PriceWaterhouseCoopers S.p.A. for the period 2013 – 2021, during the Annual General Meeting held on 18 April 2013 based on the Board of Statutory Auditors' motivated proposal and technical-economic analyses in accordance with the law.

The consolidated and separate financial statements were audited by PriceWaterhouseCoopers S.p.A. and the report, prepared pursuant to articles 14 and 16 of Legislative Decree n. 39 of 27 January 2010 n. 39, was issued on 20 March 2017 after having been filed with the company. The report provides a positive opinion of the separate and consolidated financial statements, confirming that these documents were prepared in compliance with the law and generally accepted accounting standards, that they correctly and truthfully represent the company's financial position, performance and cash flows for the period. The accounting system was found to be reliable.

The report contains no observations and/or complaints about the quality and accuracy of the information which was found to be in line with the Report on Operations.

V. INAPPROPRIATE CONDUCT AND ACTIONS TAKEN UNDER ARTICLE 2408 OF THE ITALIAN CIVIL CODE

In 2016 and up to this writing, the Board of Statutory Auditors received no reports from shareholders of inappropriate conduct pursuant to Art. 2408 of the Italian Civil Code, hence no actions were taken in this regard.

VI. COMPLAINTS RECEIVED AND ACTIONS TAKEN

In 2016 and up to this writing, the Board of Statutory Auditors did not receive any reports or complaints from shareholders and/or third parties; nor is it aware that the company received any reports or complaints from shareholders and/or third parties, hence no actions were taken in this regard.

VII. ADDITIONAL ASSIGNMENTS GRANTED TO THE EXTERNAL AUDITORS AND THEIR COSTS

PriceWaterhouseCoopers Spa was granted the financial audit assignment relative to the separate and consolidated financial statements effective as of the approval of the 2016 annual report along with the opinion about the accuracy of the Report on Operations pursuant to paragraph 1 letters c, d, f, l, m and paragraph 2 letter b of art. 123 *bis* of Legislative Decree 58/1998 included in the Report on Corporate Governance and Ownership Structure. The Board of Statutory Auditors obtained from PriceWaterhouseCoopers spa the report on independent status prepared pursuant to art. 17 of Legislative Decree 39/2012 and found no situation compromising independence or sources of incompatibility pursuant to art. 10 and 17 of Legislative Decree 39/2010 and the relative implementation measures. The fees matured for these activities over the relative period in 2016 amounted to €04 thousand

PriceWaterhouseCoopers S.p.A. also received: (i) €155 thousand for activities to the bond loan issue.

The Board of Statutory Auditors acknowledges that the directors, in compliance with Art. 149 *duodecies* of the Regulations for Issuers, disclosed the entire amount paid in 2016 to PriceWaterhouseCoopers S.p.A. and/or other entities belonging to the same Group for both audit and other services which amounted to €53 thousand.

The financial audit of the Romanian subsidiaries (Win Magazin S.A. e Winmarkt

Management S.A.) was performed by PriceWaterhouseCoopers Audit Srl which received fees of €25 thousand for completing the assignment.

PriceWaterhouseCoopers S.p.A. also carried out the financial audit activities of the following subsidiaries: (i) IGD Management srl; (ii) Millennium Gallery Srl; (iii) Porta Medicea Srl; (iv) IGD Property SIINQ S.p.A.; (v) Punta di Ferro SIINQ S.p.A.

A total of €69 thousand was paid for these services.

VIII. ASSIGNMENTS GRANTED TO COMPANIES AFFILIATED WITH THE EXTERNAL AUDITORS AND THEIR COSTS

The Board of Statutory Auditors is not aware of any assignments made in 2016 to companies connected to the financial audit company PriceWaterhouseCoopers Spa on a continuous basis.

IX. OPINIONS ISSUED AS PROVIDED FOR BY LAW IN 2016 BY THE BOARD OF STATUTORY AUDITORS

In 2016 the Board of Statutory Auditors issued opinions when required by law, the bylaws or Consob regulations; the opinions issued and main observations made, include:

- the opinion expressed relative to the approval of the Compensation Report, the remuneration paid Directors holding special offices, as well as the Company's Top Management;
- the opinion issued relating to the variable compensation paid in 2015 to the Chief Executive Officer, the Chief Operating Officer and Executives with strategic responsibilities;
- the opinion expressed relative to the proposed merger by incorporation of the wholly-owned subsidiaries IGD Property SIINQ S.p.a. and Punta di Ferro SIINQ S.p.a. which was approved by the Board of Directors on 15 December 2016.

X FREQUENCY AND NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

Typically the Board of Directors meets in accordance with the financial calendar disclosed to the market in accordance with stock exchange regulations. The Board also meets as needed

and when deemed opportune to examine specific topics which could impact the company's operations. In 2016 9 (nine) meetings were held.

The Board of Directors may invite Company executives to attend the Board meetings in order to provide in depth information about the items on the Agenda. The Board of Directors may also invite external consultants to attend when deemed appropriate and/or necessary in order to provide specialized information and/or opinions.

The current composition of the Board of Directors complies with the law relating to equal gender opportunity (L. 120/2011).

The Board of Directors hired Egon Zehnder International S.p.A. to perform a board review in order to assess the size, composition and functioning of the Board of Directors and its committees as in the prior year.

The positive results of the review were presented during the Board of Directors meeting held on 28 February 2017.

The Board of Statutory Auditors also met more frequently than required by law. The statutory auditors met 7 (seven) times in 2016. These meetings include those held under Art. 2404 of the Italian Civil Code and those held to finalize preparation of the report pursuant to Art. 2429 of the Italian Civil Code. The Board of Statutory Auditors also attended the meetings of the Board of Directors, the annual general meeting, and: i) five out of seven meetings of the Risk and Control Committee; (ii) four out of five meetings of the Nominations and Compensation Committee; (iii) and meetings of the Committee for Related Party Transactions. The Board of Statutory Auditors also sponsored and attended the meetings held with the Company's Top Management, Company representatives and Internal Auditing.

The Board of Statutory Auditors also coordinates and guides the Internal Control Committee and internal audit pursuant to art.19 of Legislative Decree 39/2010.

XI. OBSERVATIONS REGARDING COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION, THE LAW AND THE CORPORATE BYLAWS

It is the opinion of this Board of Statutory Auditors that the company is run competently and in accordance with the law and the company's bylaws. The structure of powers and delegated authority is deemed appropriate to the company's size and operations and is adequately described in the directors' report. Regarding the directors' activities and actions, we have nothing to report. We wish to emphasize that we did verify, within the limits of our responsibilities, compliance with the principles of correct administration through direct inspections, information received from department heads, and meetings with the Financial

Reporting Officer, Internal Audit, the Control and Risk Committee, the Committee for Related Party Transactions, as well as through information exchanged with the external auditors. More in detail, the Board of Statutory Auditors attended the Board of Directors' meetings in order to verify that the resolutions approved by the directors were in compliance with the law and the company's bylaws and were supported by appropriate opinions and studies generated internally or, when necessary, by professionals and/or external experts, particularly with regard to the economic and financial feasibility of the transactions and their compatibility with the company's best interests.

We remind that the Chief Operating Officer and the Financial Reporting Officer were entitled to or invited to attend the Board meeting in order to describe and analysis the items on the agenda. Other managers also attended the meetings based on the specific topics included in the agenda.

XII. COMMENTS ON THE ORGANIZATIONAL STRUCTURE

The Board of Statutory Auditors also verified and monitored, to the extent of its responsibility, the adequacy and proper functioning of the company's organizational structure. The Company's organizational structure appears to be adequate and to meet the company's needs. We have no comments nor anything to report regarding the company's organizational structure.

We did not find any particular deficiencies, critical areas or situations worth mentioning in this report with respect to the functioning of the corporate bodies, divisions, systems and business processes, having acknowledged the constant improvements sought in connection with the company's growth and business needs, and its ongoing efforts to strengthen and refine procedures.

The organization and services, both internal and outsourced, were found to be adequate and in compliance with the law and to guarantee correct, effective and efficient operations.

The Statutory Auditors found no problem areas and/or significant development to report on relative the Company's organizational structure. No deficiencies were found, namely situations to report relating to the effective functioning of corporate bodies, divisions, systems and procedures.

XIII. COMMENTS ON THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

The Board of Statutory Auditors evaluated and verified the adequacy of the internal control

system including through periodic meetings with (i) the financial reporting officer, (ii) Internal Audit, (iii) the Risk and Control Committee, (iv) the Supervisory Board; v) the head external auditor (vi) Director in charge of the internal control and risk management system, as well as through documentation provided by the company and discussions with top management, and has nothing to report in this regard.

The internal audit activities were outsourced to a company specialized in this area which periodically reported to the Board of Statutory Auditors, the Internal Control Committee, now the Control and Risk Committee, and the Supervisory Board on its actions and progress, mentioning specific operational needs wherever necessary and recommending the most appropriate means of implementing the Work Plan.

The Head of Internal Audit also coordinates the ERM process, ensuring that reports are provided to the Director in charge of the internal control and risk management system, the Risk and Control Committee and, if necessary, the Board of Directors.

The Control and Risk Committee and the Decree 231/2001 Supervisory Board made their reports available during the year.

Based on the controls performed and the information obtained during periodic meetings with the Control and Risk Committee, Internal Audit, the external auditors, the financial reporting officer, the director in charge of risk and control, and on comments received from the Supervisory Board created as part of the Organizational Model pursuant to Legislative Decree 231/01, we found that the internal control system adequately meets the company's needs and is reliable, timely, and able to manage information correctly, enabling an accurate and timely analysis of business trends and performance.

Data and documentation related to the proposed agendas of the Board of Directors meetings and the various committee meetings was provided ahead of time in the most efficient and discrete way possible.

Based on the evaluations made during its supervisory activities, as well as after having examined the work done by the Control and Risk Committee, at the end of 2015 the Board of Statutory Auditors had nothing of concern to report and found the overall internal control system to be adequate. In the Board of Statutory Auditors opinion the internal control system does not present significant deficiencies, while controls and revisions of the methods used and organizational structures should continue, and it was found to be reliable, effective and efficient.

XIV. COMMENTS ON THE ADMINISTRATIVE - ACCOUNTING SYSTEM AND ITS ABILITY TO PROVIDE A FAIR REPRESENTATION OF THE

PERFORMANCE.

The Board of Statutory Auditors evaluated and verified the adequacy of the administrative-accounting system and its ability to represent performance correctly, through information provided by company divisions, direct inspection of the most significant company documentation, examination of the reports provided by the external auditor PriceWaterhouseCoopers Spa, as well as internal audit.

The administrative-accounting system was found to be adequate and to have met the Company's needs in 2016, in terms of both resources dedicated and the level of professionalism.

The external auditors above tested the accounting and administrative procedures and found these to be reliable. They also noted that the accounting records of operations were correct and that the information and accounting standards used to prepare the parent company and consolidated financial statements were complete, and had no complaints or observations in this regard. PriceWaterhouseCoopers Spa also validated the completeness of the financial information provided, as well as the accounting standards used to prepare the consolidated and separate financial statements, and had no particular comments to make in this regard. The firm also validated the completeness and accuracy of the Directors' Report on Operations.

Though the statutory auditors are not specifically responsible for financial audit duties under Art. 2409 *bis* of the Italian Civil Code, which are assigned to the external auditors, we found on the basis of information received and inspections made pursuant to Civil Code Articles 2403 *et seq.* that as a whole, the administrative-accounting system is adequate and reliable and that results of operations are accurately and promptly recorded.

The Chief Executive Officer and Financial Reporting Officer certified the accounting information contained in the separate and consolidated financial statements at 31 December 2015, without reservation and the information found in the Directors' report relating to performance and the operating results, as well as the description of the risks and uncertainties to which the Company is exposed and provided the certification called for in Art. 81-ter of Consob Regulation 11971 of 14 May 1999, as amended.

XV. COMMENTS ON THE ADEQUACY OF INFORMATION PROVIDED TO SUBSIDIARIES UNDER ART. 114 OF LEGISLATIVE DECREE 58/1998 – A MANAGEMENT AND COORDINATION

The Board of Statutory Auditors verified the adequacy of the information provided by the company to its subsidiaries pursuant Art. 114 of Legislative Decree 58/98 and found that the

disclosure requirements provided for by law had been satisfied.

With regard to close functional and operational ties and the presence of key IGD SIIQ SPA personnel at the subsidiaries, the Company guarantees a correct and adequate flow of information supported by suitable documentation and accounting records.

The Company is, therefore, able to fulfil all reporting requirements related to significant events and consolidation provided for under the law.

The Company is fully able to exercise management and coordination of its subsidiaries as specified under the law.

The Board of Statutory Auditors also acknowledges that IGD SIIQ S.p.A. is subject to the management and coordination of shareholder Coop Alleanza 3.0 Soc. Coop..

XVI. COMMENTS ON MEETINGS HELD WITH THE EXTERNAL AUDITORS

The Board of Statutory Auditors, through direct inspections and information obtained from the external auditor PriceWaterhouseCoopers Spa, verified compliance with all current laws and regulations regarding the preparation and drawing up of the separate and consolidated financial statements as well as the accompanying Directors' Report.

The statutory auditors met with the external auditors responsible for both the accounting controls under Art. 2409 *bis* of the Italian Civil Code and the audit of the consolidated and separate financial statements, exchanging information as required under Art. 150 of Legislative Decree 58 dated 24 February 1998.

With the auditors attention was paid, in particular, to the application of the accounting standards, to the most effective way to recognize the significant economic and financial items in the financial statements. Nothing that needed to be reported pursuant to art. 155, paragraph 2, of Legislative Decree n. 58 of 24 February 1998 emerged during these periodic meetings.

During these meetings the external auditors reported no irregularities, problem areas or omissions in the company's accounts. On these occasions we informed the external auditors of the Board of Statutory Auditors' activities and of the relevant and significant corporate events of which we are aware.

XVII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE CORPORATE GOVERNANCE COMMITTEE.

The Company, since its IPO (11 February 2005), has complied with the standards and recommendations included in the Corporate Governance Code published by the Borsa Italiana's Committee for the Corporate Governance of Listed Companies through the adoption

of its own Corporate Governance rules, in order to regulate, in accordance with laws and regulations, the composition, responsibilities and role of the corporate bodies in charge of the company's management.

During the meeting held on 18 December 2014, the Board of Directors updated its Corporate Governance Regulations in order to comply with the amendments introduced in the new Corporate Governance Code.

The Board of Statutory Auditors also acknowledged the new items included in the Corporate Governance Code issued in July 2015 adopted during the Board of Directors' meeting held on 5 August 2016, when an update of the rules for Corporate Governance was also approved.

The Board of Directors has appointed the following committees from among its members:

- the Chairman's Committee: comprised of four directors: the chairman, the vice chairman and the chief executive officer, in addition to one non-executive director. In 2016 it held 5 (five) meetings.
- the Nominations and Compensation Committee: this committee was formed in 2012; in order to comply with the Corporate Governance Code, the Board of Directors resolved to combine the Compensation and the Nominations Committees into a single "Nominations and Compensation Committee". The Committee consists of three non-executive independent directors. The Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer are entitled to attend committee meetings and the Chairman of the Board of Statutory Auditors may be invited to attend. The Committee met 5 (five) times in 2016.
- the Control and Risk Committee, which is comprised of three non-executive and independent directors. In 2016 the committee held meetings with continuity and in keeping with the Company's needs. It met 7 (seven) times during the year. The Chairman of the Board of Statutory Auditors, or another statutory auditor appointed by him, attends the meetings of the Control and Risk Committee as does the Chairman of the Board of Directors as Director in Charge of the Internal Control and Risk Management System. The Vice Chairman of the Board of Directors and the Chief Executive Officer may also be invited to attend Committee meetings.
- the Committee for Related Party Transactions was formed in order to comply with art. 2391 *bis* of the Italian Civil Code and art. 4 of Consob's Regulations for Related Party Transactions and is comprised of three independent directors. It held 2 (two) meetings in 2016.

In February 2007, in order to further enhance the role of the independent directors, the

Board of Directors introduced the title of “Lead Independent Director” as, at the time, the Chairman of the Board of Directors was also the Chairman of the Board of Directors of the Issuer’s majority shareholder. Following the latest renewal of the Board of the Directors as none of the circumstances that, pursuant to the Corporate Governance Code, call for the appointment of a Lead Independent Director still exist, the Company did not appoint a Lead Independent Director.

The Company deemed it useful and opportune to describe the methods of operation in order to facilitate coordination of the control activities as described below .

In order to facilitate coordination of the control and risk management activities, the Company deemed it useful and opportune to institute an Internal Control and Audit Committee with the Chairman of the Board of Statutory Auditors acting as coordinator.

The Chairman of the Risk and Control Committee and the Chairman of the Board of Statutory Auditors (including in his role of Committee for Internal Control and Financial Audit), at least one a year, met as convened by the Chairman of the Board of Statutory Auditors, to compare the results of their respective control activities and to assess planning and any coordination of their operations. Toward this end, the Chairman of the Board of Statutory Auditors not only coordinated the work of the statutory auditors but also as a reference point for other corporate bodies involved in control systems.

The company also instituted a Supervisory Board comprised of three independent directors. In 2016 it met 4 (four) times and it worked with Internal Audit on monitoring and limiting risk exposure

The Board of Directors also hired, as it has done since 2007, Egon Zehnder International S.p.A., headquartered in Milan, to perform a “board review”. The purpose of this review is the yearly assessment of the size, composition and functioning of the Board of Directors and its committees. The results were contained in a report that was presented to and discussed by the Board on 28 February 2017. Board review is an effective means of self-assessing the composition and functioning of the Board of Directors and its committees.

At the end of the above discussion, and after having verified operations during the year, the Board of Statutory Auditors expressed a positive opinion of the Company’s corporate governance

XVIII. CLOSING REMARKS.

Dear Shareholders,

We conclude this report by confirming that all of the corporate bodies, the heads of the administrative and operating departments, Internal Audit, and the external auditor PriceWaterhouseCoopers S.p.A. cooperated with us fully during our supervisory activities.

We have found no omissions, inappropriate conduct, imprudent transactions, or irregularities worthy of mention, thus there are no circumstances discovered during our work that require reporting to the supervisory authorities or disclosure in this report.

We have no comments to make in this regard.

The Directors' Report also contains information about the compensation policy and the remuneration paid to the Board of Directors, Board of Statutory Auditors, the Chief Operating Officer and the Managers with Strategic Responsibilities, as well as information about the shares held by the latter in the company. Again, we have no comments to make in this regard.

XIX. PROPOSALS SUBMITTED DURING THE SHAREHOLDERS' MEETING:

Dear Shareholders,

Having seen and acknowledged the financial statements for the year ended 31 December 2016, the Board of Statutory Auditors has no objections to the Board of Directors' proposal for allocation of the net profit and the reserves, including in light of the rule (Law 296/07) as amended by Law 164/2014 by which companies with SIIQ status must pay a dividend of at least 70% of the profit from "tax-exempt" income.

More in detail, we refer to the following items of the agenda discussed at the annual general meeting.

ANNUAL GENERAL MEETING OF SHAREHOLDERS**Ordinary session**

1. Separate financial statements at 31.12.2016; Directors' report on operations; External auditors' report; Report of the Board of Statutory Auditors; presentation of the consolidated financial statements at 31.12.2016; allocation of the profit for the year and the distribution of dividends to shareholders; related and consequent resolutions
2. Report on compensation in accordance with Art. 123-ter, paragraph 6, of Legislative

Decree n. 58/98; related and consequent resolutions

3. Authorization to buy and sell treasury shares; related and consequent resolutions

Extraordinary session

1. Proposal to amend artt. 4 and 6 of the corporate bylaws: related and consequent resolutions.

* * * * *

Comments of the Board of Statutory Auditors regarding the items included in the Agenda:

Ordinary session:

First item – Separate financial statements at 31.12.2016; Directors' report on operations; External auditors' report; Report of the Board of Statutory Auditors; presentation of the consolidated financial statements at 31.12.2016; payment of dividends to the shareholders; related and consequent resolutions .

- ◆ we have a favorable opinion of the motion to approve the financial statements at 31 December 2016.
- ◆ We also have a favorable opinion of the proposal to approve a dividend of €0.045 for each of the 813,045,631 outstanding share on the ex-div date, for a total of € 36,587,053.40, as well as the proposals relating to the distribution of the earnings for the year.

Second item - Report on compensation in accordance with Art. 123-ter, paragraph 6, of Legislative Decree n. 58/98; related and consequent resolutions;

- ◆ We found the information provided by the Board of Directors in the report drawn up in accordance with art. 123 *ter*, paragraph 6, of Legislative Decree 58/98, in which the company's remuneration policy relating to the Chief Operating Office, Managers with strategic responsibilities, as well as the procedures adopted to implement this policy are described, to be adequate and complete.

Third item – Authorization to buy and sell treasury shares; related and consequent resolutions.

- ◆ We found the information provided by the Board of Directors in its report in

this regard to be adequate and complete. At the close of the year ending on 31 December 2016, as well as the date on which this proposal is being presented, the Company has no treasury shares. The Board of Statutory Auditors believes that the conditions referred to in the law (Art. 2357 of the Italian Civil Code and Art. 132 of Legislative Decree 58/98) and the corporate bylaws relative to the purchase and disposal of treasury shares when deemed appropriate and opportune have been satisfied.

Extraordinary session:

First item – Proposal to amend artt. 4 and 6 of the corporate bylaws: related and consequent resolutions.

- ◆ We found the information provided by the Board of Directors in its report on this topic to be adequate and complete.

* * * * *

Dear Shareholders,

In concluding this report, we would like to express our sincerest thanks to all those who have assisted us in the course of our work and for the vote of confidence you expressed by appointing us.

Bologna, 20 March 2017

The Board of Statutory Auditors

Signed

(Anna Maria Allievi)

(Pasquina Corsi)

(Roberto Chiusoli)

GLOSSARY

06

GLOSSARY

AGENCY MANAGEMENT

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

AVERAGE COST OF DEBT

Refers to the average cost, without taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt.

The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

AVERAGE EFFECTIVE COST OF DEBT

Refers to the average cost, taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt. The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

CORE BUSINESS FFO

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

DEVELOPMENT PIPELINE

Program of investments in development.

DIRECT COSTS

Costs directly attributable to the shopping centers.

DIVIDEND YIELD

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

EBIT (Operating profit)

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

EBITDA (including core business)

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

EBITDA MARGIN (including core business)

This indicator is calculated by dividing Ebitda by operating income.

EPRA

European Public Real Estate Association.

EPS / EARNINGS PER SHARE

Net profit divided by the average number of shares outstanding in the year.

ESTIMATED RENTAL VALUE / ERV

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

FACILITY MANAGEMENT

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

FINANCIAL OCCUPANCY

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

GENERAL EXPENSES

Corporate costs not attributable to the individual shopping center.

GEARING

The gearing ratio reflects the total debt to total equity ratio, including non-controlling interests, and net of the cash flow hedge reserve. It measures financial leverage which demonstrates the degree to which a company's operations are funded by owner's funds versus borrowings, and facilitates sector benchmark analysis.

GROSS EXIT CAP RATE

The terminal value of the gross revenue (rents, temporary and variable) calculated as a percentage of the exit value.

GROSS INITIAL YIELD

The gross initial yield of an investment is the annualized rental income used in the first year of the DCF model (Discounted Cash Flow) expressed as a percentage of the property's fair value.

GLA / GROSS LEASABLE AREA

The total floor area designed for tenant occupancy which includes outside walls.

GROSS MARGIN

The result obtained by subtracting direct costs from revenues

HEDGING

The total amount of mortgage loans hedged with interest rate swaps and bonds divided by the total amount of mortgage loans and bonds.

HYPERMARKET

Property with a sales floor in excess of 2,500 sqm, used for the retail sales of food and non-food products.

INITIAL YIELD

The annualized rental income from a property as a percentage of its valuation at the time of purchase.

INTEREST COVER RATIO (ICR)

Measure of the number of times a company's operating profit covers the interest payable on debt. It is an indicator used to understand a company's solvency and ability to assume debt. It is calculated by dividing EBITDA by the net financial expense.

INTEREST RATE SWAPS / IRS

Financial instrument whereby two parties agree to exchange a certain interest rate stream on a pre-established date. Using to convert floating rate debt into fixed rate debt.

LIKE-FOR-LIKE PORTFOLIO

Real estate assets held in the portfolio for the entire year and the entire prior year.

LIKE FOR LIKE REVENUES

Revenues from rental activities of the assets held in the portfolio for the entire year and the entire prior year. They are separately calculated for Italy and Romania portfolios and they exclude:

- Revenues from assets that have been acquired, sold or subject to remodeling and therefore they have not realized any income in the period;
- missing revenues from instrumental vacancy due to different reasons (ie works carried out to create new layouts);
- exceptional and one-off revenues which would make the comparison less reliable.

LOAN TO VALUE (LTV)

Ratio between the amount borrowed and the market value of freehold properties.

MALL / SHOPPING MALL

Property comprised of many stores plus the common spaces around which they are situated. Usually called a “galleria” in Italian.

MIDSIZE STORE

A property with a sales floor area of 250 to 2,500 sqm used for the retail sales of non-food consumer goods.

NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNAV)

The equity pertaining to the Group, calculated based on EPRA indications which call for a few adjustments.

Certain items are excluded from the NAV calculation for lack of relevance in a business model with a long term view like the Group's. NNAV provides more relevant information about the fair value of assets and liabilities. The NAV is adjusted to take into account the fair value of (i) hedges, (ii) debt and (iii) deferred taxes.

It represents the equity pertaining to the Group including in the calculation the fair value of the main assets and liabilities that are not included in the EPRA NAV, namely (i) hedges, (ii) debt and (iii) deferred taxes.

NET DEBT

Net debt shows financial structure and is calculated by adding long-term debt, short-term debt and the current portion of long-term debt included in “Non-current and current financial liabilities (with third parties and related parties)”, net of “Cash and cash equivalents”, “Non-current financial assets” and “Financial receivables and other current financial assets (with third parties and related parties)”.

OCCUPANCY RATE

Gross let surface area as a percentage of properties' total surface area.

OVER-RENTED

Space rented for an amount exceeding its ERV.

PRE-LET

Lease signed by a tenant before development of the property has been completed.

REAL ESTATE ASSETS

The Group's freehold properties.

REAL ESTATE PORTFOLIO

The portfolio of freehold and leasehold properties rented out by the IGD Group.

REIT

Real Estate Investment Trust. Comparable to a SIQ in Italy.

RETAIL PARK

Group of three or more complexes with a combined area of more than 4,500 sqm and shared parking.

REVERSIONARY POTENTIAL YIELD

The net annual rent that a property would generate if it were fully let at going market rates, as a percentage of the property's value.

SHOPPING CENTER

Real estate complex comprised of a hypermarket and a shopping mall, featuring common areas and services located in a covered area with heating and air conditioning.

SIQ

Società di Investimento Immobiliare Quotata. Real estate investment model comparable to a REIT. SIQ rules allow income tax exemptions for publicly held listed compagnie whose prevalent activity is the rental of properties and equivalent, provided they meet a series of earnings and balance sheet requirements.

STORE

Property for the retail sale of non-food consumer goods.

SUPERMARKET

A property with a sales floor of 250 to 2,500 sqm used for the retail sale of food and non-food products.

TENANT MIX

Set of store operators and brands found within a mall.

UNDER-RENTED

Space rented for an amount less than its ERV.

WACC / WEIGHTED AVERAGE COST OF CAPITAL

The weighted average cost of debt and all other sources of capital, used to calculate the expected return on investments.



LE MAIOLICHE

Faenza (Ravenna)

Opening 2009

Mall GLA sq.m 22,313

Food anchor GLA sq.m 9,277



2,274,263 visitors in 2016

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