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

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

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

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

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

# Half-Year Financial Report

**at 30/06/2017**

# Corporate and supervisory bodies

| Board of Directors | Office held | Executive | Non executive | Independent | Chairman's committee | Controll and Risk committee | Compensation and Nominations committee | Related Party Transaction Committee |
|---|---|---|---|---|---|---|---|---|
| Elio Gasperoni | Chairman | x | | | x | | | |
| Fernando Pellegrini | Vice Chairman | | x | | x | | | |
| Claudio Albertini | CEO | x | | | x | | | |
| Aristide Canosani | Director | | x | | | | | |
| Gilberto Coffari | Director | | x | | | | | |
| Luca Dondi Dall'Orologio | Director | | | x | | | | |
| Leonardo Caporioni | Director | | x | | | | | |
| Matteo Cidonio | Director | | | x | | | | x |
| Elisabetta Gualandri | Director | | | x | | x | x | |
| Milva Carletti | Director | | | x | | | x | |
| Rossella Saoncella | Director | | | x | | x | | x |
| Andrea Parenti | Director | | | x | | | x | x |
| Livia Salvini | Director | | | x | | x | | |

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

## Supervisory board

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

## External auditors

PricewaterhouseCoopers S.p.A.

## Financial reporting officer

Grazia Margherita Piolanti

# 1. The IGD Group's Interim Management Statement

## 1.1. Financial and Economic Highlights at 30 June 2017

**€71.6 mn**

**Core business revenues**

**+6.0%**

**€50.0 mn**

**Core business Ebitda**

**+6.9%**

**Margin 69.8% (+60bps)**

**Margin from freehold 79.5% (+90bps)**

**31,9 € mn**

**Funds From Operations (FFO)**

**+17.8%**

**FFO per share 0.039**

**€48.9 mn**

**Group Net Profit**

**+84.6%**

**€2,210.4 mn**

**Portfolio Market Value**

**+1.5% (LFL +0.7%)**

**€1.31 per share**

**Epra NNNAV**

**+1.6% vs 1.29 FY2016**

**€1,076.8 mn**

**Net Debt**

**€ 1,055.4 mn as at 31/12/2016**

**2.9%**

**Average cost of debt**

**3.3% as at 31/12/2016**

**2.8x**

**Interst Cover Ratio (ICR)**

**2.2x as at 31/12/2016**

**94.5%**

**Hedging on long term debt + bond**

**93.8% as at 31/12/2016**

**48.5 %**

**Loan to value**

**48.3% as at 31/12/2016**

**0.98**

**Gearing**

**0.97 as at 31/12/2016**

## 1.2. Introduction

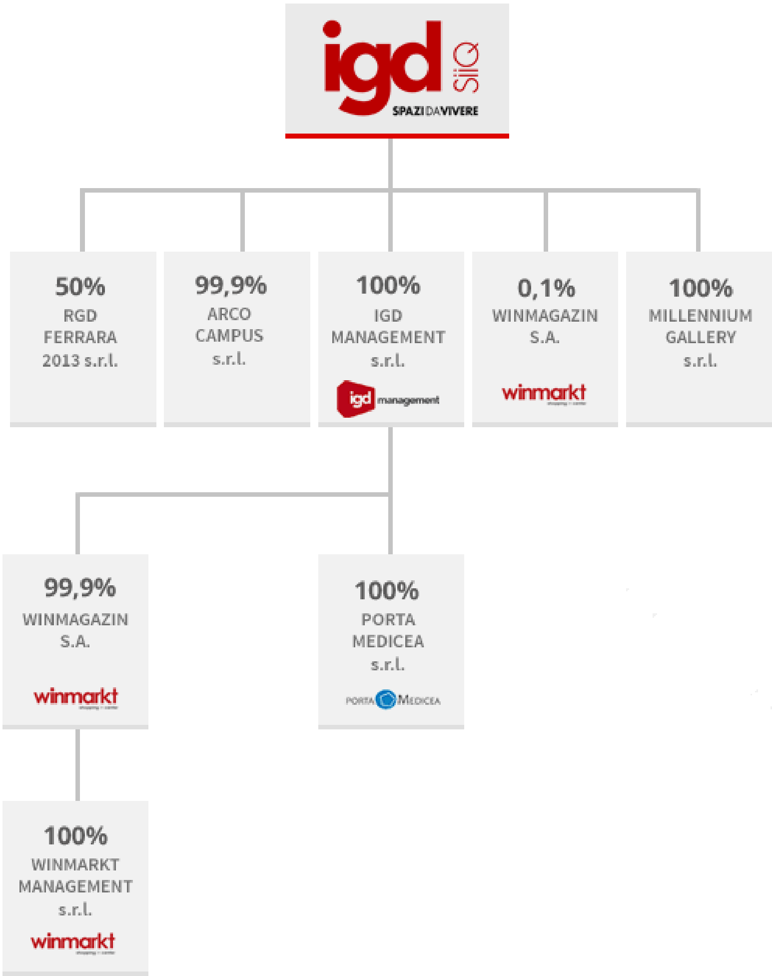
The Immobiliare Grande Distribuzione Group's Consolidated Half-Year Financial Report at 30 June 2017 was prepared pursuant to Art. 154-ter of Legislative Decree 58/1998 and in accordance with the valuation criteria and measurements established by the IFRS (International Financial Reporting Standards) adopted by the European Commission as per the procedure established in Art. 6 of EC Regulation n°1606/2002 issued by the European Parliament and the Council on 19 July 2002, and in particular with IAS 34 – Interim Financial Reporting. The Half-Year Financial Report, along with the notes to the accounts, consolidates the income statements and statements of financial position at 30 June 2017 of IGD Siiq S.p.A. and other Group companies described in the section on 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 so indicated, which may not comply with the accounting standards used in financial statements subject to financial audit and may not reflect the requirements for reporting, recognition and presentation associated with these standards. The indicators viewed as important to the understanding of the Group's financial statements include like-for-like revenue, core business Ebitda, core business Ebitda margin, FFO, net financial position, interest cover ratio, average cost of debt (net of recurring and non-recurring transaction costs), gearing ratio, Loan to value, net asset value (NAV) and triple net asset value (NNNAV). The methods used to calculate these indicators are described in the Glossary.

## 1.3. The IGD Group

IGD was the first company in Italy to obtain SIIQ (Società di Investimento Immobiliare Quotata or real estate investment trust) status in 2008 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 (93%). In Romania IGD owns the Winmarkt chain of shopping centers through WinMagazin SA (7%).




IGD SIIQ's perimeter of exempt operations includes the freehold assets found in Italy. On 1 April the merger by incorporation was completed of Igd Property SIINQ S.p.A. and Punta di Ferro SIINQ S.p.A. in IGD SIIQ S.p.A.

At 30 June 2017 the Parent Company IGD SIIQ SpA also controls:

- ✓ 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;
- ✓ 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 **WinMarktManagement srl**, the company responsible for the team of Romanian managers;
  - ✓ 100% 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.

## 1.4. Income statement review

The first half of 2017 was characterized by the strengthening of the international economic cycle: the acceleration of investments in most economies sustained world trade which showed decided recovery compared to 2016. A few risks remain connected to the direction of economic policies and the possible repercussions for financial markets, but overall the prospects for global growth are favorable.[1]

In Italy the recovery begun in 2014 continued in the first quarter of 2017 with an acceleration in trade and the GDP rising +0.4% compared to the prior quarter. This trend continued in subsequent months.[2]

This acceleration caused the main research institutes to increase growth estimates for 2017. GDP is expected to increase by +1.3%/1.4% by year-end. This trend will be supported mainly by investments and exports boosted by the recovery in world trade. Household spending will be fueled by higher disposable income supported also by an increase in employment[3]: the unemployment rate fell to 11.1% in June, returning to the levels recorded in 2012[4].

As for IGD, in the first six months of 2017 sales of the retailers in the Group's Italian malls rose +1.3% (including the Esp extension) compared to the prior half, while footfalls fell slightly. This additional growth is compared to a 2016 during which IGD posted particularly positive operating results.

Rental income also performed well, rising 5.2% (the like-for-like increase reached +1.5% with what continues to be a marginal contribution from inflation). Pre-letting activities continued and an upside of 4.7% was recorded for the new contracts. Occupancy was stable at 97.2%.

In the first half of 2017 IGD also continued with its asset management activities: the most important event was most certainly the opening of the Centro ESP extension in Ravenna on June, 1st. This sizeable addition, which added an additional GLA of 19,000 $m^2$, provided space for 43 more stores and 8 restaurants. The more than 510,000 footfalls recorded in the first month after the opening are proof of the project's great appeal. Work also continued at the Città delle Stelle shopping center in Ascoli Piceno where a new zone in the shopping mall is being created (more than 90% pre-let) following the downsizing of the hypermarket. As part of the Porta a Mare project IGD repurchased 20% of the share capital of Porta Medicea S.r.l. and, at the same time, the CMB Group purchased 14 apartments in the residential area of Piazza Mazzini.

In Romania economic growth is proceeding at a more robust pace. In the first quarter of 2017 GDP rose by more than 5% driven, once again, by internal demand. Family spending also grew by more than 5%. This trend should continue for the entire year, even though inflation is expected to accelerate.[5] This good economic dynamic had a positive impact on the performance of our shopping centers; occupancy, which came to 96.9% (versus 96.1% at year-end 2016) is, basically, stabilized at levels in line with the Italian assets, thanks also to the significant work done by IGD on restyling and refreshing the merchandise mix. Pre-letting and negotiations in the first six months of 2017 resulted in an upside of 2.5% on new contracts. These good results contributed to the increase in rental income which rose 7% compared to the same period of last year.

From a financial standpoint, the successful completion of the private placement in January with the US group Prudential Financial Inc testified to the Group's good credit profile (as did the Baa3 rating, with a stable outlook, assigned by Moody's in December). In April, furthermore, the IRS BNP stipulated by IGD Management at a cost of 4.38% (the most expensive in IGD's portfolio) expired and was substituted with a 10-year IRS at a cost of 0.5925%, while short term borrowing costs continued to be low (around 3 bps). All of this made it possible for IGD to further reduce the average

[1] Source: Bank of Italy – Economic bulletin n.3/2017, July 2017; IMF – World Economic Outlook Update, July 2017
[2] Source: Centro Studi Confindustria – Economic forecasts n.29, June 2017
[3] Source: Centro Studi Confindustria – Economic forecasts n.29, June 2017; IMF – World Economic Outlook Update, July 2017
[4] Source: Istat – Employed and unemployed, July 2017
[5] Source: European Commission – European Economic Forecast, May 2017

cost of debt which went from the 3.3% posted year-end 2016 to 2.9% at 30 June 2017 and increase the Interest Cover Ratio from the 2.2 posted year-end 2016 to 2.8.

The above results, which will be described in greater detail later on, helped the Group record a net profit of €48.9 million, an increase of 84.6% compared to the first half of 2016, and FFO of €31.9 million, an increase of 17.8%.

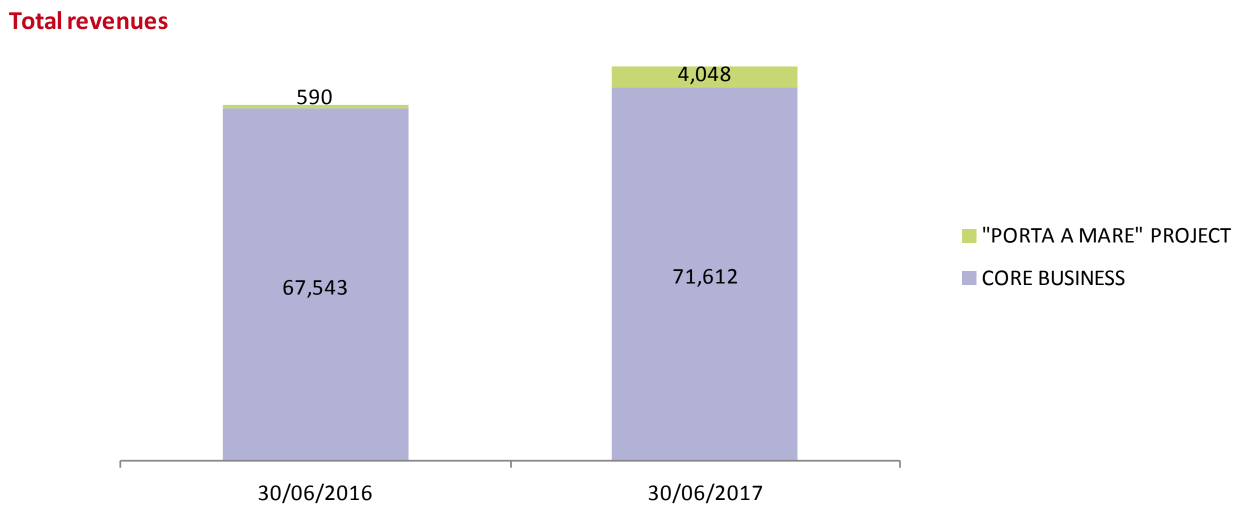
| | CONSOLIDATED | | | CORE BUSINESS | | | PORTA A MARE PROJECT | | |
|---|---|---|---|---|---|---|---|---|---|
| €/000 | 30/06/2016 | 30/06/2017 | Δ% | 30/06/2016 | 30/06/2017 | Δ% | 30/06/2016 | 30/06/2017 | Δ% |
| Revenues from freehold real estate and rental activities | 58,838 | 62,068 | 5.5% | 58,838 | 62,068 | 5.5% | 0 | 0 | n.a. |
| Revenues from leasehold real estate and rental activities | 6,147 | 6,318 | 2.8% | 6,147 | 6,318 | 2.8% | 0 | 0 | n.a. |
| **Total revenues from real estate and rental activities** | **64,985** | **68,386** | **5.2%** | **64,985** | **68,386** | **5.2%** | **0** | **0** | **n.a.** |
| Revenues from services | 2,558 | 3,226 | 26.1% | 2,558 | 3,226 | 26.1% | 0 | 0 | n.a. |
| Revenues from trading | 590 | 4,048 | n.a. | 0 | 0 | n.a. | 590 | 4,048 | n.a. |
| OPERATING REVENUES | 68,133 | 75,660 | 11.0% | 67,543 | 71,612 | 6.0% | 590 | 4,048 | n.a. |
| | | | | | | | | | |
| COST OF SALE AND OTHER COSTS | (577) | (4,043) | n.a. | 0 | (0) | n.a. | (577) | (4,043) | n.a. |
| Rents and payable leases | (5,060) | (5,101) | 0.8% | (5,060) | (5,101) | 0.8% | 0 | 0 | n.a. |
| Personnel expenses | (1,940) | (2,199) | 13.3% | (1,940) | (2,199) | 13.3% | 0 | 0 | n.a. |
| Direct costs | (8,568) | (9,010) | 5.2% | (8,454) | (8,875) | 5.0% | (113) | (135) | 19.1% |
| DIRECT COSTS | (15,568) | (16,310) | 4.8% | (15,455) | (16,175) | 4.7% | (113) | (135) | 19.1% |
| GROSS MARGIN | 51,987 | 55,307 | 6.4% | 52,087 | 55,437 | 6.4% | (100) | (130) | 29.6% |
| Headquarters personnel | (3,297) | (3,414) | 3.5% | (3,260) | (3,379) | 3.7% | (37) | (35) | (4.5)% |
| G&A Expenses | (2,261) | (2,204) | (2.5)% | (2,085) | (2,076) | (0.5)% | (176) | (128) | (27.1)% |
| G&A EXPENSES | (5,559) | (5,618) | 1.1% | (5,346) | (5,455) | 2.0% | (213) | (163) | (23.2)% |
| EBITDA | 46,429 | 49,689 | 7.0% | 46,742 | 49,982 | 6.9% | (313) | (293) | (6.3)% |
| *Ebitda Margin* | *68.1%* | *65.7%* | | *69.2%* | *69.8%* | | | | |
| Other provisions | (97) | (108) | 10.9% | | | | | | |
| Impairment and Fair Value Adjustments | 358 | 18,933 | n.a. | | | | | | |
| Depreciation | (558) | (513) | (8.0)% | | | | | | |
| DEPRECIATION AND IMPAIRMENTS | (297) | 18,312 | n.a. | | | | | | |
| EBIT | 46,132 | 68,001 | 47.4% | | | | | | |
| | | | | | | | | | |
| FINANCIAL MANAGEMENT | (19,645) | (17,544) | (10.7)% | | | | | | |
| | | | | | | | | | |
| EXTRAORDINARY MANAGEMENT | (179) | (63) | (64.9)% | | | | | | |
| PRE-TAX PROFIT | 26,308 | 50,394 | 91.6% | | | | | | |
| Taxes | (504) | (656) | 30.3% | | | | | | |
| Other taxes | 366 | (794) | n.a. | | | | | | |
| PROFIT FOR THE PERIOD | 26,170 | 48,944 | 87.0% | | | | | | |
| (Profit)/Loss for the period related to Third parties | 338 | 0 | n.a. | | | | | | |
| GROUP NET PROFIT | 26,508 | 48,944 | 84.6% | | | | | | |

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

## Revenue

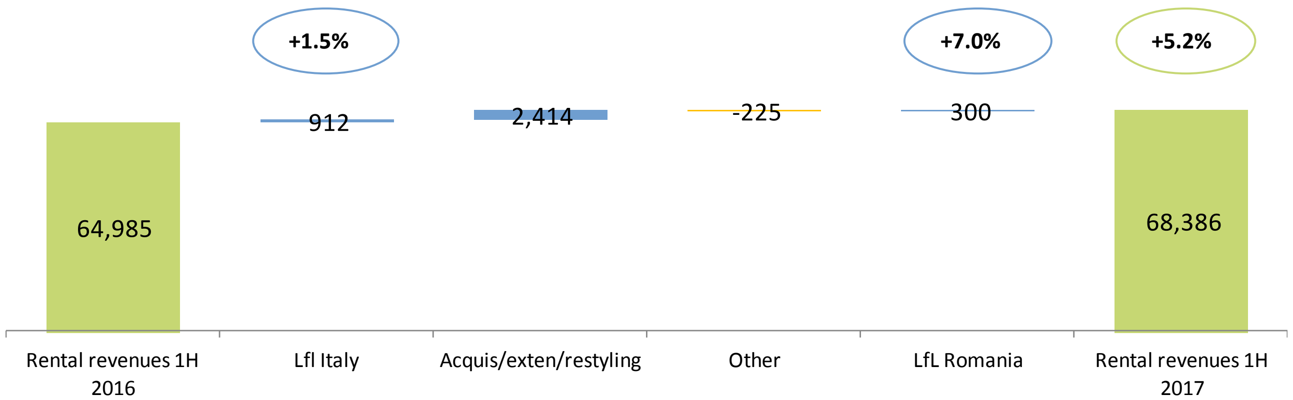
Consolidated operating revenue amounted to €75,660 thousand, an increase of 11.0% against the same period of the prior year.

The core business revenue reached €71,612 thousand, an increase of 6.0%; the Porta a Mare project generated €4,048 thousand in trading revenue.




The breakdown of revenue is described below:

✓ **The revenue from the rental business** rose 5.2% to €68,386 thousand.




The increase of €3,401 thousand is explained:

- for €912 thousand, by like-for-like revenue in Italy (+1.5%). Malls were up (+2.1% as a result of the pre-letting completed between year-end 2016 and the first half, as well as lower discounts) and hypermarkets were up slightly compared to the prior year. 74 new contracts were signed in the period with **an average upside of +4.7%**;
- for around €2,414 thousand, by the expanded perimeter which comprises the Maremà shopping center in Grosseto opened in October and the Esp extension which was inaugurated in June 2017;
- for -€225 thousand, by non-recurring revenue generated in 2016;
- for around €300 thousand, by higher like-for-like revenue in Romania (+7%) linked to pre-letting and leases renegotiated in the period (136 leases were renewed in the period with **an average upside of +2.5%**);

✓ **Revenue from services** rose against first half 2016 (+26.1%). Most of this revenue comes from the facility management business (81.8% of the total or €2,641 thousand), an increase against the prior period (+9.0%) due mainly to new management mandates. Revenue from agency management rose €98 thousand as a result mainly of pre-letting at the Poseidon center and pilotage fees were €285 thousand higher than in the prior year as result of the activities related to the opening of the Esp extension.

- ✓ **Revenue from trading** generated by the Porta a Mare project amounted to €4,048 thousand and reflects the sale of 14 residential units and 14 garages. At the approval date of this half-year report 2 other sales had closed and preliminary agreements for an additional 8 residential units had been signed; the total of the units sold/pledged has, therefore, reached 78% of the total saleable area.

## Cost of goods sold and other expenses

**"Cost of goods sold and other expenses"**, which amounted to €4,043 thousand, refers for €4,035 thousand to the cost of the units sold and for €8 thousand to the ancillary sales costs.

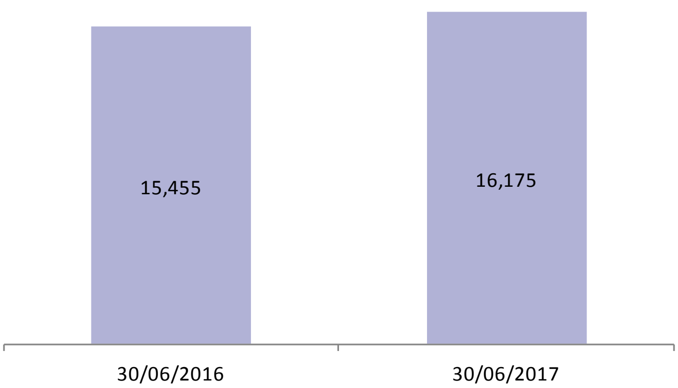
## Direct costs

**Direct costs**, pertaining to the **core business** and including payroll costs, amounted to €16,175 thousand, an increase of 4.7% with respect to the same period of the prior year.

This increase is linked to the expanded freehold and leasehold perimeter which resulted in an increase in property taxes (IMU), direct personnel costs and pilotage costs (explained by the activities which also generated revenue). There was a decrease in provisions for doubtful accounts (given the improved economic environment).

The costs pertaining to the core business fell as a percentage of revenue from the 22.9% recorded in first half of 2016 to 22.6%.

**Core business direct cost**




**The direct costs for the Porta a Mare project,** which amounted to €135 thousand, consist primarily in the IMU property tax (€73 thousand) and condominium fees.

## Review of margins by business unit

The divisional gross margin rose by 6.4% from the €51,987 thousand posted at 30 June 2016 to €55,307 thousand at 30 June 2017. The table below shows the trend in divisional gross margins by business unit:

| | CONSOLIDATED | | | CORE BUSINESS | | | PORTA A MARE PROJECT | | |
|---|---|---|---|---|---|---|---|---|---|
| *€/000* | 30/06/2016 | 30/06/2017 | Δ% | 30/06/2016 | 30/06/2017 | Δ% | 30/06/2016 | 30/06/2017 | Δ% |
| Margin from freehold properties | 50,870 | 54,056 | 6.3% | 50,870 | 54,056 | 6.3% | 0 | 0 | n.a. |
| Margin from leasehold properties | 1,030 | 1,184 | 14.9% | 1,030 | 1,184 | 14.9% | 0 | 0 | n.a. |
| Margin from services | 187 | 197 | 5.0% | 187 | 197 | 5.0% | 0 | 0 | n.a. |
| Margin from trading | (100) | (130) | 30.0% | 0 | 0 | n.a. | (100) | (130) | 30.0% |
| **Gross margin** | **51,987** | **55,307** | **6.4%** | **52,087** | **55,437** | **6.4%** | **(100)** | **(130)** | **30.0%** |

**SBU 1 - Property leasing - margin from freehold properties:** this margin amounted to €54,056 thousand, versus €50,870 thousand in the prior year (+6.3%). In percentage terms, this activity continues to feature a significant margin of 87.1% which is also higher than the prior year (increase in revenue and largely stable costs)

**SBU 1 - Property leasing – margin on leasehold properties:** this margin reached €1,184 thousand. As a percentage of revenue this margin reached 18.7%, an increase against the same period of the prior year (16.8%) linked mainly to the growth in revenue and the decrease in costs.

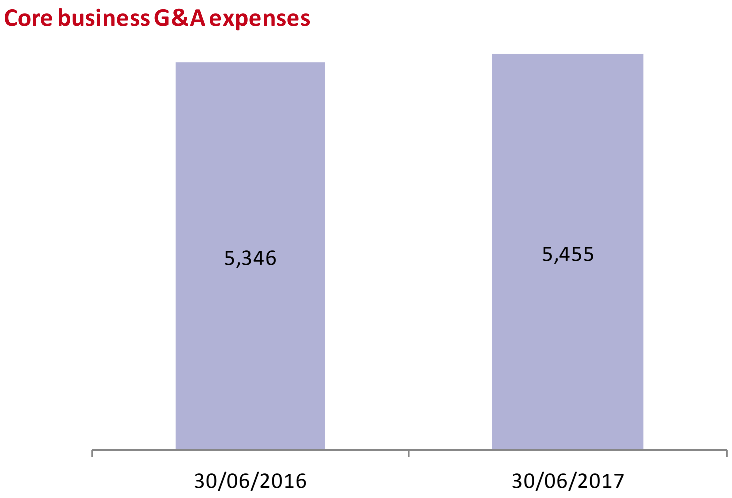
**SBU 2 - Services - margin from service businesses:** the margin from services amounted to €197 thousand. As a percentage of revenue the margin fell from the 7.3% posted in the prior year to 6.1%. The decline is attributable to the Esp pilotage costs which diluted the total margin.

**SBU 3 – Development and trading – margin from trading:** the margin from the "Porta a Mare" project in Livorno reached €5 thousand and after direct costs (linked largely to the property taxes (IMU) on the undeveloped properties) the result was negative for €130 thousand.

## General expenses

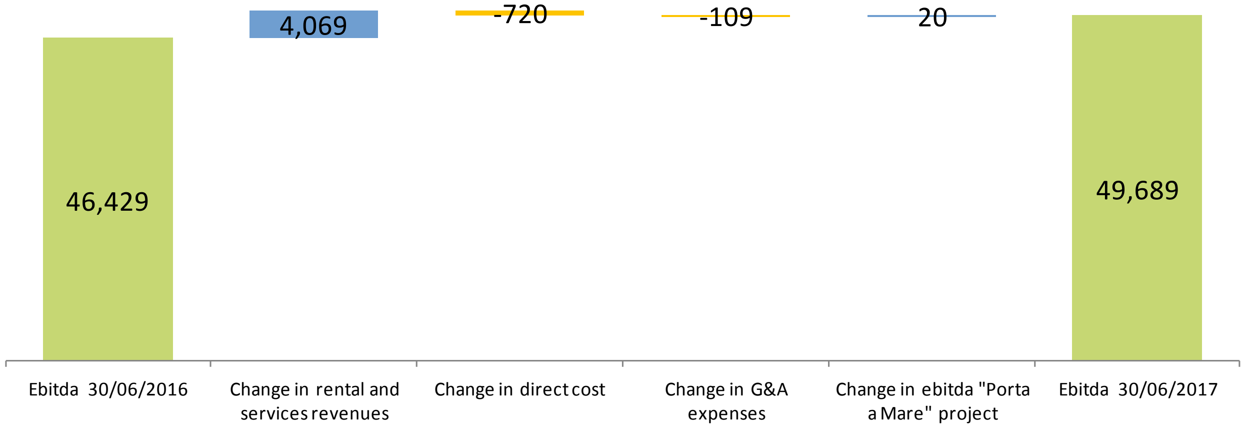
**General expenses for the core business**, including payroll costs at headquarters came to €5,455 thousand, an increase (+2.0%) against the €5,346 thousand posted in the prior year.  While payroll costs were higher (as a result of the corporate welfare project and variable compensation), other operating costs were down. These costs represent 7.6% of core business revenue, lower than the 7.9% posted in the prior year.

**General expenses for the Porta a Mare project** amounted to €163 thousand (including payroll costs), a decrease of 23.2% with respect to the prior year.

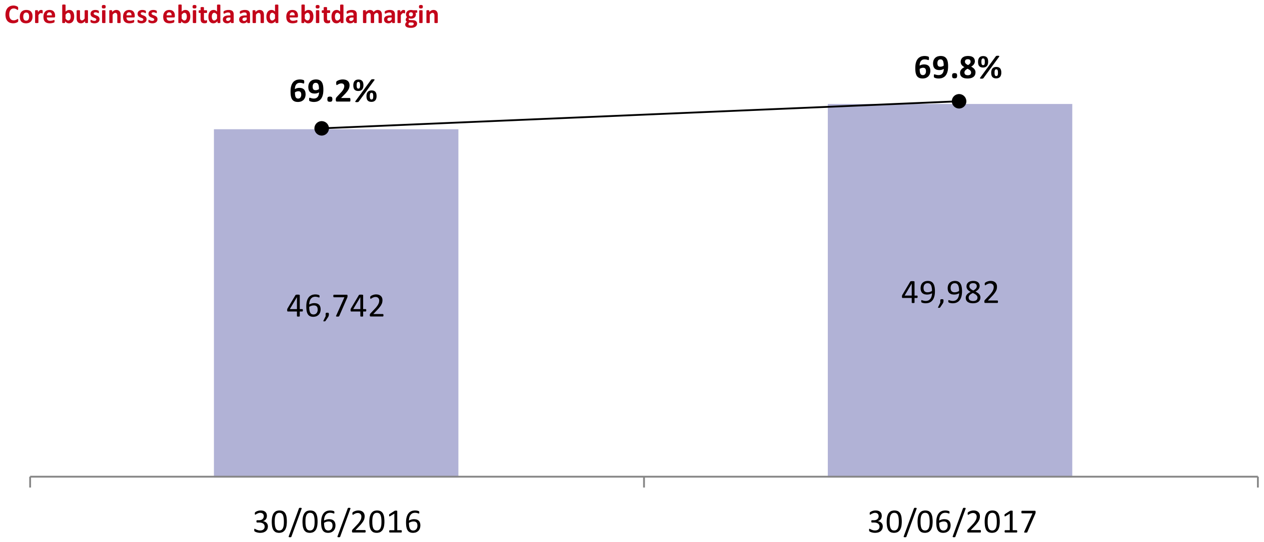



## EBITDA

Core business **EBITDA** amounted to €49,982 thousand in the first half of 2017, an increase of 6.9% with respect to the same period of the prior year, while total EBITDA rose by 7.0% to €49,689 thousand. The changes in the components of total EBITDA during the period are shown below.




As mentioned above, total EBITDA was impacted substantially by the increase in core business revenue (as a result also of the expanded perimeter), offset by the less than proportional increase in direct costs and general expenses. The core business **EBITDA MARGIN** came in at 69.8%, an increase of 0.6 percentage points with respect to the same period of the prior year.

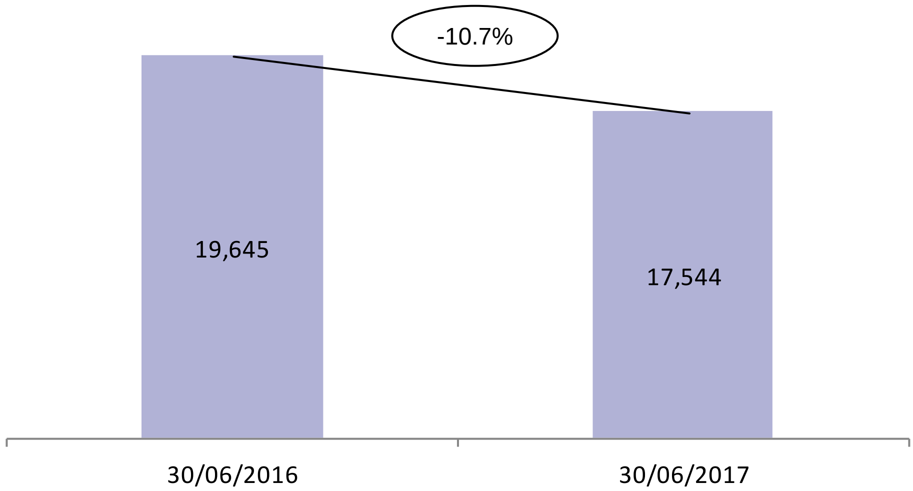



## EBIT

**EBIT** amounted to €68,001 thousand, an increase of 47.4% against the same period 2016. In addition to the above mentioned rise in EBITDA, the result reflects the positive balance of write-downs and fair value adjustments (+€18,933 thousand versus +€358 thousand in first half 2016).

## Net financial income (expense)

## Financial management




**Financial expense** fell from the €19,645 thousand recorded at 30 June 2016 to €17,544 thousand at 30 June 2017. The decrease, of around €2,101 thousand, is attributable mainly to lower interest expense due to the early repayment of loans from BNP and Banco Popolare di Verona the previous year and the termination of a mortgage loan at its natural maturity in December 2016, as well as a decrease in the use of short-term credit facilities and a decline in interest rates. Costs for interest rate swaps (IRS) also decreased. The drop in financial expense was partially offset by the costs associated with the €300 million bond issued on 31 May 2016 and the €100 million bond issued on 11 January 2017, as well as the rating costs and the fees for the expiring Committed Revolving Credit Facilities.

For the first half of 2017, the average cost of debt (without considering recurring and non-recurring transaction costs) was 2.91%, down from 3.23% the previous year, while the weighted average effective cost of debt went from 3.69% to 3.21%.

For more information please refer to the explanatory notes (note 9 of the Condensed interim consolidated financial statements).

## Equity investments/non-recurring transactions

The result posted in the half, -€63 thousand, is attributable mainly to the results posted by equity investments accounted for using the equity method.

## Taxes

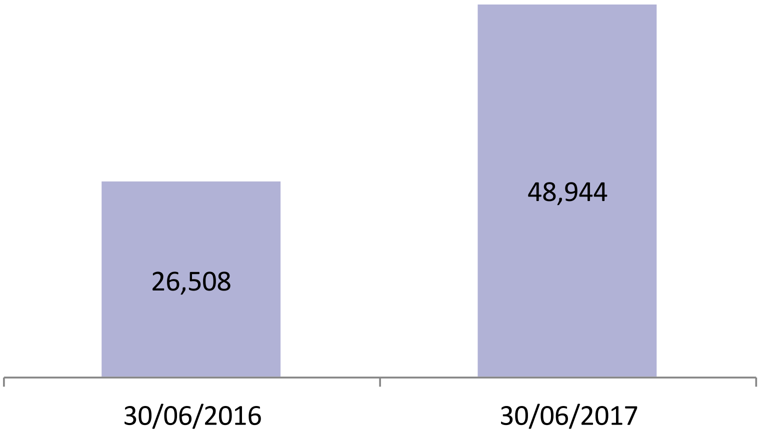
| Income Taxes | 30/06/2017 | 6/30/2016 | *Change* |
|---|---|---|---|
| Current taxes | 656 | 504 | 152 |
| Deferred tax assets and liabilities | 794 | (366) | 1,160 |
| **Total income taxes of the period** | **1,450** | **138** | **1,312** |

The tax burden, current and deferred, reached €1,450 thousand at 30 June 2017, an increase of €1,312 against 30 June 2016. 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.

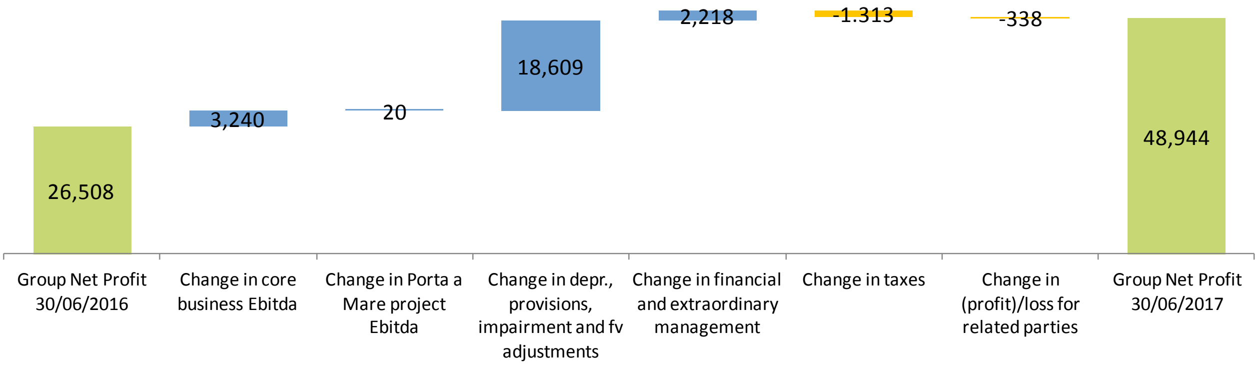
## Group net profit

As a result of the above the Group's net profit came to €48,944 thousand, an increase of 84.6% against the €26,508 thousand recorded in first half 2016.

## Group Net Profit



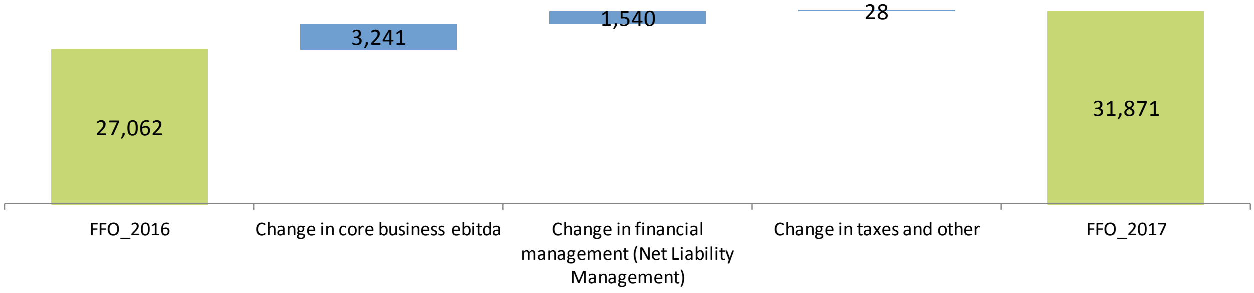

The change in net profit compared to the same period of the prior year is shown below.




## Core business FFO

FFO (Funds from Operations), an indicator used widely in the real estate sector (REITs), which measures the cash flow generated by a company's core business came to €31,871 at 30 June 2017, an increase of €4,809 thousand or 17.8% with respect to the same period of the prior year explained by the higher core business Ebitda and the drop in financial expense described above.

| Funds from Operations | 1H_2016 | 1H_2017 | Δ vs 2016 | Δ% |
|---|---|---|---|---|
| **Core business EBITDA** | **46,742** | **49,982** | **3,241** | **6.9%** |
| Adj Financial Management | -19,088 | -17,548 | 1,540 | -8.1% |
| Adj Extraordinary Management | -125 | 0 | 125 | n.a. |
| Adj current taxes of the period | -466 | -563 | -97 | 20.9% |
| | | | | |
| **FFO** | **27,062** | **31,871** | **4,809** | **17.8%** |


27,062
3,241
1,540
28
31,871
FFO_2016
Change in core business ebitda
Change in financial management (Net Liability Management)
Change in taxes and other
FFO_2017

## 1.5. Statement of financial position and financial review

The IGD Group's statement of financial position at 30 June 2017 can be summarized as follows:

| Sources-funds | 30/06/2017 | 31/12/2016 | Δ | % |
|---|---|---|---|---|
| Fixed assets | 2,127,766 | 2,050,728 | 77,038 | 3.76% |
| Assets under construction and advances | 40,458 | 75,004 | (34,546) | (46.06%) |
| Intangible assets | 12,709 | 12,720 | (11) | (0.09%) |
| Other tangible assets | 10,535 | 11,049 | (514) | (4.65%) |
| Sundry receivables and other non-current assets | 89 | 89 | 0 | 0.00% |
| Equity investments | 1,702 | 1,685 | 17 | 1.01% |
| NWC | 36,986 | 56,378 | (19,392) | (34.40%) |
| Funds | (7,297) | (7,494) | 197 | (2.63%) |
| Sundry payables and non-current liabilities | (23,176) | (24,656) | 1,480 | (6.00%) |
| Net deferred tax (assets)/liabilities | (23,985) | (21,901) | (2,084) | 9.52% |
| **Total use of funds** | **2,175,787** | **2,153,602** | **22,185** | **1.03%** |
| | | | | |
| Total shareholders' equity | 1,076,359 | 1,060,701 | 15,658 | 1.48% |
| Non-controlling interest in capital and reserves | 0 | 8,725 | (8,725) | (100.00%) |
| Net (assets) liabilities for derivative instruments | 22,671 | 28,748 | (6,077) | (21.14%) |
| Net Debt | 1,076,757 | 1,055,428 | 21,329 | 2.02% |
| **Total sources** | **2,175,787** | **2,153,602** | **22,185** | **1.03%** |

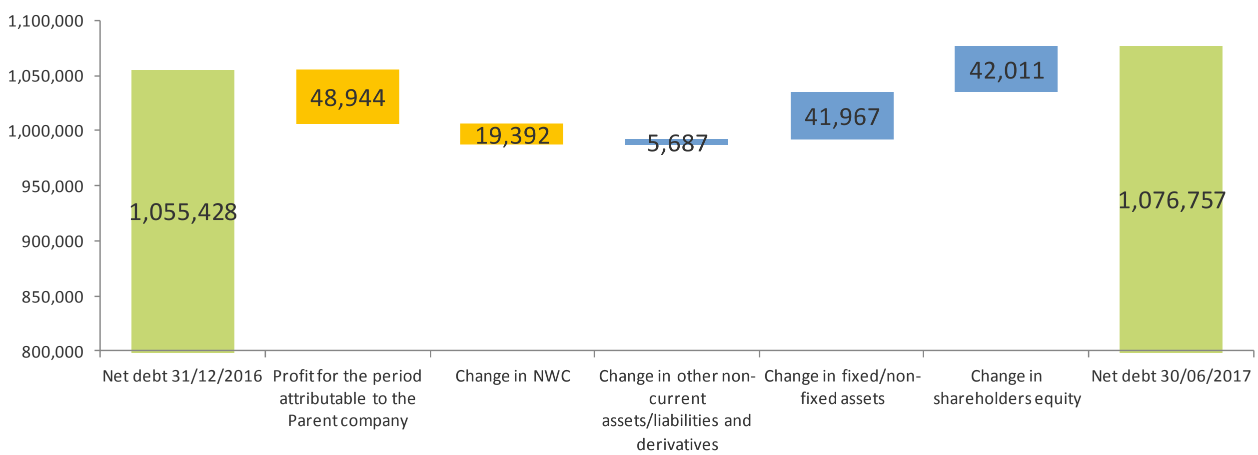
The principal changes in the first half of 2017, compared to 31 December 2016, are summarized below:

- ✓ **Investment property**, the increase of €77,038 thousand is explained primarily by:
  - ✓ for €55,256 thousand, the reclassification of the Esp extension, inaugurated on 1 June 2017, as investment property;
  - ✓ fair value adjustments of investment property which was revalued in the amount of €28,091 thousand and written down by €6,801 thousand for a net positive impact of €21,290 thousand;
  - ✓ for around €644 thousand, the fit-out and extraordinary maintenance work at shopping centers, in particular Città delle Stelle (Ascoli), Centro Borgo, and Le Maioliche.

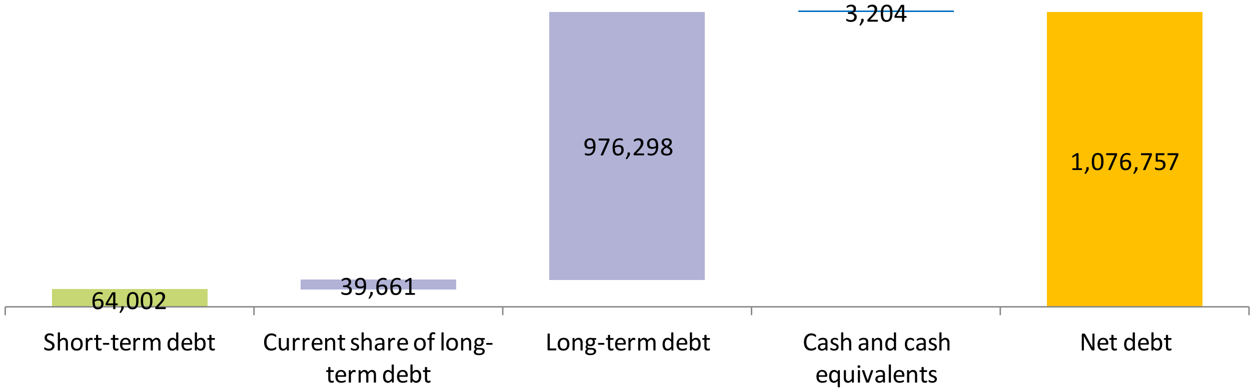
- ✓ **Work in progress,** the decrease of €34,546 thousand is explained primarily by:
  - ✓ for -€55,256 thousand, the reclassification of work in progress as investment property which pertained primarily to the Esp extension;
  - ✓ for around €21,199 thousand, the investments made in the period, including: (i) work on the expansion of the Gran Rondò mall in Crema which amounted to around €1,916 thousand; (ii) continuation of work on Officine Storiche which came to approximately €692 thousand; (iii) the work done on the ESP extension in Ravenna which amounted to €16,061 thousand; (iv) earthquake protection work at Centro d'Abruzzo, Portogrande, Darsena, Città delle Stelle and Le Porte di Napoli which came to around €672 thousand; (v) restyling at the malls in the Darsena and Città delle Stelle centers which totaled around €244 thousand (vi) extraordinary maintenance and fit outs at a few malls in Romania which amounted to around €1,417 thousand and €197 thousand in other minor improvements relating primarily to work on the roof at the Katanè shopping center and Centro Sarca;
  - ✓ for €162 thousand, the writedowns of the Portogrande and Officine Storiche expansion projects (Porta a Mare project).
- ✓ **Other plant, property and equipment** and **intangible assets changed** in the period due primarily to amortization and depreciation recognized in the period.

- ✓ **Net working capital** showed a decrease of €19,392 thousand against 31 December 2016 explained primarily by: *(i)* a decrease in inventory for work in progress of €5,860 thousand as a result of the sale of 14 residential units and 14 garages and the writedown to adjust carrying amount to the lower of cost and appraised fair value; *(ii)* a decrease in current assets of around €5,992 thousand explained primarily by the use of VAT credits; *(iii)* an increase in trade payables of €4,130 thousand invoiced in the half but which are not yet due; (iv) an increase in tax liabilities of around €2,244 thousand, relating primarily to withholding charged on the dividends paid by the Parent Company; *(v)* an increase in other current liabilities of €1,946 thousand due mainly to invoices issued during the half but not pertaining to the period, as well as advances received in connection to preliminary sales agreements.
- ✓ **Provisions** increased by €197 thousand due primarily to the payment of variable compensation in the period.
- ✓ **Non-current debt and other liabilities** increased by €1,480 thousand due primarily to the reclassification as current of the portion of the substitute tax payable within a year.
- ✓ **Net deferred tax assets and liabilities**, went from €21,901 thousand to €23,985 thousand due primarily to tax misalignments relating to *(i)* adjustments to the fair value of investment properties and projects which are not included in the SIIQ perimeter *(ii)* taxed provisions, and *(iii)* hedges (IRS).
- ✓ The Group's **net equity** amounted to €1,076,359 thousand at 30 June 2017. The change of +€15,658 thousand is explained primarily by:

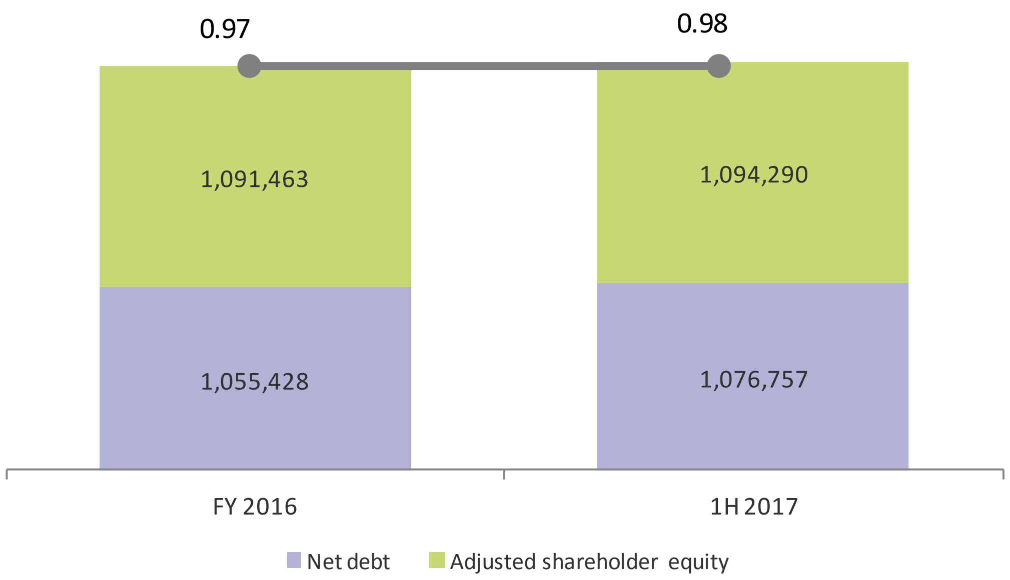
  - ➢ for €36,587 thousand, the distribution of the dividend for 2016;
  - ➢ adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around +€3,244 thousand for the parent company and around +€862 thousand for a subsidiary;
  - ➢ the recognition of €781 thousand under Group profit (loss) carried forward of the excess price paid for the buy-back of 20% of Porta Medicea with respect to the value of the equity acquired;
  - ➢ for €48,944 thousand, the profit for the period allocable to the Parent Company;
  - ➢ for approximately -€24 thousand, movements in the translation reserve for the translation of foreign currency financial statements.
- ✓ **Non-controlling interests in capital and reserves.** Due to the buy-back of the 20% interest in Porta Medicea S.r.l., there were no non-controlling interests as of 30 June 2017.
- ✓ **Net liabilities for derivatives** were down against the prior year due to the fair value measurement of hedging instruments.
- ✓ The **net financial position** at 30/06/2017 was about €21,329 thousand higher with respect to the prior year. The changes are shown below:




The breakdown of the net financial position is shown below:




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 0.98 at 30 June 2017, a slight increase against the 0.97 recorded at 31 December 2016.




## Indicatori di Performance EPRA

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

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

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

**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 EPRA Earnings indicator is calculated by excluding non-monetary items (writedowns, 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 results obtained following application of the EPRA Best Practices Recommendations are summarized below:

| EPRA Performance Measures | | 30/06/2016 | 30/06/2017 |
|---|---|---|---|
| 1) Vacancy Rate | *Italy (malls)* | *4.0%* | *4.1%* |
| | *Italy (hypermarkets)* | *0.0%* | *0.0%* |
| | **Italy** | **2.7%** | **2.8%** |
| | **Romania** | **4.9%** | **3.1%** |
| **2) NAV (per share)** | | **1.31 €** | **1.38 €** |
| **3) NNNAV (per share)** | | **1.22 €** | **1.31 €** |
| **4) Cost Ratios** | **including direct vacancy costs** | **21.2%** | **19.9%** |
| | **excluding direct vacancy costs** | **18.6%** | **17.8%** |
| **5) Earnings** | **Total (€'000)** | **25,568** | **29,923** |
| | **per share** | **0.03 €** | **0.04 €** |

The NAV and NNNAV per share calculations are shown below:

| EPRA NNNAV Calculation | 31-Dec-16 | | 30-Jun-17 | | Δ% |
|---|---|---|---|---|---|
| | €'000 | € p.s. | €'000 | € p.s. | |
| Total number of shares | | 813,045,631 | | 813,045,631 | |
| **1) GROUP SHAREHOLDERS EQUITY** | **1,060,701** | **1.30** | **1,076,359** | **1.32** | **1.5%** |
| *Excludes:* | | | | | |
| Financial instruments fair value | 28,748 | | 22,671 | | -21.1% |
| Deferred taxes | 23,633 | | 25,635 | | 8.5% |
| Goodwill as a results of deferred taxes | | | | | |
| **2) EPRA NAV** | **1,113,083** | **1.37** | **1,124,665** | **1.38** | **1.0%** |
| *Includes:* | | | | | |
| Financial instruments fair value | (28,748) | | (22,671) | | -21.1% |
| Fair value of debt | (15,749) | | (15,187) | | -3.6% |
| Deferred taxes | (23,633) | | (25,635) | | 8.5% |
| **3) EPRA NNNAV** | **1,044,952** | **1.29** | **1,061,172** | **1.31** | **1.6%** |

Both the NAV and the NNNAV were up against the prior year (+1% and 1.6%, respectively). The change reflects mainly: *(i)* the growth in FFO; *(ii)* the increase in the fair value of the properties; *(iii)* the positive impact of the fair value measurement of debt, calculated by discounting cash flows at a risk free rate and applying the market spread; this change is explained by the use of the risk free rate and a spread which were updated to reflect market conditions at 30 June 2017, as well as by a change in the duration and cost of debt; *(iv)* the increase in the cash flow hedge reserve, offset by the payment of dividends.

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

| EPRA Cost Ratios | 30/06/2016 | 30/06/2017 |
|---|---|---|
| **Include:** | | |
| (i) Administrative/operating expense line per IFRS income statement | -21.127 | -21.928 |
| *(ii) Net service charge costs/fees* | 1.228 | 1.530 |
| (iii) Management fees less actual/estimated profit element | 2402 | 2.653 |
| *(iv) Other operating income/recharges intended to cover overhead expenses less any related profits* | 4 | 369 |
| (v) Share of Joint Ventures expenses | | |
| ***Exclude (if part of the above):*** | | |
| *(vi) Investment Property depreciation* | | |
| (vii) Ground rent costs | 5.060 | 5.101 |
| *(viii) Service charge costs recovered through rents but not separately invoiced* | | |
| **EPRA Costs (including direct vacancy costs) (A)** | **-12.433** | **-12.275** |
| *(ix) Direct vacancy costs* | -1.493 | -1.309 |
| **EPRA Costs (excluding direct vacancy costs) (B)** | **-10.941** | **-10.966** |
| *(x) Gross Rental Income less ground rent costs - per IFRS* | 59.924 | 63.285 |
| (xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) (x) | -1.228 | -1.530 |
| *(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)* | | |
| **Gross Rental Income ( C )** | **58.697** | **61.755** |
| **EPRA Cost Ratio (including direct vacancy costs) (A/C)** | **21,2%** | **19,9%** |
| **EPRA Cost Ratio (excluding direct vacancy costs) (B/C)** | **18,6%** | **17,8%** |

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

The Epra Earnings per share calculation is shown below:

| EPRA Earnings & Earnings Per Share | 30/06/2016 | 30/06/2017 |
|---|---|---|
| **Earnings per IFRS income statement** | **26.508** | **48.944** |
| *EPRA Earnings Adjustments:* | | |
| (i) Changes in value of investment properties, development properties held for investment and other interests | -358 | -18.933 |
| (ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | 53 | 63 |
| (iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties | -13 | -4 |
| (iv) Tax on profits or losses on disposals | 4 | 1 |
| (v) Negative goodwill / goodwill impairment | 0 | 0 |
| (vi) Changes in fair value of financial instruments and associated close-out costs | 461 | 0 |
| (vii) Acquisition costs on share deals and non-controlling joint venture interests | 0 | 0 |
| (viii) Deferred tax in respect of EPRA adjustments | -1.374 | -148 |
| (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 | 287 | 0 |
| **EPRA Earnings** | **25.568** | **29.923** |
| *Company specific adjustments:* | | |
| (a) General provisions and depreciations | 655 | 620 |
| (b) Non-controlling interests in respect of the above | -626 | 0 |
| (c) Tax on profits or losses on disposals | -4 | -1 |
| (d) Contingent tax | 31 | -18 |
| (e) Other deffered tax | 978 | 961 |
| (f) Capitalized interests | 0 | -1 |
| (G) Current Tax | 119 | 152 |
| (H) Other Adjstument for no core activities | 342 | 235 |
| **Company specific Adjusted Earnings** | **27.062** | **31.871** |
| **Earnings Per Share** | | |
| Numero azioni | 813.045.631 | 813.045.631 |
| **Earnings Per Share** | **€ 0,03** | **€ 0,04** |

The figure posted at 30 June 2017 shows a significant increase of €4,355 thousand or +17% against the same period of the prior year. This increase is basically in line with the increase in FFO; the main differences with respect to the FFO (Company specific Adjusted Earnings) are shown in the table.

## 1.6. The Stock

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

IGD's stock is also included in the following indices:

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

**FTSE EPRA/NAREIT Global Real Estate Index**
*EPRA: European Public Real Estate Association*

**IEIF Europe, IEIF Eurozone, IEIF Eurozone hors-France, IEIF Europe Continentale, IEIF Italie**
*IEIF: Institut de l'Epargne Immobilière et Foncière*

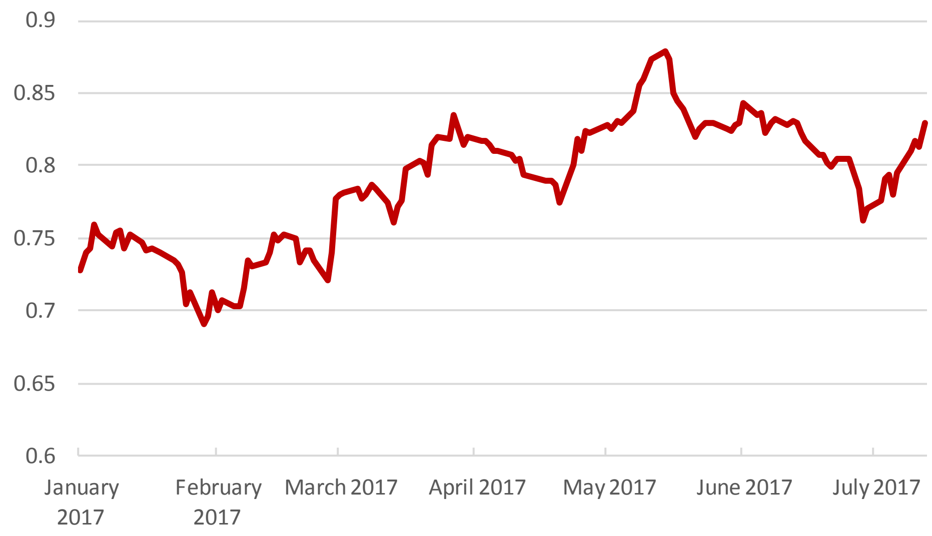
**FTSE ECPI Italia SRI Benchmark**

The minimum lot is €1.00 and its specialist is Banca IMI.

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

IGD SIIQ SpA 's share capital subscribed and paid-in amounted to €599,760,278.16 at 30 June 2017, broken down into 813,045,631 ordinary shares without a stated par value.

**Performance of IGD's stock price**

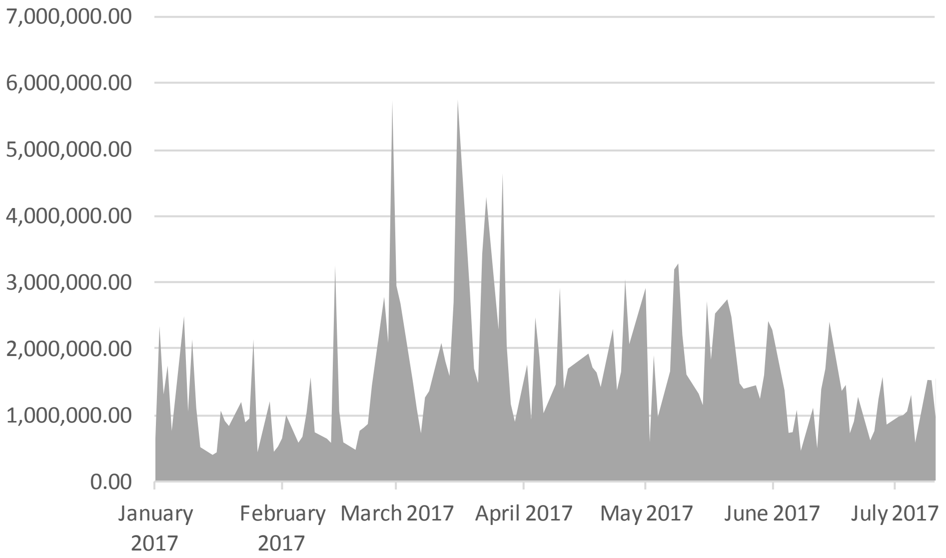



*Source: Italian Stock Exchange data compiled by IGD*

**In the first six months of the 2017** the price of **IGD's stock rose 6.5%,** from the €0.724 posted at 30 December 2016 to €0.771 at 30 June 2017.

In the period under examination, the stock reached a high of €0.879 on 15 May 2017 after touching a low for the half of €0.691 on 30 January 2017. The difference between the period high and low came to 27.2%.

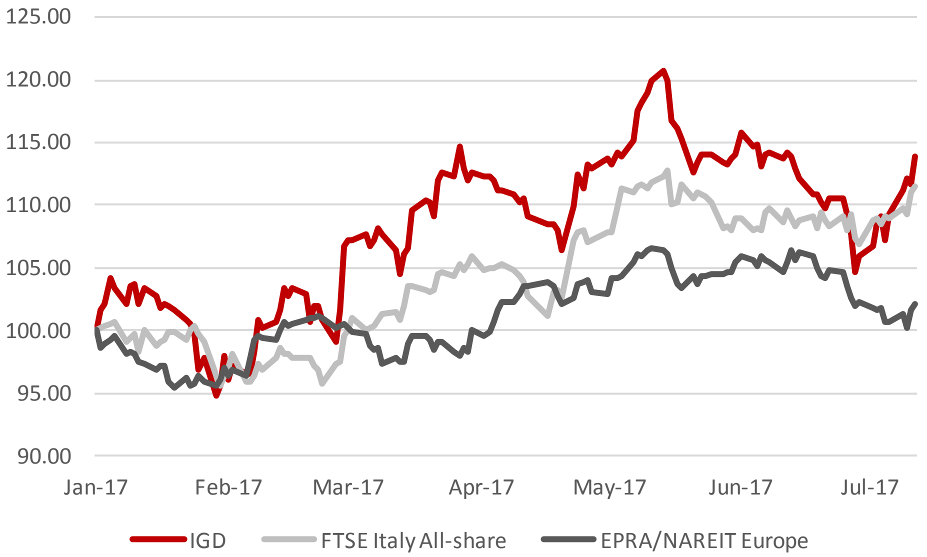
**Volumes traded of IGD stock**




*Source: Italian Stock Exchange data compiled by IGD*

In the first half of 2017 the liquidity of IGD's stock improved with average daily volumes reaching 1.60 million shares, an increase with respect to both the number of shares traded in the first half of 2016 (1.31 million) and the average volume for all of 2016 (1.22 million).

**IGD's stock vs. the FTSE Italy All-Share Index and EPRA NAREIT Europe) (base 2.1.2017 = 100)**




*Source: Italian Stock Exchange and EPRA data compiled by IGD*

In the first six months of 2017 IGD's stock performed in line with the Italian index, but largely outperformed the European real estate sector index. While IGD's stock rose 6.5%, in the first half of 2017 the FTSE Italy All-Share index rose 8.6% and the EPRA NAREIT Europe index rose 2.8%.

In the first part of 2017 the European stock markets benefitted overall from improved economic prospects, supported by the upward revision of the estimates for GDP growth in EU countries. The outcome of the elections in the Netherlands and in France also had a positive impact and gave new strength to the European vision. In Italy the attenuation of concerns that early political elections might be necessary in the fall played a positive role.

The perception that the Euro zone markets are less risky gradually increased with many investors, particularly in light of the uncertainties which characterize the USA, linked to its new president, and the United Kingdom, connected to the complexities of managing Brexit.

These factors, which translated into better economic forecasts and less political risk, drove the European stock market rallies in the first half of 2017, even though it is clear that Quantitative Easing will be tapered and interest rates are destined to increase.

At the end of June, the comments made by ECB Chairman Mario Draghi were largely interpreted by the financial markets as indicating the QE would be tapered off sooner than expected which caused the Euro to strengthen against the USD and bond yields to drop noticeably.

The prices of real estate stocks, which typically are strongly correlated to interest rates, suffered generally in Europe and fell even further in the first week of July despite the fact quarterly results for sector companies were largely in line or higher than expectations.

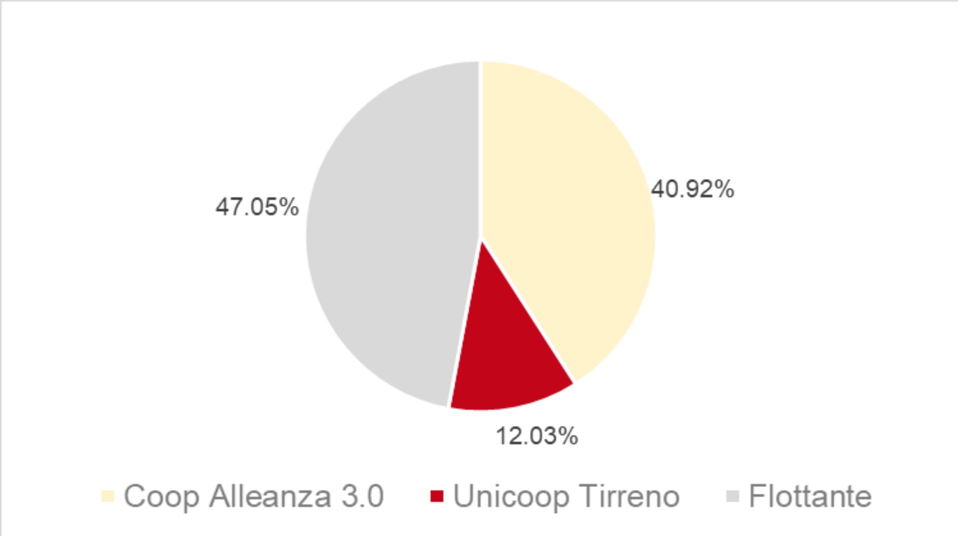
IGD's stock, even though it was to some extent negatively impacted by the higher bond yields like the rest of the real estate sector, outperformed the reference sector index.

The solution for the problems which had been plaguing the Italian banking system for some time reduced the perceived country risk and made it possible for the FTSE Italy All-Share index to begin a robust rally at the end of June which has also boosted IGD's stock in the last few weeks.

Supported by the solid fundamentals that emerged in the results for FY 2016 and the first quarter of 2017, as well as the low P/NAV multiple, at 13 July 2017 IGD was also outperforming the Italian index.

At the end of June 2017 the **consensus target price** of the seven brokers covering the stock was €**1.02**. Based on the ample upside that analysts see with respect to the current market price, the brokers' primarily have a buy or outperform on the stock with only one neutral recommendation and no sells.

## Shareholders with interests of more than 5%




*Source: Consob*

With a free float of 47.05%, the **market controls the largest stake in IGD's share capital**. The interests of the two largest shareholders are stable with Coop Alleanza 3.0 at 40.92% and Unicoop Tirreno at 12.03%.

In March Soros Fund Management liquidated its 5.39% interest leaving no other shareholders with interests that exceed 5% of the capital.

In the weeks following the divestment of Soros Fund Management, of note is the 4.1% purchased by another international institutional investor, GWM Group Investment Management (source: IGD's direct monitoring).

## Investor Relations

In the first part of 2017 Investor Relations had IGD's management involved in an intense schedule of meetings covering all the main European financial centers: London, Paris, Amsterdam, Brussels, Luxembourg, Milan, Copenhagen, Helsinki and Stockholm.

Thanks to the collaboration with five different brokers, IGD was able to cultivate the relationships with its shareholders and embrace new opportunities, presenting its equity story to institutional investors that it had never met before, like during the roadshow in Scandinavia.

In the first half of 2017 IGD also participated in two events organized by Borsa Italiana in London and in Milan, as well as the Banca IMI's ISMO Conference in Paris and the Investor Conference organized by Unicredit Kepler Cheuvreux in Milan. On 10 July 2017 IGD also took part in the Sustainability Day organized in Milan by Borsa Italiana, during which it met generalist investors interested in learning more about IGD's approach to sustainability, as well as investors who manage socially responsible portfolios (SRI).

In the first part of the year IGD organized four conference calls:

- 28 February, to discuss the FY 2016 results;
- 9 May, to discuss the results for first quarter 2017.

The Company also organized two field trips to CentroSarca in Milan and an Investor Day – the first in IGD's history - which gave more than 20 investors and analysts the opportunity to visit a few of the top performing and most important shopping centers in IGD's portfolio: ESP in Ravenna, where the extension was only recently inaugurated, and Puntadiferro in Forlì.

In the first half of 2017 IGD met with also 80 institutions.

# 1.7. Significant events in the first half of 2017

## Corporate 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.

On 28 February 2017 the Board of Directors approved the draft separate and consolidated financial statements for FY 2016 and resolved to submit a proposed dividend of €0.045 per outstanding share to the AGM for approval; for the first time the Board also approved the 2016 Corporate Sustainability Report at the same as the separate financial statements for FY 2016.

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.

On 27 March 2017 the merger deed relative to the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. was signed and recorded in the relative company registry effective 1 April 2017; for accounting and tax purposes the merger took effect as of 1 January 2017.

During the Annual General Meeting held on 12 April 2017 IGD's shareholders approved the 2016 Annual Report, as presented during the Board of Directors' meeting of 28 February 2017, and resolved to pay a dividend of €0.045 per share. The dividend was payable as from 24 May 2017 (record date 23 May 2017) with shares going ex-div on 22 May 2017 (detachment of coupon n. 17).

The total dividend paid of €0.045 per share (for a total of €36,587,053.40) comprises:

- ✓ for €0.026882 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 €0.018118 per share: capital reserves.

Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 28 February 2017, 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.

At the end of the Annual General Meeting the Chairman Gilberto Coffari tendered his resignation as Chairman of the Board of Directors, though he will continue to act as a Company director.

On 19 April 2017 the Board of Directors appointed Elio Gasperoni, already a director of IGD SIIQ and Vice Chairman of Coop Alleanza 3.0, to act as the new Chairman of the Board of Directors.

On 15 June 2017 John Matthew Lentz tendered his resignation as an independent director of IGD.

On 26 June the framework agreement entered into with the CMB Group relating to the Porta a Mare Project was dissolved. The transaction resulted in the buy-back of 20% of Porta Medicea's share capital for around €9.5 million and the sale of 14 residential units and 14 garages for around €4 million.

## Investments

During the half the IGD Group continued with development of the Porta a Mare – Officine project, as well as extensions (ESP and Gran Rondò) and extraordinary maintenance. The main investments are described below.

### "Porta a Mare" Project

Work on the Officine Storiche area (residential portion) continued in the half for a total of around €370 thousand, while work on the retail portion amounted to approximately €692 thousand. The work is expected to be completed by first half 2018.


### Esp extension

The extension of the ESP Shopping Center in Ravenna was inaugurated on 1 June 2017. The occupancy of the extension came to 97% (100% in the pre-existing area).

Around €16,061 thousand was invested in the half on construction work and systems. A total of around €51 million, including about €5.7 million on primary and secondary urbanization works, was invested in the mall extension.

During the construction phase choices were made in line with IGD's commitment to environmental sustainability: LED lighting was used, a system for harvesting rainwater, for uses other than drinking, was installed. Solar panels were also installed on the roof of the new building which will generate enough clean energy to satisfy part of the new mall's needs.

### Gran Rondò extension

Around €1,916 thousand was invested in the work begun in the half, pertaining mainly to urbanization works and construction, on the mid-size store and multi-level garage next to the Gran Rondò shopping center in Crema. The work is expected to be completed by the first half of 2018.

## Reconfiguration of the space at Città delle Stelle

In the first half, subsequent to the downsizing and restyling of the hypermarket inside the Città delle Stelle shopping center, work was begun on the reconfiguration of the space which will increase the GLA by around 4,150 $m^2$ for a total investment of around €1.4 million. The work is expected to be completed by the end of the second half of 2017. Around €188 thousand had been invested at 30 June 2017.

## Other

In the first half of 2017 fit outs and extraordinary maintenance were completed on the systems at the Città delle Stelle mall (€63 thousand), the Lugo hypermarket (€58 thousand), the Le Maioliche mall (€121 thousand), the Centro Borgo mall (€102 thousand), the Porto Grande mall (€92 thousand), as well other minor improvements at other shopping centers in Italy for €208 thousand.

Extraordinary maintenance continued, and is still underway, relating to *(i)* works on seismic improvements at few shopping centers for a total of €672 thousand, *(ii)* restyling at Darsena for around €56 thousand and other minor improvements for €197 thousand, explained primarily by work on the roof at the Katanè shopping center and waterproofing at the Sarca shopping center; *(ii)* work at a few Romanian centers for a total of approximately €1,417 thousand.

The investments made at 30 June 2017 are shown below:

| | 30/06/2017 Euro/mln |
|---|---|
| **Real estate investments** | 0.64 |
| **Real estate investments - Esp extension** | 16.06 |
| **Assets under construction** | 5.14 |
| **Intangible fixed assets** | 0.00 |
| **Other tangible fixed assets** | 0.01 |
| | |
| **Total investment in fixed assets** | 21.86 |
| | |
| **Inventories on work in progress Porta a Mare project** | 0.37 |
| | |
| **Total investment** | 22.23 |

## Loans

The Euro 100,000,000.00 seven-year unsecured, non-convertible bond with a gross coupon of 2.25% reserved exclusively for qualified investors settled on 11 January 2017.

On 6 April 2017 the interest rate swap stipulated with BNP Paribas to hedge the mortgage on the Centro Sarca Shopping Center – Sesto San Giovanni expired, and was substituted with an IRS agreement stipulated with Unipol Banca on a remaining notional amount at 30 June 2017 of €69.25 million which expires on 6 April 2027.
On 8 June 2017 the company contracted two new Interest Rate Swap agreements with Banca intesa and BNL for a notional amount of €34.625 million each, with a start date of 6 July 2017 and expiring on 6 April 2027, at a fixed rate of 0.5925% with the variable rate pegged to the 3 month LIBOR.

## 1.8. 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 the first half of 2017.

***The Italian real estate market***

The first half of 2017 was brilliant. Investments in commercial real estate in Italy amounted to around €5.8 billion, a 58% increase compared to first half 2016 with double digit growth in all sectors, except mixed-use.

The largest amount of investments, €2 billion (+30% against first half 2016), was made in the office sector; investments in the retail sector reached €1.2 billion (+76% against first half 2016); alternatives performed very well with investments reaching €992 million (almost double compared to first half 2016); growth continued for logistics with investments of around €800 million (+291% compared to the same period 2016), and investments in Hotels also grew significantly to €770 million (+49% against first half 2016).

| SETTORI | H1 2016 | H1 2017 | Q2 2017 | Var. % H1 16 - H1 17 |
|---|---|---|---|---|
| Hotel | 516 | 770 | 693 | 49% |
| Industrial & Logistics | 195 | 762 | 659 | 291% |
| Mixed-Use | 208 | 27 | 27 | -87% |
| Uffici | 1.550 | 2.012 | 1.066 | 30% |
| Altro | 507 | 992 | 778 | 96% |
| Retail | 680 | 1.198 | 753 | 76% |
| TOTALE | 3.655 | 5.761 | 3.976 | 58% |

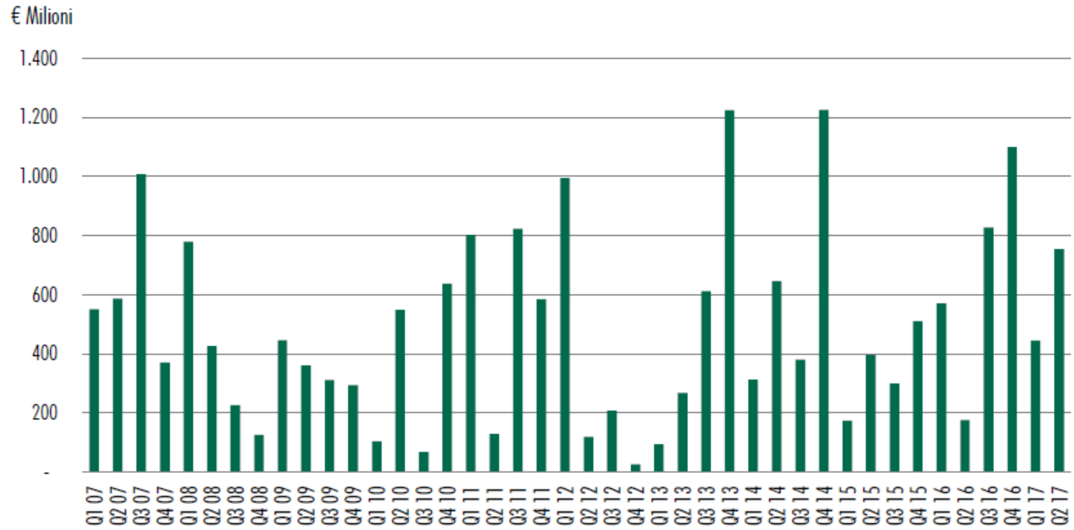
Fonte: CBRE Research

***The Italian commercial real estate market***

In the first half of 2017 the retail real estate market recorded strong growth with total investments of around €1.198 billion, almost double compared to first half 2016. The prevalence of foreign investors over domestic ones was once again confirmed in first half 2017 (around 80%).

Retail investments in Italy (Source CBRE) 2007-2017:

Grafico 6: Evoluzione degli investimenti retail in Italia




Fonte: CBRE Research, Q2 2017.

Yields in the first half were in line with the prior period, with the exception of the small contraction (10 bps) in high street prime and shopping center prime.

Tabella 1: Rendimenti immobiliari netti in Italia, Retail

| Rendimenti (%) | Q1 16 | Q2 16 | Q3 16 | Q4 16 | Q1 17 | Q2 17 |
|---|---|---|---|---|---|---|
| High Street Prime | 3,50 | 3,50 | 3,50 | 3,25 | 3,15 | 3,15 |
| High Street Secondary | 5,00 | 5,00 | 5,00 | 4,75 | 4,75 | 4,75 |
| Shopping Centre Prime | 5,00 | 5,00 | 5,00 | 5,00 | 4,90 | 4,90 |
| SC Good Secondary | 6,00 | 6,00 | 6,00 | 5,90 | 5,90 | 5,90 |
| Retail Park Prime | 6,00 | 6,00 | 5,90 | 5,90 | 5,90 | 5,90 |
| Retail Park Good Secondary | 7,25 | 7,25 | 7,00 | 7,00 | 6,50 | 6,50 |

Fonte: CBRE Research, Q2 2017.

(Source: CBRE)

The most important transactions in the first half of 2017 were the H&M flagship store in Milan's Piazza Duomo and the Le Befane Shopping Center in Rimini which was acquired by the German company Union.

***The stock and the retail sector pipeline***

In first half 2017 180,000 m$^2$ of new GLA were completed bringing the total new retail stock to around 17.3 million m$^2$. the most important openings in the first half of 2017 were the "Adigeo" Shopping Center in Verona with a GLA of approximately 42 thousand m$^2$; the Brinpark Shopping Center (near Brescia) with a GLA of approximately 17,000 m$^2$ and the Delta PO Outlet in Rovigo with a GLA of approximately 20,000 $m^2$, as well as the extensions of the OrioCenter Shopping Center in Bergamo, the ESP Shopping Center in Ravenna and of the Veneto Design Outlet in Noventa Piave. Growth of the new retail stock in 2017 is expected to be in line with 2016 at around 310,000 $m^2$ of new GLA.

If we look at the openings slotted for 2018-2019, there is an estimated 570,000 $m^2$ GLA in the pipeline, 30% of which is under construction.

The interest of retailers in the Italian market remained high in this half, as well, and resulted in a slight decline in the rents for prime assets. In the first half of 2017 three new brands (Thule, Under Armour and Wagamama) entered the Italian market as part of the OrioCenter extension.

### *The Romanian real estate market*

There were no significant retail real estate transactions in Romania in the first half of 2017. Two new brands, French and Spanish were, however, introduced.

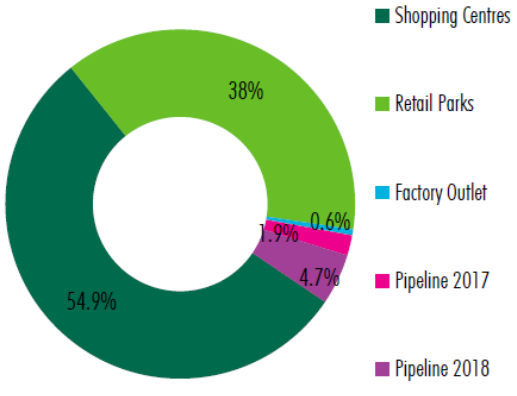
Table 1: Relevant new entries H1 2017

| Retailer | Country of origin | Scheme |
|---|---|---|
| Stradivarius Man | Spain | ParkLake |
| Uterque | Spain | Baneasa Shopping City |
| Longchamp | France | Baneasa Shopping City |
| Nanos | Spain | Promenada |

Source: CBRE Research, Q2 2017

In the first half of 2017 retail stock in Romania reached 3.41 million $m^2$ GLA, around 70% of which in Romania's 11 largest cities and 47% in Bucharest alone.

Chart 1: Modern stock per retail format as of H1 2017, including pipeline 2018 - 2019




Source: CBRE Research, Q2 2017

The only new opening recorded in the first half of 2017 was Centro Platinia in Cluji Napoca with a GLA of 11,000 $m^2$.

Table 2: Schemes to be completed by the end of 2017

| Scheme | Surface (Sq m) | Owner / Developer |
|---|---|---|
| Prima Shops Oradea (extension) | 5,000 | Oasis Retail & Consulting |
| Shopping City Ramnicu Valcea | 27,900 | NEPI |
| Bistrita Retail Park | 15,000 | Element Development |
| Shopping City Galati (extension) | 21,000 | NEPI |

Average yields for prime shopping centers fell by 0.25% to 7.00%, while the average rent was unchanged at €40 - €60/ $m^2$/month.

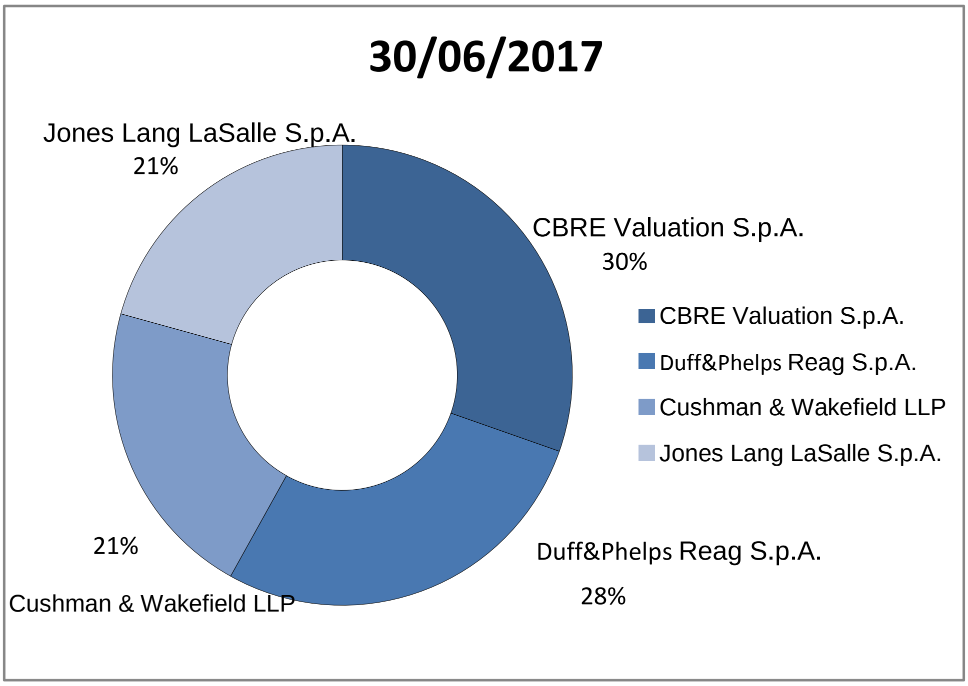
The rate of new openings is expected to be quite low in the future, with more activity in extensions/remodeling of existing assets.

## FREEHOLD ASSETS

At 30 June 2017 96% of the IGD SIIQ SPA Group's real estate portfolio was comprised of commercial retail properties found throughout Italy and Romania while the remaining 4% is explained by assets under construction found solely in Italy.

The IGD Group's real estate portfolio was appraised by CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A..

The breakdown of the appraisals done by the independent experts by percentage of the IGD Group's portfolio at 30 June 2017 is shown below:




The fees paid at 30 June 2017 to the independent experts are shown below:

| Fees at 30 June 2017 (amounts in thousands of Euro) | | €/thousands |
|---|---|---|
| CBRE Valuation SPA | Fees for appraisals | 68.5 |
| | Other compensation | 0.0 |
| | **Total compensation** | **68.5** |
| Duff&Phelps Reag S.p.A. | Fees for appraisals | 71.8 |
| | Other compensation | 9.3 |
| | **Total compensation** | **81.1** |
| Cushman & Wakefield LLP | Fees for appraisals | 42.4 |
| | Other compensation | 0.0 |
| | **Total compensation** | **42.4** |
| Jones Lang LaSalle S.p.A. | Fees for appraisals | 33.9 |
| | Other compensation | 0.0 |
| | **Total compensation** | **33.9** |

Based on the appraisals at 30 June 2017, the fair value of the IGD SIIQ SPA Group's real estate portfolio came to around €2,210 million.

The asset classes comprising the Group's real estate portfolio at 30 June 2017 are described below:

- ✓ "Hyper and super": 25 properties with a total GLA of about 270,000 $m^2$, found in 8 regions in Italy. In the first half of 2017 the hypermarket Miralfiore in Pesaro absorbed an adjacent store which had been classified through the prior half as "OTHER", and reached a GLA of 10,400 $m^2$ .
- ✓ "Malls and retail parks", 22 properties with a total GLA of about 355,000 $m^2$, found in 10 regions in Italy. In the first half of 2017 this asset class increased by a GLA of 19,000 $m^2$ as a result of the completion of the ESP mall extension in Ravenna inaugurated on 1 June. Following completion of the ESP extension the mall now has a GLA of 30,000 $m^2$.
- ✓ "City center", commercial properties located along the main shopping streets of urban centers. At 30 June 2017 this asset class comprised the Piastra Mazzini retail complex in Livorno which has a GLA of about 7,500 $m^2$.
- ✓ "Other": four mixed use properties which are part of freehold shopping centers or office units with a total GLA of about 2,600 $m^2$. In the first half of 2017, the store which housed a Robintur travel agency in Pesaro was reclassified as a Hyper/super as it was absorbed by the Miralfiore hypermarket.
- ✓ Porta a Mare Project", a mixed-use real estate complex under construction covering an area of approximately 60,000 $m^2$ located near Livorno's waterfront.
- ✓ "Development projects", as the ESP mall extension was completed, this asset class now comprises a single property located near the Porto Grande Shopping Center which will be used to expand the center by around 5,000 $m^2$ GLA.
- ✓ Winmarkt" a portfolio of 14 properties used primarily for retail purposes, and an office building, found throughout Romania covering a total area of approximately 92,000 $m^2$. 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.

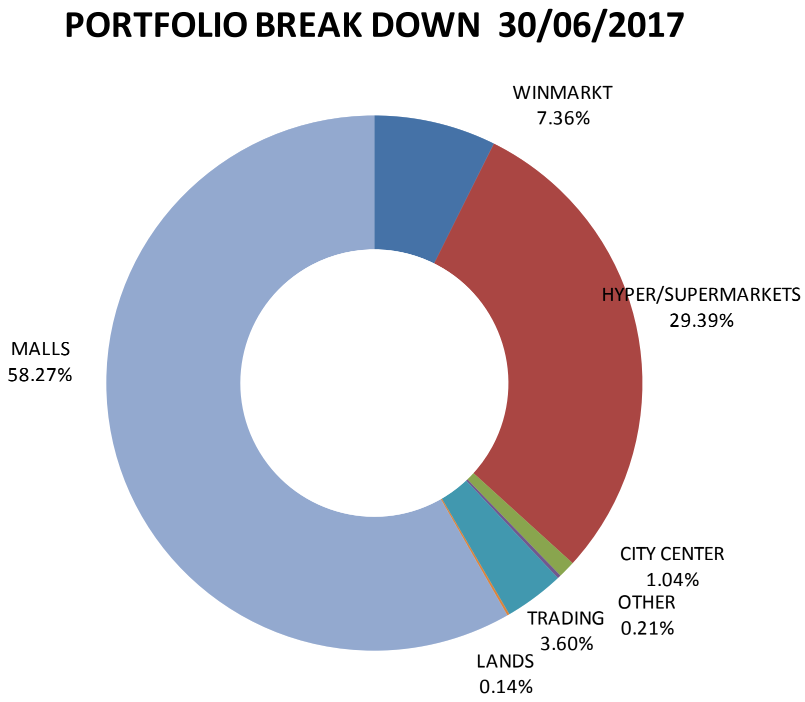
## ANALYSIS OF THE FREEHOLD ASSETS

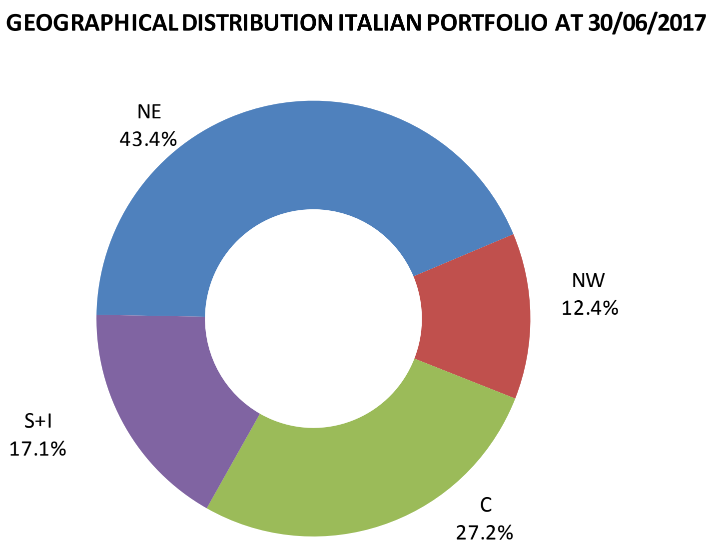
## GEOGRAPHICAL BREAKDOWN AND COMPOSITION OF THE PORTFOLIO

IGD's properties in **Italy** total 55 (including 50% of the "Darsena" Shopping Center) and can be broken down by asset class as follows:

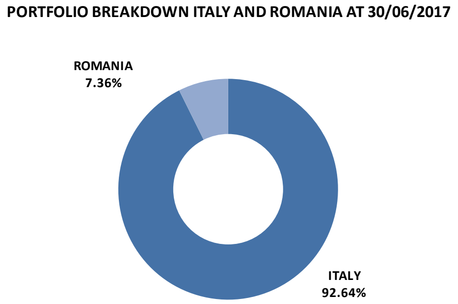
- 25 hypermarkets and supermarkets
- 22 shopping malls and retail parks
- 1 city center
- 1 development project and plot of land
- 1 asset held for trading
- 4 other

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:

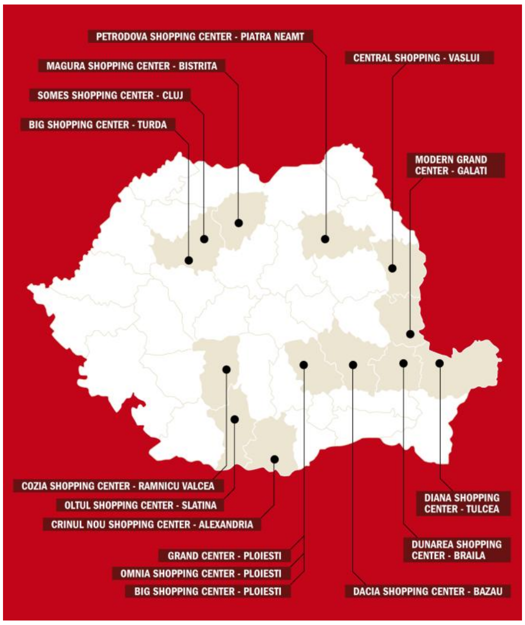



**E.Romagna:** 6 malls, 9 hyper-super, 1 development project; 3 other;
**Piedmont:** 1 mall + 1 mall and retail park
**Lombardy:** 2 malls
**Trentino:** 1 mall
**Veneto:** 2 malls and retail parks, 3 hyper
**Marche:** 2 mall, 4 hyper, 1 other, 1 development project
**Abruzzo:** 1 mall; 1 hyper**;**
**Campania:**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




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




- 14 shopping centers
- 1 office building

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

# ITALY

| Asset | Location | Malls and Retail Parks GLA (sqm) | Other/ external areas (sqm) | Ownership | Opening date | Last extension/ restyling/ remodeling date | % owned | Form of ownership | No. of shops | No. of medium surface areas | No. of other/ external area | Parking places | Main brands | Food anchor | Food anchor GLA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Centro Commerciale Porto Grande** | Porto d'Ascoli (AP) | 7,555 | 543 | IGD SIIQ SPA | 2001 | // | 100 | Freehold property | 36 | 2 | 1 | 1,730 | Decathlon, Deichmann | Ipercoop | 15,290 |
| **Centro Commerciale Le Maioliche** | Faenza (RA) | 22,313 | // | IGD SIIQ SPA | 2009 | // | 100 | Freehold property | 41 | 8 | | 2,400 | Deichmann, H&M, Trony, C&A, Decathlon, Bricofer | Ipercoop | 9,277 |
| **Centro Commerciale Lungo Savio** | Cesena FC) | 2,928 | // | IGD SIIQ SPA | 2002 | // | 100 | Freehold property | 23 | 1 | | 850 | Librerie Coop, Motivi, Primigi; Kiko | Ipercoop | 7,476 |
| **Ipermercato CC Globo** | Lugo di Romagna (RA) | // | // | IGD SIIQ SPA | 1997 | 2005 | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 7,937 |
| **Ipermercato CC I Malatesta** | Rimini (RN) | // | 882 | IGD SIIQ SPA | 2005 | // | 100 | Freehold property (hypermarket + wholesale area + fitness area) | | | | | // | Ipercoop | 10,435 |
| **Ipermercato CC Miralfiore** | Pesaro (PU) | // | // | IGD SIIQ SPA | 1992 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 10,412 |
| **Ipermercato Schio** | Schio (VI) | // | | IGD SIIQ SPA | 2008 | // | 100 | Freehold property (only hypermarket) | | | | | // | Ipercoop | 8,176 |
| **Centro Commerciale Borgo** | Bologna (BO) | 6,975 | // | IGD SIIQ SPA | 1989 | 2015 | 100 | Freehold property | 32 | 4 | | 1,450 | Librerie Coop, Unieuro, Scarpe&Scarpe | Ipercoop | 11,480 |
| **Centro Commerciale d'Abruzzo** | San Giovanni Teatino (CH) | 12,571 | 3,610 | IGD SIIQ SPA | 2001 | 2014 | 100 | Freehold property | 43 | 7 | 3 | 1,730 | Decathlon, Euronics, Librerie Coop, Piazza Italia; Terranova; Intersport; Scarpamondo | Ipercoop | 14,127 |
| **Galleria Commerciale Millennium** | Rovereto (TN) | 7,683 | // | MILLENNIUM GALLERY SRL | 2004 | // | 100 | Freehold property (excluding supermarket and a portion of a mall) | 28 | 4 | | 900 | Game 7 Athletics, Oviesse, Trony, Bata | Superstore Coop (non di proprietà) | // |
| **Centro Commerciale ESP** | Ravenna (RA) | 30,072 | 3,200 | IGD SIIQ SPA | 1998 | 2017 | 100 | Freehold property | 82 | 16 | 1 | 3,304 | Deichmann, Game 7 athletics, Librerie Coop, Unieuro, H&M, Piazza Italia, Bershka, Pull & Bear, OVS; Kiabi, Casa, Maisons du Monde, Scarpe & Scarpe | Ipercoop | 16,536 |
| **Centro Commerciale Città delle Stelle** | Ascoli Piceno (AP) | 17,185 | 1,850 | IGD SIIQ SPA | 2002 | // | 100 | Freehold property | 42 | 4 | 1 | 2,200 | Piazza Italia, Unieuro, H&M; Multiplex Stelle | Ipercoop | 14,381 |
| **Centro Commerciale La Torre** | Palermo (PA) | 15,250 | // | IGD SIIQ SPA | 2010 | // | 100 | Freehold property | 43 | 6 | | 1,700 | Expert, Scarpe&Scarpe, Piazza Italia, H&M; McDonald | Ipercoop | 11,217 |
| **Centro Commerciale Tiburtino** | Guidonia Montecelio (RM) | 33,496 | // | IGD SIIQ SPA | 2009 | // | 100 | Freehold property | 99 | 13 | | 3,800 | Desigual; Azzurra Sport, H&M, Piazza Italia, Obi, Scarpamondo,New Yorker, Euronics | Ipercoop | 7,663 |
| **Piastra Commerciale Mazzini** | Livorno (LI) | 6,097 | // | IGD SIIQ SPA | 2014 | // | 100 | Freehold property | 30 | 1 | | | Unieuro/Coop | Coop | 1,440 |
| **Centro Commerciale Casilino** | Roma (RM) | 4,288 | 760 | IGD SIIQ SPA | 2002 | // | 100 | Freehold property | 22 | 3 | 1 | 1,260 | Euronics, Piazza Italia; | Ipercoop | 14,544 |
| **Centro Commerciale e Retail Park Conè** | Conegliano (TV) | 18,162 | // | IGD SIIQ SPA | 2010 | // | 100 | Freehold property | 59 | 9 | | 1,550 | Maison du Monde,Conbipel, H&M, Librerie Coop, Euronics, Scarpe&Scarpe, Stradivarius | Ipercoop | 9,498 |
| **Ipermercato CC Il Maestrale** | Cesano di Senigallia (AN) | // | // | IGD SIIQ SPA | 1999 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 12,501 |
| **Supermercato Civita Castellana** | Civita Castellana (VT) | // | // | IGD SIIQ SPA | 2010 | // | 100 | Freehold property (only supermarket) | | | | | // | Coop | 3,020 |
| **Ipermercato CC Lame** | Bologna (BO) | // | // | IGD SIIQ SPA | 1996 | // | 100 | Piena Proprietà (Ipermercato + Negozi) | | | | | // | Ipercoop | 15,681 |
| **Galleria Commerciale Maremà** | Grosseto (GR) | 17,109 | // | IGD SIIQ SPA | 2016 | // | 100 | Piena Proprietà (escluso Ipermercato) | 45 | 6 | | 3,000 | Piazza Italia, Decathlon, Zara, Bershka, Stradivarius, Pull & Bear | Ipercoop (non di proprietà) | // |
| **Ipermercato CC Fonti del Corallo** | Livorno (LI) | // | // | IGD SIIQ SPA | 2003 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 15,371 |
| **Ipermercato CC Leonardo** | Imola (BO) | // | // | IGD SIIQ SPA | 1992 | // | 100 | Freehold property (hypermarket) | | | | | // | Ipercoop | 15,862 |
| **Supermercato Cecina** | Cecina (LI) | // | // | IGD SIIQ SPA | 1994 | // | 100 | Freehold properties (only supermarket) | | | | | // | Coop | 5,749 |
| **Galleria Commerciale Punta di Ferro** | Forlì (FC) | 21,223 | // | IGD SIIQ SPA | 2011 | // | 100 | Freehold properties (excluding hypermarket) | 94 | 3 | | 2,854 | H&M, Unieuro, Toys, McDonald, Deichmann, Benetton | Conad (non di proprietà) | // |
| **Galleria Commerciale Gran Rondò** | Crema (CR) | 11,696 | // | IGD SIIQ SPA | 1994 | 2006 | 100 | Freehold properties (excluding hypermarket) | 38 | 3 | | 1,280 | Oviesse, Promenade calzature | Ipercoop (non di proprietà) | // |
| **Centro Commerciale Darsena City** | Ferrara (FE) | 12,552 | // | IGD SIIQ SPA | 2009 | // | 50 | 50% Freehold property of mall and hypermarket | 31 | 2 | | 1,320 | Pittarosso, Euronics | Despar | 3,715 |
| **Centro Commerciale Katanè** | Gravina di Catania (CT) | 14,912 | // | IGD SIIQ SPA | 2009 | // | 100 | Freehold property | 64 | 6 | | 1,320 | Adidas, Euronics, H&M, Conbipel, Piazza Italia, | Ipercoop | 13,663 |
| | Afragola (NA) | 16,983 | // | IGD SIIQ SPA | 1999 | 2014 | 100 | Freehold property | 66 | 8 | | 2,650 | Desigual; Euronics, H&M, Piazza Italia; Rosso Pomodoro | Ipercoop | 9,570 |
| **Galleria Commerciale e Retail Park Mondovicino** | Mondovì (CN) | 17,197 | // | IGD SIIQ SPA | 2007 | // | 100 | Freehold properties (excluding hypermarket) | 42 | 8 | | 4,500 | Jysk,OVS, Librerie.Coop, Brico IO, Foot Loker | Ipercoop (non di proprietà) | // |
| **Galleria Commerciale I Bricchi** | Isola d'Asti (AT) | 15,994 | 245 | IGD SIIQ SPA | 2009 | // | 100 | Freehold properties (excluding hypermarket) | 24 | 7 | | 1,450 | Deichmann | Il Gigante (non di proprietà) | // |
| **Galleria Commerciale Sarca** | Sesto S. Giovanni (MI) | 23,773 | // | IGD MANAGEMENT SRL | 2003 | 2015 | 100 | Freehold properties (excluding hypermarket) | 72 | 8 | | 2,500 | OVS, H&M, Piazza Italia, Skyline cinema, Roadhouse, Scarpe&Scarpe , Rosso Pomodoro | Ipercoop (non di proprietà) | // |
| **Retail Park Clodì** | Chioggia (VE) | 9,329 | // | IGD SIIQ SPA | 2015 | | 100 | Freehold property | 9 | 6 | | | OVS, Scarpe&Scarpe; Piazza Italia, Dechatlon | Ipercoop | 7,490 |
| **Supermercato Aquileia** | Ravenna (RA) | // | // | IGD SIIQ SPA | | // | 100 | Freehold property (supermarket) | | | | | // | Coop | 2,250 |
| | | | | | | | | | | | | | | | |
| **Centro Piave** | San Donà di Piave (VE) | 11,618 | // | CSII SPA | 1995 | 2003 | // | Master Leasing | 48 | 5 | | 1,500 | Cisalfa, Librerie Coop, Oviesse, Piazza Italia, Scarpe&Scarpe; McDonald | Ipercoop | 15,826 |
| **Centro Nova** | Villanova di Castenaso (BO) | 12,740 | // | CSII SPA e COPAIN HOLDING SPA | 1995 | 2008 | // | Master Leasing | 55 | 7 | | 2,400 | H&M, Librerie Coop, Bershka, Pittarosso, Benetton; McDonald | Ipercoop | 18,188 |
| **Galleria CC Fonti del Corallo** | Livorno (LI) | 7,313 | // | Fondo Mario Negri | 2003 | // | // | Master Leasing | 55 | 2 | | 1,600 | Oviesse; Librerie Coop, Bata, Swarovski | Ipercoop | 15,371 |

## ROMANIA

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

## ITALY

### ANALYSIS BY ASSET CLASS

The first half of 2017 was positive for the valuation of the IGD Group's real estate portfolio as the fair value increased both overall and like-for-like, the discount rate was lower, the financial occupancy of the Winmarkt portfolio increased and was stable for the Italian portfolio.

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

### HYPERMARKETS AND SUPERMARKETS

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

The hypermarkets and supermarkets were valued at 30 June 2017 by the appraisers CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A. based on the following percentages of FV:

| Hyper/Super | 30/06/2017 |
|---|---|
| CBRE Valuation S.p.A. | 22% |
| DUFF&PHELPS Reag S.p.A. | 11% |
| Cushman&Wakefield LLP | 37% |
| Jones Lang LaSalle S.p.A. | 30% |
| TOTAL | 100% |

The DCF method was used by all the appraisers for this asset class. CBRE Valuation S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A. used a standard duration of 10 years for all the assets; Duff&Phelps Reag S.p.A. 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 2017 the perimeter of this asset class increased as a result of the absorption by the Miralfiore hypermarket in Pesaro of the store used for a Robintur travel agency which was previously classified as other.

The fair value of this class of property reached €649.60 million at 30 June 2017, an increase of 0.54% (+€3.51 million) against 31 December 2016 explained primarily by the lower discount rate applied of 6.77% (-20 bps vs. 31.12.16).

The gross initial yield was basically unchanged at 6.19%, a slight increase of 2 bps compared to 31.12.16.

The average gross cap out rate was basically unchanged at 6.28%.

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, dental studios, hair salons and beauty centers.

Shopping malls and retail parks were valued at 30 June 2017 by the appraisers CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A. based on the following percentages of FV:

| Malls/RP | 30/06/2017 |
|---|---|
| CBRE Valuation S.p.A. | 27% |
| DUFF&PHELPS Reag S.p.A. | 35% |
| Cushman&Wakefield LLP | 18% |
| Jones Lang LaSalle S.p.A. | 20% |
| 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 assets; Duff&Phelps Reag S.p.A. used a standard duration of 15 years for this asset class, with the exception of the Darsena Shopping Center for which a standard duration of 18 years was used.

The fair value of this asset class reached €1,287.91 million at 30 June 2017, an increase of +6.30% (+76.31 million) with respect to 31 December 2016.

Like-for-like, namely excluding the ESP mall which was appraised for the first time together with the extension, the increase reached +1.1% or €12.6 million compared to the prior year.

The gross initial yield for this asset class came to 6.29%, an increase of 5 bps against 31.12.2016 due to the increase in rents.

The average discount rate (like-for-like) dropped 16 bps against the prior half to 7.05%. The average discount rate for this asset class has dropped consistently for 5 consecutive halves.

The average gross cap out rate (like-for-like) reached 6.76%, up 4 bps against the prior half.

The lower discount rate is the main reason for the increase in FV.

The fair value (like-for-like) of the seven key malls which are included in Malls and Retail Parks and account for 57.3% this asset class comprised of 22 assets, increased +1% compared to the prior half; this increase represents around 46% of this asset class's total like-for-like increase.

The financial occupancy rate came to 95.93% at 30 June 2017, a decrease of 3 bps against 31 December 2016 linked to the pre-letting of the ESP extension that is still underway.

**CITY CENTER**

This asset class at 30 June comprises solely the "Piastra commerciale Mazzini" located in Livorno. The fair value of this asset class came to €22.9 million at 30 June 2017, a decrease of 2.55% or €0.6 million against 31.12.2016.

The gross initial yield rose 17 bps against 31 December 2016 to 5.19% due to the decrease in fair value.

The discount rate came to 6.70%, unchanged for the last four halves. The gross cap was also basically stable against the prior half at 6.94%.

The financial occupancy rate for this asset class came to 77.72%, unchanged with respect to 31 December 2016.

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

**DEVELOPMENT PROJECTS**

Following completion of the extension of the ESP mall in the first half of 2017, this asset class comprised a single asset which is being used for the Porto Grande extension in Porto d'Ascoli (AP) which calls for the construction of two midsize stores for a total GLA of 5,000 $m^2$. Planning has been completed for this project and all the permits obtained.

"Development projects" were valued at 30 June 2017 entirely by Cushman & Wakefield LLP using the conversion method.

The fair value of this asset class reached €3.00 million at 30 June 2017, a decrease like-for-like of -0.7% compared to 31.12.2016.

**PORTA A MARE PROJECT**

The assets of Porta Medicea, owner of the Porta a Mare Project, were valued at 30 June 2017 entirely by the independent appraiser CBRE Valuation S.p.A. 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 6,966 $m^2$. Sales of residential units began in 2013;
- Officine storiche (retail, residential, parking and public parking) which has a total GLA of 20,321 $m^2$. Work began in first half 2015 and is expected to be completed by year-end 2019;
- Lips (retail, tourist services, accommodations and temporary residences) which has a total GLA of 15,867 $m^2$. 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 $m^2$. 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 $m^2$. Work is expected to begin in the second half of 2018.

The fair value of this asset class reached €79.62 million at 30 June 2017, a decrease of €5.31 million explained mainly by the sale of 14 residential units and relative garages at Mazzini and the write-downs made primarily of the non-retail sections. The fair value of the Porta a Mare Project at 30 June 2017 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 2017 as a result of the exit of the store used as a Robintur travel agency which in 2017 was absorbed by the Miralfiore hypermarket in Pesaro. This asset class comprises one store near the supermarket on via Aquileia in Ravenna and 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 Alleanza 3.0 (ex Coop Adriatica scarl), as well as the offices located on the third and last floors of the same building which are leased to Librerie Coop.

This asset class was valued at 30 June 2017 by the appraisers Duff&Phelps Reag S.p.A. and Cushman & Wakefield LLP based on the following percentages of FV:

| Other | 30/06/2017 |
|---|---|
| DUFF&PHELPS Reag S.p.A. | 91% |
| Cushman&Wakefield | 9% |
| TOTAL | 100% |

Both appraisers used the DCF method to value this asset class.

The market value of this class of property amounted to €4.69 million at 30 June 2017, an increase of 6.24% like-for-like (+€0.27 million) against 31 December 2016 explained primarily by the assets found in the office building fin the Centro Direzionale Bologna Business Park.

**ROMANIA**

The Winmarkt properties were valued at 30 June 2017 by the appraisers CBRE Valuation S.p.A. and Duff&Phelps Reag S.p.A. based on the following percentages of FV:

| Winmarkt | 30/06/2017 |
|---|---|
| CBRE Valuation S.p.A. | 48% |
| DUFF&PHELPS Reag S.p.A. | 52% |
| TOTAL | 100% |

The DCF method was used by both independent experts. Duff&Phelps Reag S.p.A. applied a standard duration of 15 years and CBRE Valuation S.p.A.. of between 5 and 10 years.

The market value of this asset class at 30 June 2017 was €162.67 million, a decrease of 1.36% (-€2.24 million) compared to 31.12.16 attributable almost entirely to shopping malls.

The fair value of the malls fell 1.5% against the prior year (-€2.44 million) to €159.87 million.

The fair value of the Junior office building in Ploiesti rose 7.69% (+€0.2 million) to €2.8 million.

The gross initial yield of the Winmarkt malls rose 5 bps in the first half compared to the prior year to 6.53%. The discount rate was lower at 8.43% (-3 bps compared to 31.12.2016), while the gross cap out rate fell slightly by 6 bps compared to 31.12.2016 to 7.90%.

The financial occupancy rate for the Winmarkt malls came to 96.91% at 30 June 2017, an improvement of 96 bps with respect to the prior half.

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

| Category | Book value at 30/06/2017 | Accounting method | Market value at 30/06/2017 | Date of last appraisals |
|---|---|---|---|---|
| **Real estate investments IGD Group** | | | | |
| Hypermarkets and supermarkets | 649.60 | fair value | 649.60 | Jul-17 |
| Shopping malls Italy | 1,287.91 | fair value | 1,287.91 | Jul-17 |
| City Center | 22.90 | fair value | 22.90 | Jul-17 |
| Other | 4.69 | fair value | 4.69 | Jul-17 |
| **Total Italy** | **1,965.10** | | **1,965.10** | |
| Shopping malls Romania | 159.87 | fair value | 159.87 | Jul-17 |
| Other Romania | 2.80 | fair value | 2.80 | Jul-17 |
| **Total Romania** | **162.67** | | **162.67** | |
| **Total IGD Group** | **2,127.77** | | **2,127.77** | |

| Category | Book value at 30/06/2017 | Accounting method | Market value at 30/06/2017 | Date of last appraisals |
|---|---|---|---|---|
| **Direct development initiatives** | 3.00 | costo rettificato | 3.00 | Jul-17 |

| Category | Book value at 30/06/2017 | Accounting method | Market value at 30/06/2017 | Date of last appraisals |
|---|---|---|---|---|
| **Porta a Mare project*** | 79.62 | fair value/costo rettificato | 79.62 | Jul-17 |

| | 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** | **2,210.38** | | **2,210.38** | **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 fair value of freehold assets, plots of land and development projects free of liens amounts to around €1,436.5 million.

The details of main development projects are shown below:

| PROJECT | TYPE | LOCATION | GLA | COMPLETION DATE | ESTIMATED INVESTMENTS | BOOK VALUE AT 30/06/2017 | % HELD | STATUS |
|---|---|---|---|---|---|---|---|---|
| **PORTO GRANDE** | Extension | Porto d'Ascoli (AP) | 5,000 smq | 2H 2019 | approx. €9.9 mn | 3.00 | 100% | Planning stage completed. All the construction permits and authorisation have been issued |
| | | | | | **Totale** | **3.00** | | |

## 1.9 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) and is governed by the Ministry of Economics and Finance's decree n. 174 dated 7 September 2007 (the Founding Law).

Pursuant to the law the income generated by rental activities is exempt from IRES and IRAP as long as the company distributes a minimum percentage of the income generated by this activity ("Exempt Operations").

Based on Legislative Decree n. 133 of 12 September 2014, converted as amended into Law n. 164 of 11 November 2014, 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. In order to fulfill the distribution requirements, the SIIQs must distribute (or risk losing their SIIQ status): (i) at least 70% of the distributable income generated by exempt operations upon approval of the full year financial statements; (ii) at least 50% of the capital gains generated by the sale of rental properties, interests in SIIQs or SIINQs, as well as in qualified real estate investment funds within two years of their realization.

The main characteristic of the special regime is, therefore, the possibility of benefitting from a specific system of taxation, once certain mandatory qualifications are complied with, based on which earnings are subject to taxation solely upon distribution to shareholders which basically inverts the system of taxation based on which income is subject to taxation when posted by the company rather than when distributed.

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

**Objective requirements**

- freehold rental properties or other properties, interests in other SIIQ/SIINQs and in "qualified" real estate funds must make up 80% of the real estate assets, the so-called "**Asset Test**"
- revenue from rental activities, income from SIIQ/SIINQs and in "qualified" real estate funds, gains on rental properties must make up must total at least 80% of the positive entries in the income statement, the so-called "**Profit Test**".

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

**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, at the time the option is exercised, hold less than 2% of the voting rights exercisable in ordinary Shareholders' Meetings and less 2% of the dividend rights, the so-called **"Float requisite"**

With regard to the verification of eligibility, based on the same law the subjective and statutory requisites must be met before the option is exercised while the verification of the objective and ownership requisites is done after the close of the financial statements for the year in which the option was exercised, and subsequently verified after the close of every year.

**COMPLIANCE WITH SUBJECTIVE, OBJECTIVE AND OWNERSHIP REQUIREMENTS**

The subjective requirements were satisfied as IGD SIIQ SPA is a joint stock company, with headquarters and residing, for tax purposes, in Italy. Its shares are traded on the Mercato Telematico Azionario (MTA - screen-based stock market) managed by Borsa Italiana in the STAR segment.

Based on the parent company's financial statements at 30 June 2017, similar to year-end 2016, the objective requirements were all satisfied. 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.

As for the ownership requirements, based on the information available to the company, no single shareholder holds more than 60% of the voting rights exercisable in ordinary Shareholders' Meetings and more than 60% of the dividend rights.

**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. iii) 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.

**OTHER INFORMATION RELATING TO THE COMPANY'S ADHERENCE TO THE SPECIAL REGIME**

Once it was clear that all the requisites had been satisfied, IGD exercised the option to be treated under the special regime effective 1 January 2008.

Under the special regime the total capital gains, net any losses, resulting from the difference between the normal value of the rental assets 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**).

With regard to 2016, as resolved in previous years, during the AGM held on 12 April 2017 shareholders approved the distribution of income generated by exempt operations for an amount that complied with the distribution requirements.

More in detail, shareholders approved the distribution of a total dividend of €36,587,053.40, stemming from: *(i)* for €21,856,292.65 exempt operations and *(ii)* for €14,730,760.75 capital reserves.

On 1 April 2017 the merger by incorporation of the wholly owned subsidiaries Igd Property SIINQ S.p.A. and Punta di Ferro SIINQ S.p.A. in IGD SIIQ S.p.A. was completed.

Igd Property SIINQ S.p.A. exercised the option to be treated under the special regime as of 1 January 2013.

On 23 March 2017 the sole shareholder resolved to distribute a total dividend of €8,339,400 for FY 2016 to be distributed entirely from the distributable income generated by exempt operations. The income distributed stems entirely from exempt operations and represents not less than 70% of the distributable income generated by exempt operations in accordance with the current law governing SIINQs.

Punta di Ferro SIINQ S.p.A exercised the option to be treated under the special regime as of 1 January 2016.

On 23 March 2017 the sole shareholder resolved to distribute a total dividend of €4,074,207.25 for FY 2016 to be distributed entirely from the distributable income generated by exempt operations. The income distributed stems entirely from exempt operations and represents not less than 70% of the distributable income generated by exempt operations in accordance with the current law governing SIINQs.

## 1.10 Subsequent events

There are no events to report.

## 1.11 Outlook

In light of the positive results achieved, the Company expects to continue along its growth path with revenue rising both like-for-like and as a result of the FY contribution of the acquisitions and openings made in 2016, in addition to the opening on 1 June 2017 of the Esp shopping center extension; the cost of funding should also continue to be low, at less than 3%.

FFO for FY 2017 is also expected to exceed the target announced in February.

## Intercompany and related party transactions

With regard to related party and intercompany transactions, there are no transactions which qualify as unusual or atypical, as they fall within the Group's ordinary sphere of operations and take place under arm's-length conditions. For more information regarding the transactions that took place during first half 2017, please refer to the specific section of the explanatory notes.

## Treasury shares

The company owned no treasury shares at 30 June 2017.

## Research and Development

The IGD Group does not perform research and development activities.

## Significant Transactions

During the period ended 30 June 2017, no significant non-recurring transactions or atypical/unusual transactions, as defined in CONSOB's notice of 28 July 2006, were carried out with third parties or between companies in the Group.

## 2. Igd Group Consolidated Financial Statements at 30 June 2017

## 2.1 Consolidated income statement

| Consolidated income statement (amounts in thousand of Euro) | Note | 30/06/2017 (A) | 30/06/2016 (B) | Change (A-B) |
|---|---|---|---|---|
| **Revenues:** | 1 | **68,386** | **64,985** | **3,401** |
| - from third parties | | 47,323 | 43,997 | 3,326 |
| - from related parties | | 21,063 | 20,988 | 75 |
| **Other income:** | 2.1 | **3,226** | **2,558** | **668** |
| - from third parties | | 2,231 | 1,730 | 501 |
| - from related parties | | 995 | 828 | 167 |
| **Revenues from property sales:** | 2.2 | **4,048** | **590** | **3,458** |
| **Total revenues and operating income** | | **75,660** | **68,133** | **7,527** |
| | | | | |
| Change in work in progress inventories | 6 | (3,665) | 1,218 | (4,883) |
| | | | | |
| **Total revenues and change in inventories** | | **71,995** | **69,351** | **2,644** |
| | | | | |
| Costs of work in progress | 6 | 370 | 1,771 | (1,401) |
| Service costs: | 3 | 11,616 | 11,028 | 588 |
| - to third parties | | 10,374 | 9,914 | 460 |
| - to related parties | | 1,242 | 1,114 | 128 |
| Personnel costs | 4 | 5,030 | 4,657 | 373 |
| Other operating costs | 5 | 4,864 | 4,773 | 91 |
| **Total operating costs** | | **21,880** | **22,229** | **(349)** |
| | | | | |
| (depreciation, amortization and provisions) | | (1,047) | (1,348) | 301 |
| (Impairment losses)/Reversals on work in progress and inventories | | (2,215) | (2,201) | (14) |
| Change in fair value - increases / (decreases) | | 21,148 | 2,559 | 18,589 |
| **Total depreciation, amortization, provisions, impairment and change in fair value** | 7 | **17,886** | **(990)** | **18,876** |
| | | | | |
| **EBIT** | | **68,001** | **46,132** | **21,869** |
| | | | | |
| **Income/(losses) from equity investment and property sales** | 8 | **(38)** | **(129)** | **91** |
| | | | | |
| **Financial income:** | | **56** | **64** | **(8)** |
| - third parties | | 54 | 61 | (7) |
| - related parties | | 2 | 3 | (1) |
| **Financial charges:** | | **17,625** | **19,759** | **(2,134)** |
| - third parties | | 17,618 | 19,745 | (2,127) |
| - related parties | | 7 | 14 | (7) |
| | | | | |
| **Net financial income** | 9 | **(17,569)** | **(19,695)** | **2,126** |
| | | | | |
| **PRE-TAX PROFIT** | | **50,394** | **26,308** | **24,086** |
| Income taxes | 10 | 1,450 | 138 | 1,312 |
| **NET PROFIT FOR THE PERIOD** | | **48,944** | **26,170** | **22,774** |
| | | | | |
| Minority interests in net (profit)/loss | | 0 | 338 | (338) |
| | | | | |
| **Parent Company's portion of net profit** | | **48,944** | **26,508** | **22,436** |
| | | | | |
| - basic earning per share | 11 | 0.060 | 0.033 | |
| - diluted earning per share | 11 | 0.060 | 0.033 | |

## 2.2 Consolidated statement of comprehensive income

| Consolidated Statement of Comprehensive Income (amounts in thousand of Euro) | 30/06/2017 | 30/06/2016 |
|---|---|---|
| **NET PROFIT FOR THE PERIOD** | **48,944** | **26,170** |
| **Total components of comprehensive income that will not be reclassified to profit/(loss), net of tax effects** | **0** | **0** |
| **Other components of comprehensive income that will be reclassified to profit/(loss)** | | |
| Effects of hedge derivatives on net equity | 5,354 | (2,142) |
| Tax effect of hedge derivatives on net equity | (1,247) | 122 |
| Other effects on income statement components | (24) | (9) |
| **Total other components of comprehensive income that will be reclassified to profit/(loss), net of tax effects** | **4,082** | **(2,029)** |
| **Total comprehensive profit/(loss) for the period** | **53,026** | **24,141** |
| Non-controlling interests in profit/(loss) for the period | 0 | 338 |
| **Profit/(loss) for the period attributable to the Parent company** | **53,026** | **24,479** |

## 2.3 Consolidated statement of financial position

| Consolidated statement of financial position | | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|---|
| (amounts in thousands of Euro) | Note | (A) | (A) | (A-B) |
| **NON-CURRENT ASSETS:** | | | | |
| **Intangible assets** | | | | |
| Intangible assets with finite useful lives | 12 | 47 | 58 | ( 11) |
| Goodwill | 13 | 12,662 | 12,662 | 0 |
| | | **12,709** | **12,720** | **( 11)** |
| **Tangible assets** | | | | |
| Investment property | 14 | 2,127,766 | 2,050,728 | 77,038 |
| Buildings | 15 | 8,254 | 8,374 | ( 120) |
| Plant and machinery | 16 | 273 | 332 | ( 59) |
| Equipment and other assets | 16 | 1,126 | 1,323 | ( 197) |
| Leasehold improvements | 16 | 882 | 1,020 | ( 138) |
| Assets under construction and down payment | 17 | 40,458 | 75,004 | ( 34,546) |
| | | **2,178,759** | **2,136,781** | **41,978** |
| **Other non-current assets** | | | | |
| Deferred tax assets | 18 | - | 764 | ( 764) |
| Sundry receivables and other non-current assets | 19 | 89 | 89 | 0 |
| Equity investments | 20 | 1,702 | 1,685 | 17 |
| Non-current financial assets | 21 | 368 | 393 | ( 25) |
| Assets for derivative instruments | 42 | 249 | - | 249 |
| | | **2,408** | **2,931** | **( 523)** |
| **TOTAL NON-CURRENT ASSETS (A)** | | **2,193,876** | **2,152,432** | **41,444** |
| **CURRENT ASSETS:** | | | | |
| Work in progress inventories and advances | 22 | 51,893 | 57,753 | ( 5,860) |
| Trade and other receivables | 23 | 11,961 | 11,570 | 391 |
| Related party trade and other receivables | 24 | 1,419 | 1,136 | 283 |
| Other current assets | 25 | 7,120 | 13,112 | ( 5,992) |
| Related party financial receivables and other current financial assets | 26 | 416 | 151 | 265 |
| Cash and cash equivalents | 27 | 2,788 | 3,084 | ( 296) |
| **TOTAL CURRENT ASSETS (B)** | | **75,597** | **86,806** | **( 11,209)** |
| **TOTAL ASSETS (A+B)** | | **2,269,473** | **2,239,238** | **30,235** |
| **NET EQUITY:** | | | | |
| Share capital | | 599,760 | 599,760 | 0 |
| Share premium reserve | | 29,971 | 29,971 | 0 |
| Other reserves | | 382,948 | 349,246 | 33,702 |
| Group profit | | 63,680 | 81,724 | ( 18,044) |
| **Total Group Net Equity** | | **1,076,359** | **1,060,701** | **15,658** |
| Portion pertaining to minorities | | - | 8,725 | ( 8,725) |
| **TOTAL NET EQUITY (C )** | 28 | **1,076,359** | **1,069,426** | **6,933** |
| **NON-CURRENT LIABILITIES:** | | | | |
| Liabilities for derivative instruments | 42 | 22,920 | 28,748 | ( 5,828) |
| Non-current financial liabilities | 29 | 976,666 | 893,296 | 83,370 |
| Provision for employees severance indemnities | 30 | 2,664 | 2,530 | 134 |
| Deferred tax liabilities | 18 | 23,985 | 22,665 | 1,320 |
| Provision for risks and future charges | 31 | 4,633 | 4,964 | ( 331) |
| Sundry payables and other non-current liabilities | 32 | 9,215 | 10,707 | ( 1,492) |
| Related party sundry payables and other non-current liabilities | 32 | 13,961 | 13,949 | 12 |
| **TOTAL NON-CURRENT LIABILITIES (D)** | | **1,054,044** | **976,859** | **77,185** |
| **CURRENT LIABILITIES:** | | | | |
| Current financial liabilities | 33 | 103,663 | 165,760 | ( 62,097) |
| Trade and other payables | 35 | 19,764 | 15,634 | 4,130 |
| Related party trade and other payables | 36 | 1,329 | 1,428 | ( 99) |
| Tax liabilities | 37 | 4,640 | 2,396 | 2,244 |
| Other current liabilities | 38 | 9,660 | 7,714 | 1,946 |
| Related party other current liabilities | 38 | 14 | 21 | ( 7) |
| **TOTAL CURRENT LIABILITIES (E)** | | **139,070** | **192,953** | **( 53,883)** |
| **TOTAL LIABILITIES (F=D+E)** | | **1,193,114** | **1,169,812** | **23,302** |
| **TOTAL NET EQUITY AND LIABILITIES** | | **2,269,473** | **2,239,238** | **30,235** |

## 2.4 Consolidated statement of changes in equity

| | Share capital | Share premium reserve | Other reserve | Group profit | Group net equity | Non-controlling interest in 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 period | | | | 26,508 | 26,508 | (338) | 26,170 |
| Cash flow hedge derivative assessment | | | (2,020) | | (2,020) | | (2,020) |
| Other comprehensive income (losses) | | | (9) | | (9) | | (9) |
| **Total comprehensive profit (losses)** | **0** | **0** | **(2,029)** | **26,508** | **24,479** | **(338)** | **24,141** |
| 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 reserve | | 0 | 19,318 | (19,318) | 0 | | 0 |
| **Balance at 30/06/2016** | **599,760** | **29,971** | **344,376** | **39,903** | **1,014,010** | **9,812** | **1,023,822** |

| | Share capital | Share premium reserve | Other reserve | Group profit | Group net equity | Non-controlling interest in capital and reserves | Total net equity |
|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2017** | **599,760** | **29,971** | **349,246** | **81,724** | **1,060,701** | **8,725** | **1,069,426** |
| Profit for the period | | | | 48,944 | 48,944 | 0 | 48,944 |
| Cash flow hedge derivative assessment | | | 4,106 | | 4,106 | | 4,106 |
| Other comprehensive income (losses) | | | (24) | | (24) | | (24) |
| **Total comprehensive profit (losses)** | **0** | **0** | **4,082** | **48,944** | **53,026** | **0** | **53,026** |
| Reserves reclassification due to merger | | | 23,979 | (23,979) | 0 | | **0** |
| Shares purchase from non-controlling interests | | | | (781) | (781) | (8,725) | **(9,506)** |
| Allocation of 2016 profit | | | | | | | |
| Dividends paid | | | (14,731) | (21,856) | (36,587) | | (36,587) |
| To legal reserve | | 0 | 0 | 0 | 0 | | 0 |
| To other reserve | | 0 | 20,372 | (20,372) | 0 | | 0 |
| **Balance at 30/06/2017** | **599,760** | **29,971** | **382,948** | **63,680** | **1,076,359** | **0** | **1,076,359** |

## 2.5 Consolidated statement of cash flows

| CONSOLIDATED STATEMENT OF CASH FLOW | 30/06/2017 | 30/06/2016 |
|---|---|---|
| *(in thousands of Euro)* | | |
| | | |
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Pre-tax profit for the period | **50,394** | **26,308** |
| **Adjustments to reconcile net profit with the cash flow generated (absorbed) in the period:** | | |
| | | |
| Adjustments of non-monetary items | (6,747) | (2,634) |
| (Depreciation, amortization and provisions) | 1,047 | 1,348 |
| (Impairment)/Reversal on assets under construction and w ork in progress | 2,215 | 2,201 |
| Change in fair value - increases/(decreases) | (21,148) | (2,559) |
| Gain/losses from disposal - Equity investment | 38 | 129 |
| **CASH FLOW FROM OPERATIONS** | **25,799** | **24,792** |
| Income taxes | (624) | (485) |
| **CASH FLOW FROM OPERATIONS NET OF TAX** | **25,175** | **24,307** |
| Change in inventories | 3,665 | (1,218) |
| Net change in current assets and liabilities vs third parties | 13,483 | 2,955 |
| Net change in current assets and liabilities vs related parties | (387) | (6,870) |
| Net change in non-current assets and liabilities vs third parties | (1,815) | (1,909) |
| Net change in non-current assets and liabilities vs related parties | 13 | (7) |
| **CASH FLOW FROM OPERATING ACTIVITIES:** | **40,134** | **17,258** |
| (Investments) in fixed assets | (21,528) | (10,481) |
| Disposals of fixed assets | 152 | 147 |
| (investments) in equity interests | (9,506) | (13) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **(30,882)** | **(10,347)** |
| Change in financial receivables and other current financial assets vs third parties | 0 | 9,023 |
| Cahnge in financial receivables and other current financial assets vs related parties | (320) | 0 |
| Cash flow hedge reserve | 0 | (1,659) |
| Dividends distribution | (36,587) | (32,522) |
| Change in current financial debt vs third parties | (54,534) | (165,661) |
| Change in non-current financial debt vs third parties | 81,896 | 244,577 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **(9,545)** | **53,758** |
| Exchange gains/(losses) on cash and cash equivalents | (3) | 1 |
| **NET INCREASE (DECREASE) IN CASH BALANCE** | **(296)** | **60,670** |
| **CASH BALANCE AT THE BEGINNING OF THE YEAR** | 3,084 | **23,603** |
| **CASH BALANCE AT THE END OF THE YEAR** | **2,788** | **84,273** |

# 2.6 Explanatory notes to the Interim Condensed Consolidated Financial Statements

## 1. General information

The condensed interim consolidated financial statements of Immobiliare Grande Distribuzione at 30 June 2017 were approved and authorized for publication by the Board of Directors on 4 August 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 condensed interim consolidated financial statements for the period ended 30 June 2017 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 and specifically includes IAS 34 – Interim Financial Reporting. The IFRS have been applied consistently to all reporting periods presented. The condensed interim consolidated financial statements do not include all disclosures required in the annual financial statements, and should be read jointly with the Group's annual report for the year ended 31 December 2016.

#### Reporting formats

The items in the statement of financial position are classified as current, non-current, or (if applicable) non-current held for sale. 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 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 condensed interim consolidated financial statements are the same as those used in the Group's annual report for the year ended 31 December 2016, to which readers are referred.

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

As from 1 January 2018, entities are required to follow the new accounting standard **IFRS 15** on revenue recognition and **IFRS 9** on financial instruments.

From an initial review of contracts with customers, it appears that the Group will not be affected by IFRS 15.
With respect to IFRS 9, our analyses suggest a potential impact from section B5.4.6, which determines how the amortized cost of financial liabilities is affected by changes in their cash flow plans, due to either revised estimates or new contractual terms and conditions. In essence, this section states that if estimated payments for financial liabilities are revised, the entity must discount future cash flows at the original EIR and recognize in profit or loss the difference between the present value of future cash flows determined using the original EIR and the carrying amount of the liability. According to the IASB interpretation published in the March 2017 IFRIC Update, the rule stated in section B5.4.6 of IFRS 9 should be applied to all revised payment estimates, including cash flow changes due to the modification of contractual terms (renegotiation) of the financial liability. That conclusion was later the topic of some comment letters (see Agenda Paper 2B of July 2017) arguing that the renegotiation of a liability is different from an estimate revision and that therefore, the former should entail the recalculation of the EIR for the modified liability while the latter should be accounted for as stated in section B5.4.6 of IFRS 9. This was followed by a request to have the IASB interpretation revised; discussions are still underway and this open question may produce further considerations in the future. Should the IASB's conclusion be confirmed, there would be an impact (currently being quantified) on the value of some financial liabilities that the Company renogotiated in recent years.
As from 1 January 2019 entities are required to follow **IFRS 16**, which supersedes IAS 17 and which as of 30 June 2017 had not yet been endorsed. The Group is conducting a financial review to estimate the impact of IFRS 16, with particular reference to the leasing of malls from other owners.

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

| Date | IASB publication |
|---|---|
| 13 January 2017 | The IASB published for consultation an exposure draft on proposals for *Annual Improvements to IFRSs 2015-2017 Cycle*, concerning IAS 12 *Income Taxes*, IAS 23 *Borrowing Costs* and IAS 28 *Investments in Associates and Joint Ventures.* |
| 30 March 2017 | The IASB published for consultation an exposure draft *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34).* |
| 31 March 2017 | The IASB published for consultation a discussion paper *Disclosure Initiative—Principles of Disclosure*, to render financial statement disclosures more effective. |
| 24 April 2017 | The IASB proposed some changes to IFRS 9 *Financial Instruments*, aimed at allowing the measurement at amortized cost of financial assets featuring a prepayment option with "negative compensation." |
| 18 May 2017 | The IASB published IFRS 17 *Insurance Contracts*. The standard aims to improve investors' and other parties' understanding of the risk exposure, profitability and financial position of insurers. IFRS 17 supersedes IFRS 4, issued in 2004 as an interim standard. It is effective from 1 January 2021; early adoption is permitted. |
| 26 May 2017 | The IASB published a *Request for information: Post-implementation Review—IFRS 13 Fair Value Measurement* in order to collect stakeholders' input on any issues with the application of IFRS 13 on how to determine the fair value of assets and liabilities . The intention is to understand whether there is a need for further guidance on the fair value measurement of biological assets and unlisted equity instruments. |
| 8 June 2017 | The IASB published IFRIC Interpretation 23, *"Uncertainty over Income Tax Treatments,"* providing guidance on how to make income tax accounting reflect uncertainties in the tax treatment of a given issue. IFRIC 23 is effective from 1 January 2019. |

None of these changes were used to prepare the condensed interim consolidated financial statements as they have not yet been endorsed by the European Commission.

## 2.2. Consolidation

### Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 30 June 2017, 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 2016, the scope of consolidation has changed due to the merger of the subsidiaries IGD Property S.I.I.N.Q. S.p.A. and Punta di Ferro S.I.I.N.Q. S.p.A. into IGD S.I.I.Q. S.p.A. 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.

| 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. | 100.00% | Construction and marketing |
| Win Magazin S.A. | Bucharest | Romania | 113,715.30 | ROL | 100% | IGD Management S.r.l. 99.9% | 100.00% | Facility management |
| | | | | | | IGD SIIQ S.p.A. 0.1% | | |
| Winmarkt Management S.r.l. | Bucharest | Romania | 1,001,000 | ROL | 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 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 |
| **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 |

IGD SIIQ S.p.A., directly and indirectly, controls various consortiums for the management of shopping centers (costs relating to common areas and promotional activities). They are not consolidated as they are considered to be immaterial.

| Name | Form of control | % controlled | Registered office |
|---|---|---|---|
| Consorzio dei proprietari CC Leonardo | Direct control | 52.00% | VIA AMENDOLA 129, IMOLA (BO) |
| Consorzio dei proprietari CC I Bricchi | Direct control | 72.25% | VIA PRATO BOSCHIERO, ISOLA D' ASTI (LOC MOLINI) |
| Consorzio proprietari Centrolame | Direct control | 66.43% | VIA MARCO POLO 3, BOLOGNA (BO) |
| Consorzio del centro commerciale Katanè | Direct control | 53% | VIA QUASIMODO, GRAVINA DI CATANIA LOC SAN PAOLO |
| Consorzio del centro commerciale Conè | Direct control | 65.78% | VIA SAN GIUSEPPE SNC, QUARTIERE DELLO SPORT CONEGLIANO (TV) |
| Consorzio del centro commerciale La Torre-Palermo | Direct control | 55.04% | VIA TORRE INGASTONE, PALERMO LOC BORGONUOVO |
| Consorzio proprietari del centro commerciale Gran Rondò | Direct control | 48.69% | VIA G. LA PIRA n. 18., CREMA (CR) |
| Consorzio dei proprietari del centro commerciale Fonti del Corallo | Direct control | 68.00% | VIA GINO GRAZIANI 6, LIVORNO |
| Consorzio dei proprietari del centro commerciale Centrosarca | Indirect control | 62.50% | VIA MILANESE, SESTO SAN GIOVANNI (MI) |
| Consorzio Porta a Mare Mazzini | Direct control | 80.90% | VIA G. D'ALESIO, 2 - LIVORNO |
| Consorzio del parco commerciale Clodì | Direct control | 70.35% | S.S. ROMEA n. 510/B; CHIOGGIA (VE) |
| Consorzio Centro Le Maioliche | Direct control | 71.49% | VIA BISAURA N.13, FAENZA (RA) |
| Consrozio ESP | Direct control | 64.59% | VIA MARCO BUSSATO 74, RAVENNA (RA) |
| Consorzio Proprietari Puntadiferro | Direct control | 62.34% | Piazzale della Cooperazione 4, FORLI' (FC) |
| Consorzio dei proprietari del compendio commerciale del Commendone | Direct control | 52.60% | Via Ecuador snc, Grosseto |

## 3. Use of estimates

The preparation of the condensed interim 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 9 May 2017 the Board of Directors of IGD SIIQ S.p.A. gave a two-year assignment (2017-2018) to CBRE Valuation S.p.A., Duff&Phelps REAG S.p.A., Jones Lang LaSalle S.p.A., and Cushman & Wakefield LLP, 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 malls, hypermarkets, supermarkets, fitness centers, 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 intangible assets.

### Recoverability of deferred tax assets

The Group has deferred tax assets on deductible temporary differences and theoretical tax benefits for losses carried forward. In estimating recoverable value, the Group considers the results of the business plan in keeping with those used for impairment testing, along with the regulations that enable these assets to be recovered.

## Fair value of derivative instruments

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

## Variable revenue

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

## Provision for doubtful accounts

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

## Contingent liabilities

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

The Group monitors the status of such litigation and consults with its attorneys and with experts in law and taxation.

# 4. Segment reporting

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

| INCOME STATEMENT | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 |
|---|---|---|---|---|---|---|---|---|---|---|
| | CORE BUSINESS PROPERTIES | | SERVICES | | "PORTA A MARE" PROJECT | | UNSHARED | | TOTAL | |
| **Total revenues and operating income** | **68,386** | **64,985** | **3,226** | **2,558** | **4,048** | **591** | **0** | **0** | **75,660** | **68,133** |
| **Change in inventories of work in progress** | **0** | | **0** | | **(3,665)** | **1,218** | **0** | **0** | **(3,665)** | **1,218** |
| Direct costs (a) (excluding provisions for doubtful accounts) | 12,759 | 12,424 | 2,989 | 2,337 | 513 | 1,909 | 0 | 0 | 16,261 | 16,670 |
| G&A expenses (b) | | | | | | | 5,618 | 5,559 | 5,618 | 5,559 |
| **Total operating costs (a)+(b)** | **12,759** | **12,424** | **2,989** | **2,337** | **513** | **1,909** | **5,618** | **5,559** | **21,880** | **22,229** |
| (Depreciation, amortization and provisions) | (880) | (1,170) | (35) | (44) | (2) | (2) | (131) | (132) | (1,047) | (1,348) |
| (Impairment losses)/Reversals on work in progress and inventories | (2,215) | (190) | 0 | 0 | 0 | (2,011) | 0 | 0 | (2,215) | (2,201) |
| Fair value changed - increases/(decreases) | 21,148 | 2,559 | 0 | 0 | 0 | 0 | 0 | 0 | 21,148 | 2,559 |
| **Total depreciation, amortization, provisions, impairment and fair value changes** | **18,053** | **1,199** | **(35)** | **(44)** | **(2)** | **(2,013)** | **(131)** | **(132)** | **17,886** | **(990)** |
| **EBIT** | **73,681** | **53,760** | **202** | **176** | **(132)** | **(2,114)** | **(5,749)** | **(5,690)** | **68,001** | **46,132** |
| **Results from equity investments and assets disposal** | | | | | | | **(38)** | **(129)** | **(38)** | **(129)** |
| **Financial income:** | | | | | | | **56** | **64** | **56** | **64** |
| - third parties | | | | | | | **54** | 61 | 54 | 61 |
| - related parties | | | | | | | **2** | 3 | 2 | 3 |
| **Financial charges;** | | | | | | | **17,625** | **19,759** | **17,625** | **19,759** |
| - third parties | | | | | | | **17,618** | 19,745 | 17,618 | 19,745 |
| - related parties | | | | | | | **7** | 14 | 7 | 14 |
| **Net financial income** | | | | | | | **(17,569)** | **(19,695)** | **(17,569)** | **(19,695)** |
| **PRE-TAX INCOME** | **73,681** | **53,760** | **202** | **176** | **(132)** | **(2,114)** | **(23,356)** | **(25,514)** | **50,394** | **26,308** |
| Income taxes | | | | | | | **1,450** | 138 | 1,450 | 138 |
| **NET PROFIT FOR THE PERIOD** | **73,681** | **53,760** | **202** | **176** | **(132)** | **(2,114)** | **(24,806)** | **(25,652)** | **48,944** | **26,170** |
| Non-controlling interest in (profit)/loss for the period | | | | | | | | | 0 | 338 |
| **Net profit of the Parent company for the period** | **73,681** | **53,760** | **202** | **176** | **(132)** | **(2,114)** | **(24,806)** | **(25,652)** | **48,944** | **26,508** |

| STATEMENT OF FINANCIAL POSITION | 30-Jun-17 | 31-Dec-16 | 30-Jun-17 | 31-Dec-16 | 30-Jun-17 | 31-Dec-16 | 30-Jun-17 | 31-Dec-16 | 30-Jun-17 | 31-Dec-16 |
|---|---|---|---|---|---|---|---|---|---|---|
| | CORE BUSINESS PROPERTIES | | SERVICES | | "PORTA A MARE" PROJECT | | UNSHARED | | TOTAL | |
| - Real estate investments | *2,127,766* | *2,050,728* | *0* | *0* | *0* | *0* | *0* | *0* | *2,127,766* | *2,050,728* |
| - Assets under construction | *40,458* | *75,004* | *0* | *0* | *0* | *0* | *0* | *0* | *40,458* | *75,004* |
| Intangible assets | *11,655* | *11,656* | *1,007* | *1,007* | *2* | *3* | *45* | *54* | *12,709* | *12,720* |
| Other tangible assets | *2,195* | *2,539* | *84* | *133* | *2* | *3* | *8,254* | *8,374* | *10,535* | *11,049* |
| - Sundry receivables and other non-current assets | *0* | *0* | *0* | *0* | *0* | *0* | *89* | *89* | *89* | *89* |
| - Equity investments | *1,632* | *1,602* | *0* | *0* | *0* | *0* | *70* | *83* | *1,702* | *1,685* |
| NWC | *(14,862)* | *(935)* | *1,086* | *915* | *50,762* | *56,398* | *0* | *0* | *36,986* | *56,378* |
| Funds | *(6,092)* | *(6,188)* | *(1,185)* | *(1,283)* | *(20)* | *(23)* | *0* | *0* | *(7,297)* | *(7,494)* |
| Sundry payables and other non-current liabilities | *(17,249)* | *(18,725)* | *0* | *0* | *(5,927)* | *(5,931)* | *0* | *0* | *(23,176)* | *(24,656)* |
| Net deferred tax (assets)/liabilites | *(26,546)* | *(24,473)* | *0* | *0* | *2,561* | *2,572* | *0* | *0* | *(23,985)* | *(21,901)* |
| **Total use of funds** | **2,118,958** | **2,091,209** | **992** | **772** | **47,379** | **53,022** | **8,458** | **8,600** | **2,175,787** | **2,153,602** |
| Total group net equity | *1,045,034* | *1,038,787* | *(178)* | *(276)* | *31,503* | *22,189* | *0* | *0* | *1,076,359* | *1,060,701* |
| Non-controlling interest in capital and reserves | *0* | *0* | *0* | *0* | *0* | *8,725* | *0* | *0* | *0* | *8,725* |
| Net (assets) and liabilities for derivatives instruments | *22,671* | *28,748* | *0* | *0* | *0* | *0* | *0* | *0* | *22,671* | *28,748* |
| Net debt | *1,051,253* | *1,023,673* | *1,170* | *1,048* | *15,876* | *22,107* | *8,458* | *8,600* | *1,076,757* | *1,055,428* |
| **Total sources** | **2,118,958** | **2,091,209** | **992** | **772** | **47,379** | **53,022** | **8,458** | **8,600** | **2,175,787** | **2,153,602** |

| REVENUES FROM FREEHOLD PROPERTIES | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 | 30-Jun-17 | 30-Jun-16 |
|---|---|---|---|---|---|---|---|---|
| | NORTHERN ITALY | | CENTER - SOUTHERN ITALY AND ISLANDS | | ABROAD | | TOTAL | |
| *LEASE AND RENTAL INCOME* | 29,794 | 29,143 | 26,194 | 24,045 | 4,573 | 4,259 | 60,561 | 57,446 |
| *ONE-OFF REVENUES* | 154 | 5 | 0 | 10 | | 0 | 154 | 16 |
| *TEMPORARY LOCATION RENTS* | 772 | 764 | 551 | 544 | | 0 | 1,323 | 1,308 |
| *OTHER RENTAL INCOME* | -43 | 45 | 67 | 3 | 6 | 21 | 30 | 69 |
| **TOTAL** | **30,677** | **29,957** | **26,812** | **24,602** | **4,579** | **4,279** | **62,068** | **58,838** |

# Notes to the consolidated financial statements

## Revenue and other income

| | Note | 30/06/2017 | 30/06/2016 | Change |
|---|---|---|---|---|
| **Revenues:** | 1 | **68,386** | **64,985** | **3,401** |
| - from third parties | | 47,323 | 43,997 | 3,326 |
| - from related parties | | 21,063 | 20,988 | 75 |
| **Other income:** | 2.1 | **3,226** | **2,558** | **668** |
| - from third parties | | 2,231 | 1,730 | 501 |
| - from related parties | | 995 | 828 | 167 |
| **Revenues from trading property sale** | 2.2 | **4,048** | **590** | **3,458** |
| **Total revenues and other operating income** | | **75,660** | **68,133** | **7,527** |

In the first half of 2017 the IGD Group earned revenue and other income of €75,660K, including €4,048K from property sales (residential units in the Mazzini section of the Porta a Mare project).

Most of the increase of €7,527K was caused by positive changes in real estate holdings, with the purchase of the Maremà mall in Grosseto in the final quarter of 2016, the opening of the newly expanded Esp center on 1 June 2017, and the sale of residential units as part of the dissolution of the framework agreement with the CMB Group.

### Note 1) Revenue

| | | 30/06/2017 | 30/06/2016 | Change |
|---|---|---|---|---|
| ***Freehold hypermarkets - Rents and business leases from related parties*** | ***a.1*** | **19,137** | **19,082** | ***55*** |
| ***Leasehold hypermarkets - Business leases from related parties*** | ***a.2*** | **59** | **59** | ***0*** |
| ***Freehold primemarkets - Rents and business leases from related parties*** | ***a.3*** | **850** | **850** | ***0*** |
| **TOTAL HYPERMARKETS/SUPERMARKETS** | **a** | **20,046** | **19,991** | **55** |
| ***Freehold malls, offices and city center*** | ***b.1*** | **40,727** | **37,470** | ***3,257*** |
| ***Rents*** | | **8,350** | **8,361** | ***(11)*** |
| Related parties | | 480 | 487 | (7) |
| Third parties | | 7,870 | 7,874 | (4) |
| ***Business leases*** | | **32,377** | **29,109** | ***3,268*** |
| Related parties | | 354 | 308 | 46 |
| Third parties | | 32,023 | 28,801 | 3,222 |
| ***Leasehold malls*** | ***b.2*** | **5,887** | **5,728** | ***159*** |
| ***Rents*** | | **301** | **292** | ***9*** |
| Related parties | | 58 | 58 | 0 |
| Third parties | | 243 | 234 | 9 |
| ***Business leases*** | | **5,586** | **5,436** | ***150*** |
| Related parties | | 112 | 122 | (10) |
| Third parties | | 5,474 | 5,314 | 160 |
| ***Other contracts and temporary rents*** | ***b.3*** | **1,726** | **1,796** | **(70)** |
| Other contracts and temporary rents | | 1,713 | 1,774 | (61) |
| Other contracts and temporary rents vs related parties | | 13 | 22 | (9) |
| **TOTAL MALLS** | **b** | **48,340** | **44,994** | **3,346** |
| **GRAND TOTAL** | **a+b** | **68,386** | **64,985** | **3,401** |
| of which related parties | | 21,063 | 20,988 | 75 |
| of which third parties | | 47,323 | 43,997 | 3,326 |

Rent and business lease revenue increased by €3,401K compared with the same period last year.

Rent from freehold hypermarkets and supermarkets rose by €55K.

Rent and business lease revenue from freehold malls, offices and city center properties increased by €3,346K, chiefly as a result of: *(i)* higher revenue due to the acquisition of the Maremà mall in Grosseto in the last quarter of 2016 and the inauguration of the Esp expansion on 1 June 2017; *(ii)* an increase in like-for-like revenue at Italian malls (+2.1%), thanks to occupancy initiatives in late 2016 and early 2017 (average upside +4.7%) and a reduction in discounts granted; *(iii)* revenue growth in Romania (+7%) as a result of good occupancy and renegotiation results during the period (average upside +2.5%).

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

## Note 2.1) Other income

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---|---|---|
| Facility management revenues | 1,688 | 1,642 | 46 |
| Porfolio and rent management revenues | 73 | 0 | 73 |
| Pilotage and contruction revenues | 361 | 71 | 290 |
| Marketing revenues | 99 | 0 | 99 |
| Other revenues | 10 | 17 | (7) |
| ***Other income from third parties*** | **2,231** | **1,730** | **501** |
| Facility management revenues vs related parties | 953 | 781 | 172 |
| Pilotage and construction revenues | 0 | 4 | (4) |
| Portfolio and management revenues vs related parties | 17 | 17 | 0 |
| Marketing revenues | 25 | 26 | (1) |
| ***Other income from related parties*** | **995** | **828** | **167** |
| ***Other income*** | **3,226** | **2,558** | **668** |

Other income from third parties increased by €501K compared with the first half of 2016, thanks primarily to pilotage fees for the opening of the newly expended Esp center. Facility management revenue was also on the rise as a result of new contracts, along with portfolio and rent management revenue and marketing revenue.

Other income from related parties increased by €167K, due mainly to the rise in facility management revenue.

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

This came to €4,048K in the first half of 2017 and concerns 14 residential units and 14 enclosed garage units in the Mazzini section of Porta a Mare, compared with 2 residential units and 2 enclosed garage units sold in the same period last year.

## Note 3) Service costs

| | 30/06/2017 | 30/06/2016 | Change |
|---|---|---|---|
| **Third parties service costs** | **10,374** | **9,914** | **460** |
| Paid rents | 5,194 | 5,141 | 53 |
| Promotional and advertising expenses | 236 | 262 | (26) |
| Facility management expenses due to vacancies | 554 | 573 | (19) |
| Facility management expenses due to "ceiling" on tenant's costs | 886 | 772 | 114 |
| Facility management administration costs | 336 | 315 | 21 |
| Insurances | 335 | 330 | 5 |
| Professional fees | 108 | 131 | (23) |
| Director and statutory auditors fees | 397 | 414 | (17) |
| External auditors fees | 79 | 86 | (7) |
| Investor relations, Consob and Monte Titoli costs | 183 | 180 | 3 |
| Shopping centers pilotage and construction costs | 369 | 4 | 365 |
| Consulting | 307 | 413 | (106) |
| Real estate appraisals fees | 216 | 222 | (6) |
| Maintenance and repairs | 171 | 148 | 23 |
| Other service costs | 1,003 | 923 | 80 |
| **Related parties service costs** | **1,242** | **1,114** | **128** |
| Service | 146 | 147 | (1) |
| Facility management expenses due to vacancies | 353 | 428 | (75) |
| Facility management expenses due to "ceiling" on tenant's costs | 644 | 455 | 189 |
| Insurances | 34 | 34 | 0 |
| Director and statutory auditors fees | 65 | 50 | 15 |
| **Service costs** | **11,616** | **11,028** | **588** |

Service costs were €588K higher than during the first half of 2016.

The largest increases concerned facility management costs due to ceilings on tenants' expenses (reflecting the greater number of contracts featuring such ceilings) and pilotage costs, which rose in connection with the newly opened Esp expansion.

The main decreases concerned consulting fees and facility management costs for unlet space, the latter reflecting 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). Annual 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 Sviluppi 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 annual rent is approximately €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, with annual rent of approximately €2,378K.

## Note 4) Cost of labor

| | 30/06/2017 | 30/06/2016 | Change |
|---|---|---|---|
| Wage and salaries | 3,646 | 3,427 | 219 |
| Social security | 1,034 | 954 | 80 |
| Severance pay | 229 | 184 | 45 |
| Other costs | 121 | 92 | 29 |
| **Personnel costs** | **5,030** | **4,657** | **373** |

The slight increase in the cost of labor reflects additional hires to handle new facility management contracts, the introduction of company welfare benefits in 2017, and higher bonuses.

## Note 5) Other operating costs

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---|---|---|
| IMU/TASI/Property tax | 4,330 | 4,303 | 27 |
| Other taxes | 40 | 28 | 12 |
| Registration of contracts | 185 | 183 | 2 |
| Membership fees | 64 | 63 | 1 |
| Losses on receivables | 42 | 12 | 30 |
| Fuels and tolls | 96 | 81 | 15 |
| Other costs | 107 | 103 | 4 |
| **Other operating costs** | **4,864** | **4,773** | **91** |

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

## Note 6) Change in work in progress inventory

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---|---|---|
| Construction costs for the period | 370 | 1,771 | (1,401) |
| Change in inventories for disposals | (4,035) | (553) | (3,482) |
| **Change in inventories of work in progress** | **(3,665)** | **1,218** | **(4,883)** |

Work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno decreased by €3,665K due to the sale of residential units (see Note 2.2), net of the advancement of works for the period.

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

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---|---|---|
| | | | |
| Amortization of intangible assets | (12) | (15) | 3 |
| Amortization of tangible assets | (500) | (543) | 43 |
| Provision for doubtful accounts | (427) | (693) | 266 |
| Provision for risks and other charges | (108) | (97) | (11) |
| **Total amortization and provision** | **(1,047)** | **(1,348)** | **301** |
| | | | |
| **(Impairment)Reversals on work in progress and inventories** | (2,215) | (2,201) | (14) |
| **Fair value changes** | 21,148 | 2,559 | 18,589 |
| **Total depreciation, amortization, provisions, impairment and fair value changes** | **17,886** | **(990)** | **18,876** |

- ✓ Depreciation and amortization decreased by €46K due to the conclusion of the depreciation process for plant and equipment.
- ✓ The allocation to the provision for doubtful accounts, €427K, was lower than the previous year's by €266K in consideration of the improved business climate and a resulting decrease in impaired receivables. The allocation was made by evaluating the individual positions of clients in order to adjust them to estimated realizable value. See Note 23 for changes in this provision.

- ✓ Other provisions refer to the estimated outcome of various IMU (municipal property tax) disputes regarding Le Maioliche (Faenza) and La Torre (Palermo) shopping centers, amounting to €98K, and an administrative dispute for which €10K has been provided.
- ✓ "(Impairment losses)/reversals on work in progress" (-€2,215K) cover the following: *(i)* an impairment loss of €20K 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 30 June 2017; *(ii)* an impairment loss of €2,195K regarding work in progress inventory for the Porta a Mare project, to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 30 June 2017 (see Note 22).
- ✓ The item "Fair value changes" (€21,148K) covers: (i) a net revaluation of €21,290K (see Note 14) carried out to match the carrying value of investment property to its fair value at 30 June 2017; *(ii)* a writedown of €142K 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

The overall loss of €38K derives mostly from the results of investments accounted for using the equity method.

## Note 9) Financial income and charges

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---:|---:|---:|
| Bank interest income | 2 | 38 | (36) |
| Other interest income and equivalents | 26 | 11 | 15 |
| Exchange gains | 26 | 12 | 14 |
| **Financial income vs third parties** | **54** | **61** | **(7)** |
| Interest income vs related parties | 2 | 3 | (1) |
| **Financial income vs related parties** | **2** | **3** | **(1)** |
| **Total financial income** | **56** | **64** | **(8)** |

Financial income showed a slight reduction, due mainly to time deposits made in 2016. Interest income from related parties is described in Note 40.

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---:|---:|---:|
| Interest expenses on security deposits | 7 | 14 | (7) |
| Interest expenses on Coop Adriatica accounts | 0 | 0 | 0 |
| **Total financial charges vs related parties** | **7** | **14** | **(7)** |
| Interest expenses to banks | 6 | 223 | (217) |
| Mortgage loan interests | 1,540 | 5,393 | (3,853) |
| Amortized mortgage loan interests | 189 | 1,329 | (1,140) |
| IRS spread | 4,437 | 5,866 | (1,429) |
| Amortized costs of the equity mortgage component | 60 | 62 | (2) |
| Financial charges on bonds | 9,425 | 5,333 | 4,092 |
| Amortized costs on bonds | 1,397 | 1,002 | 395 |
| Financial charges on leasing | 28 | 34 | (6) |
| Other interests, fees and charges | 511 | 453 | 58 |
| Financial credit write-down | 25 | 50 | (25) |
| **Total financial charges vs third parties** | **17,618** | **19,745** | **(2,127)** |
| **Financial charges** | **17,625** | **19,759** | **(2,134)** |

Financial charges went from €19,759K in the first half of 2016 to €17,625K this year. Most of the decrease of €2,134K reflects lower interest expense due to the early repayment of loans from BNP and Banco Popolare di Verona the previous year and the termination of a mortgage loan at its natural maturity in December 2016, as well as the lesser use of short-term credit facilities and a decline in interest rates. Costs for interest rate swaps (IRS) also decreased.

On the other hand, there was an increase in financial charges relating to the €300 million bond loan issued on 31 May 2016 and the €100 million bond loan issued on 11 January 2017, along with higher rating expenses and fees for committed revolving credit facilities.

As of 30 June 2017, a loan granted to Iniziative Bologna Nord S.r.l. (in liquidation) had been written down by €25K.

For the first half of 2017, the average cost of debt (without considering recurring and non-recurring transaction costs) was 2.91%, down from 3.23% the previous year, while the weighted average effective cost of debt went from 3.69% to 3.21%.

## Note 10) Income taxes

| | 30/06/2017 | 30/06/2016 | *Change* |
|---|---|---|---|
| Current taxes | 656 | 504 | 152 |
| IRAP tax credit | (13) | 0 | (13) |
| Deferred tax liabilities | 707 | 156 | 551 |
| Deferred tax assets | 106 | (552) | 658 |
| Out-of-the-period income/charges - provisions | (6) | 30 | (36) |
| **Total income taxes for the period** | **1,450** | **138** | **1,312** |

Current and deferred taxes came to €1,450K for the period, an increase of €1,312K with respect to the first half of 2016. 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 SIIQ status.

Below is a reconciliation between theoretical income tax and actual income tax for the periods ended 30 June 2017 and 30 June 2016.

| Reconciliation of income taxes applicable to profit before taxes | 30/06/2017 | 30/06/2016 |
|---|---|---|
| **Pre-tax profit** | **50,394** | **26,308** |
| *Theoretica tax charge (rate 24% year 2017 - 27.5% year 2016)* | 12,094 | 7,235 |
| Profit resulting in the income statement | 50,394 | 26,308 |
| ***Increases:*** | | |
| IMU - Property tax | 3,805 | 3,736 |
| Devalutation on ongoing projects and inventories | 2,215 | 2,201 |
| Other increases | 1,714 | 2,269 |
| ***Decreases:*** | | |
| Change in tax-exempt income | (26,325) | (22,843) |
| Deductible depreciations | (3,533) | (3,759) |
| Positive fair value | (21,148) | (2,559) |
| Othe changes | (4,337) | (2,645) |
| **Taxable income** | **2,785** | **2,708** |
| | | |
| **Use of ACE benefit** | **1,047** | **878** |
| **Taxable income net of losses** | **1,738** | **1,830** |
| ***Lower current taxes recognized directly in net equity*** | **(14)** | **(17)** |
| ***Current taxes of the period*** | **448** | **325** |
| ***Income from tax consolidation*** | **0** | **0** |
| ***Current IRES for the year (a)*** | **448** | **325** |
| | | |
| **Difference between value and cost of production** | **48,797** | **45,623** |
| *Theoretical IRAP (3.9%)* | 1,903 | 1,779 |
| **Difference between value and cost of production** | **48,797** | **45,623** |
| *Changes:* | | |
| Increases | 6,987 | 6,818 |
| Decreases | (3,434) | (6,323) |
| Change in exempt income | (42,168) | (40,145) |
| Other deductions | (5,027) | (1,580) |
| **Taxable income for IRAP purpose** | **5,155** | **4,393** |
| **Lower IRAP taxes recognized directly in equity** | **0** | **0** |
| ***Current IRAP for the year (b)*** | **208** | **179** |
| **Total current taxes (a+b)** | **656** | **504** |

## 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.

| | 30/06/2017 | 30/06/2016 |
|---|---|---|
| Net profit attributable to Parent company shareholders | 48,944 | 26,508 |
| Diluted net profit attributable to Parent company shareholders | 48,944 | 26,508 |
| Weighted average number of ordinary shares for purposes of basic earnings per share | 813,045,631 | 813,045,631 |
| Weighted average number of ordinary shares for purposes of diluted earning per share | 813,045,631 | 813,045,631 |
| **Basic earning per share** | **0.060** | **0.033** |
| **Diluted earning per share** | **0.060** | **0.033** |

## Note 12) Intangible assets with finite useful lives

| | Balance at 01/01/2017 | Increases | Decreases | Amortization | Reclassifications | Balance at 30/06/2017 |
|---|---|---|---|---|---|---|
| Intangible assets with finite useful lives | 58 | 1 | 0 | (12) | 0 | 47 |

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of trademarks used by the Group, which are amortized over 10 years, and of business software, amortized over 3 years. In the first half of 2017 there were no impairment losses or reversals on intangible assets.

## Note 13) Goodwill

| | Balance at 01/01/2017 | Increases | Decreases | Reclassifications | Balance at 30/06/2017 |
|---|---|---|---|---|---|
| **Goodwill** | 12,662 | 0 | 0 | 0 | 12,662 |

Goodwill has been allocated to the individual cash generating units (CGUs).
Below is the breakdown of goodwill by CGU at 30 June 2017:

| Goodwill | 30/06/2017 | 31/12/2016 |
|---|---|---|
| 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., Duff&Phelps REAG S.p.A., Jones Lang LaSalle S.p.A., and Cushman & Wakefield LLP in accordance with the criteria described in Note 15 below. Specifically, this goodwill covers the possibility to sell properties owned by the subsidiaries (through the equity investment) without incurring taxes. Therefore, recoverability derives from the tax savings that could be achieved from the investment's sale, and is measured on the basis of the deferred tax provision covering the higher book value of the property with respect to the tax-deductible amount. Goodwill for the CGUs Fonti del Corallo, Centro Nova, San Donà, Service, and Winmarkt Management pertains to business management for properties not owned by the Group, as well as services (facility management) provided at shopping centers owned by the Group and by third parties. For the latter, the Group performs impairment tests every year at 31 December, and whenever circumstances indicate that the recoverable amount of goodwill may have been impaired. For both types described, at 30 June 2017 there were no signs from quantitative and/or qualitative indicators, and specifically from fair value movements in investment property, suggesting that the tests be conducted anew.

## Note 14) Investment property

| | Balance at 01/01/2017 | Increases | Decreases | Revaluations | Impairment | Reclassifications | Balance at 30/06/2017 |
|---|---|---|---|---|---|---|---|
| **Investment property** | 2,050,728 | 644 | (152) | 28,091 | (6,801) | 55,256 | 2,127,766 |

Changes for the period in investment property concern fit-out and extraordinary maintenance work (€644K) at shopping centers, in particular Città delle Stelle (Ascoli), Centro Borgo, and Le Maioliche. Decreases refer mainly to the sale of a unit at Centro Commerciale Leonardo.

As for fair value adjustments, investment property was revalued in the amount of €28,091K and written down by €6,801K, for a net positive impact of €21,290K. See section 1.8 on the real estate portfolio for further details.

Reclassifications refer to the recognition as investment property of the Esp expansion, which was previously listed as under construction.

### 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 measurement 30 June 2017 | | |
|---|---|---|---|
| | 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 in Italy:** | | | |
| Shopping malls and retail parks | | | 1,287,910 |
| City Center | | | 22,900 |
| Hypermarkets and supermarkets | | | 649,599 |
| Residual portions of property | | | 4,687 |
| **Total investment property Italy** | | | **1,965,096** |
| **Investment property Romania:** | | | |
| Shopping malls | | | 159,870 |
| PLOJESTI - Junior Office Building | | | 2,800 |
| **Total Romania** | | | **162,670** |
| **IGD Group: investment property** | | | **2,127,766** |
| **Total development initiatives** | | | **0** |
| **Porta a Mare project** | | | |
| Porta a Mare project | | | 27,770 |
| **Total trading properties** | | | **27,770** |
| **Total IGD Group investment property measured at fair value** | | | **2,155,536** |

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

## Note 15) Buildings

| | Balance at 01/01/2017 | Increases | Decreases | Depreciation | Balance at 30/06/2017 |
|---|---|---|---|---|---|
| Historical cost | 10,114 | | | | 10,114 |
| Accumulated depreciation | (1,740) | | | (120) | (1,860) |
| **Building** | **8,374** | **0** | **0** | **(120)** | **8,254** |

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

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

| | Balance at 01/01/2017 | Balance at 01/01/2017 | **Balance at 01/01/2017** | | | | Change in currency translation | | Balance at 30/06/2017 | Balance at 30/06/2017 | **Balance at 30/06/2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Historical cost | Accumulated depreciation | **Net carrying value** | Historical cost increases | Accumulated depreciations increases | 2017 Depreciation | Historical cost | Accumulated depreciation | Historical cost | Accumulated depreciation | **Net carrying value** |
| Plant and machinery | 3,111 | (2,779) | **332** | 4 | | (63) | | | 3,115 | (2,842) | **273** |
| Equipments | 5,447 | (4,124) | **1,323** | 9 | (25) | (179) | (4) | 2 | 5,452 | (4,326) | **1,126** |
| Leasehold improvements | 2,939 | (1,919) | **1,020** | | | (138) | | | 2,939 | (2,057) | **882** |

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the period. 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 01/01/2017 | Increases | Decreases | Reclassifications | (Impairment losses)/Reversals | Fair value changes | Currency translation gain/losses | Balance at 30/06/2017 |
|---|---|---|---|---|---|---|---|---|
| Assets under construction | 72,244 | 21,199 | | (55,256) | (20) | (142) | 0 | 38,025 |
| Advance payments | 2,760 | 404 | (731) | | | | 0 | 2,433 |
| **Assets under construction and advance payments** | **75,004** | **21,603** | **(731)** | **(55,256)** | **(20)** | **(142)** | **0** | **40,458** |

Assets under construction increased due to investments totalling €21,199K, including: *(i)* expansion of Gran Rondò shopping mall in Cremona (€1,916K); *(ii)* ongoing work at Officine Storiche (Porta a Mare, €692K); *(iii)* finishing work on the Esp expansion in Ravenna (€16,061K); *(iv)* improvements in earthquake proofing at Centro d'Abruzzo, Portogrande, Darsena, Città delle Stelle and le Porte di Napoli (€672K); *(v)* mall restyling at Centro Darsena and Città delle Stelle (€244K); *(vi)* extraordinary maintenance and fit-out work at various malls in Romania (€1,417K); and other minor improvements (€197K), mostly for roofing work at Katanè and Centro Sarca.

Reclassifications refer to investments completed during the half-year and reclassified as investment property (€55,256K), primarily the Esp expansion.

The Porto Grande expansion, recognized using the adjusted cost method, was written down by €20K to bring carrying amounts into line with the lower of cost and appraised fair value. Officine Storiche (Porta a Mare project), carried at fair value due to its advanced stage of construction, was written down by €142K. See section 1.8 on the real estate portfolio for further details.

Advances received during the half-year amounted to €404K. The decreases shown for advances (€731K) mostly reflect construction progress on the Esp expansion and on Officine Storiche.

## 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.

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Deferred tax assets | 0 | 10,938 | (10,938) |
| Deferred tax liabilities | 0 | (10,174) | 10,174 |
| **Net deferred tax assets** | **0** | **764** | **(764)** |

Deferred tax assets and deferred tax liabilities for the Italian companies are shown in detail below:

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Capital operations | 45 | 58 | (13) |
| Taxed provisions | 272 | 342 | (70) |
| Interest rate swaps | 5,305 | 6,493 | (1,188) |
| Impairment losses on inventories | 2,560 | 2,560 | 0 |
| Impairment losses on equity investment and financial receivables | 265 | 259 | 6 |
| Loss from tax consolidation | 1,163 | 1,163 | 0 |
| Property investments | 293 | 0 | 293 |
| Other effect | 61 | 63 | (2) |
| **Total deferred tax assets** | **9,964** | **10,938** | **(974)** |

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Property investments | 11,352 | 10,021 | 1,331 |
| Bonds | 10 | 15 | (5) |
| Interest rate swaps | 60 | 0 | 60 |
| Other effect | 146 | 138 | 8 |
| **Total deferred tax liabilities** | **11,568** | **10,174** | **1,394** |

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Net deferred tax assets | 0 | 764 | (764) |
| Net deferred tax liabilities | (1,604) | 0 | (1,604) |

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.

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.

At 30 June 2017, for the Italian companies, the balance of deferred tax assets of €9,964K and deferred tax liabilities of €11,568K was a net liability of €1,604K.

Deferred tax liabilities as shown in the statement of financial position therefore include the net deferred tax liabilities and deferred taxation on the real estate investments of the Romanian company WinMagazin.

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Romania property investments | 22,381 | 22,665 | (284) |
| Italian companies net deferred tax liabilities | 1,604 | 0 | 1,604 |
| **Total deferred tax liabilities** | **23,985** | **22,665** | **1,320** |

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

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Tax credit | 0 | 0 | 0 |
| Due to other | 23 | 23 | 0 |
| Security deposits | 66 | 66 | 0 |
| **Total sundry receivables and other non-current assets** | **89** | **89** | **0** |

Sundry receivables and other non-current assets are essentially in line with the previous year.

## Note 20) Equity investments

| | 31/12/2016 | Increases | Decreases | Revaluation/(Impairment) | Reclassification | 30/06/2017 |
|---|---|---|---|---|---|---|
| **Equity investment 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 | 6 | | | | | 6 |
| Arco Campus S.r.l. | 1,440 | | | (27) | | 1,413 |
| **Equity investment in associates** | | | | | | |
| Rgd Ferrara 2013 S.r.l. | 9 | 55 | | 2 | | 66 |
| Consorzio Millennium Center | 4 | | | | | 4 |
| UnipolSai Investimenti SGR S.p.A. | 0 | | | | | 0 |
| **Equity investment in other companies** | **157** | **0** | **0** | **(13)** | **0** | **144** |
| **Equity investments** | **1,685** | **55** | **0** | **(38)** | **0** | **1,702** |

The increase of €55K in RGD Ferrara 2013 S.r.l. concerns a capital contribution settled as the partial repayment of an outstanding loan. During the half-year, net impairment losses of €38K were charged to reflect the measurement of investments using the equity method.

## Note 21) Non-current financial assets

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| **Non-current financial assets** | 368 | 393 | (25) |

This item contains the interest-free loan granted to Iniziative Bologna Nord S.r.l (in liquidation) (€268K, net of a €405K writedown) and an interest-bearing loan of €100K granted to Fondazione Virtus Pallacanestro Bologna.

## Note 22) Work in progress inventory

| | 31/12/2016 | Increases | Decreases | Impairment | 30/06/2017 |
|---|---|---|---|---|---|
| Porta a Mare project | 57,710 | 370 | (4,035) | (2,195) | 51,850 |
| Advances | 43 | | | | 43 |
| **Inventories for work in progress and advances** | **57,753** | **370** | **(4,035)** | **(2,195)** | **51,893** |

Inventory for work in progress related to land, buildings (completed and under construction) and urban infrastructure works at the multifunctional complex in Livorno underwent: *(i)* an increase for work on the Officine Storiche section, totaling €370K; *(ii)* a decrease for the final sale during the period of 14 properties and 14 enclosed garage units (€4,035K); and (iii) a writedown to adjust carrying amount to the lower of cost and appraised fair value (€2,195K).

## Note 23) Trade and other receivables

| | 30/06/2017 | 31/12/2016 | *Change* |
|---|---|---|---|
| Trade and other receivables | 26,504 | 26,463 | 41 |
| Provision for doubtful accounts | (14,543) | (14,893) | 350 |
| **Trade and other receivables** | **11,961** | **11,570** | **391** |

Trade receivables, net of the provision for doubtful accounts, increased by €391K with respect to 31 December 2016. The provision for doubtful accounts reflects receivables not considered to be fully recoverable. The allocation for the half-year, €427K, was calculated based on the problems encountered with individual receivables recognized at 30 June and on all available information. The use of €766K from the provision concerns doubtful accounts/problem credits identified in previous years that were fully written off during the period.

Movements in the provision for doubtful accounts are shown below:

| Movements in provision for doubtful accounts | *30/06/2017* | *31/12/2016* |
|---|---|---|
| **Opening provision for doubtful account** | **14,893** | **15,149** |
| Translation effect | (5) | (8) |
| Uses | (766) | (1,331) |
| Writedowns/(uses) interest on late payment | (6) | 18 |
| Provisions | 427 | 1,205 |
| Darsena surplus | 0 | (180) |
| Transfer | 0 | 40 |
| **Provision for doubtful accounts at year-end** | **14,543** | **14,893** |

The following table shows receivables by geographical area:

| | **30/06/2017** | **31/12/2016** |
|---|---|---|
| Receivables Italy | 24,198 | 24,312 |
| Provision for doubtful account | (12,718) | (13,091) |
| **Net receivables Italy** | **11,480** | **11,221** |
| Receivables Romania | 2,306 | 21,515 |
| Provision for doubtful account | (1,824) | (1,802) |
| **Net receivables Romania** | **482** | **349** |

## Note 24) Related party trade and other receivables

| | 30/06/2017 | 31/12/2016 | *Change* |
|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 532 | 157 | 375 |
| Rgd Ferrara 2013 S.r.l. | 307 | 348 | (41) |
| Consorzio Leonardo | 0 | 1 | (1) |
| Consorzio I Bricchi | 1 | 33 | (32) |
| Alleanza Luce e Gas S.r.l. | 71 | 26 | 45 |
| Unicoop Tirreno Soc. Coop. | 38 | 86 | (48) |
| Consorzio del Commendone | 0 | 35 | (35) |
| Distribuzione Lazio Umbria S.r.l. | 0 | 2 | (2) |
| Librerie.Coop S.p.A. | 21 | 21 | 0 |
| Robintur S.p.A. | 2 | 0 | 2 |
| Consorzio Millenniun Center | 2 | 12 | (10) |
| Consorzio La Torre | 0 | 1 | (1) |
| Consorzio CC ESP | 21 | 0 | 21 |
| Consorzio Crema | 62 | 131 | (69) |
| Consorzio Porta a Mare | 51 | 57 | (6) |
| Consorzio Katané | 297 | 207 | 90 |
| Consorzio Clodì | 7 | 8 | (1) |
| Consorzio Punta di Ferro | 6 | 6 | 0 |
| Consorzio Sarca | 1 | 5 | (4) |
| **Related parties trade and other receivables** | **1,419** | **1,136** | **283** |

See Note 40 for details.

## Note 25) Other current assets

| | 30/06/2017 | 31/12/2016 | *Change* |
|---|---|---|---|
| *Tax credits* | | | |
| VAT credits | 4,185 | 10,532 | (6,347) |
| IRES credits | 384 | 445 | (61) |
| IRAP credits | 1,061 | 1,223 | (162) |
| *Due from others* | | | |
| Advances paid to suppliers | 30 | 3 | 27 |
| Accrued income and prepayments | 1,146 | 583 | 563 |
| Deferred costs | 50 | 119 | (69) |
| Other | 264 | 207 | 57 |
| **Other current assets** | **7,120** | **13,112** | **(5,992)** |

Other current assets decreased by €5,992K, due mainly to the use of a VAT credit, which was partially offset by an increase in accrued assets and prepayments for costs incurred but not pertaining to the year.

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

| | 30/06/2017 | 31/12/2016 | Changes |
|---|---|---|---|
| Related parties financial receivables | 416 | 151 | 265 |
| **Financial receivables and other current financial assets vs related parties** | **416** | **151** | **265** |

Financial assets from related parties refer to the €150K loan granted to RGD Ferrara 2013 S.r.l., charging interest at the 3-month Euribor plus 350 basis points, less €55K that was converted into a capital injection. During the half-year, a loan of €320K was granted to the subsidiary Arco Campus, charging interest at the 3-month Euribor plus 50 basis points.

## Note 27) Cash and cash equivalents

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Cash and cash equivalents | 2,679 | 2,994 | (315) |
| Cash on hand | 109 | 90 | 19 |
| **Cash and cash equivalents** | **2,788** | **3,084** | **(296)** |

Cash and cash equivalents at 30 June 2017 consisted mainly of current account balances at banks.

## Note 28) Net equity

| | 30/06/2017 | 31/12/2016 | *Change* |
|---|---|---|---|
| Share capital | 599,760 | 599,760 | 0 |
| Share premium reserve | 29,971 | 29,971 | 0 |
| **Other reserves** | **382,948** | **349,246** | **33,702** |
| Legal reserve | 119,952 | 119,952 | 0 |
| Merger surplus reserve | 557 | 0 | 557 |
| Cash Flow Hedge reserve | (18,120) | (21,364) | 3,244 |
| Cash Flow Hedge reserve - subsidiaries | 189 | (673) | 862 |
| Bond issue reserve | 14,865 | 29,596 | (14,731) |
| Share capital increase reserve | (6,156) | (6,156) | 0 |
| Recalculation of defined benefit plans | (154) | (154) | 0 |
| Recalculation of defined benefit plans - subsidiaries | (114) | (114) | 0 |
| Fair Value reserve | 276,316 | 232,522 | 43,794 |
| Translation reserve | (4,387) | (4,363) | (24) |
| **Group profit** | **63,680** | **81,724** | **(18,044)** |
| Group profit (loss) carried forward | 14,736 | 13,395 | 1,341 |
| Gorup profit (loss) for the period | 48,944 | 68,329 | (19,385) |
| **Total Group net equity** | **1,076,359** | **1,060,701** | **15,658** |
| Non-controlling interest in capital and reserve | 0 | 10,150 | (10,150) |
| Non-controlling interest profit (loss) | 0 | (1,425) | 1,425 |
| **Non-controlling interes capital and reserves** | **0** | **8,725** | **(8,725)** |
| **Total net equity** | **1,076,359** | **1,069,426** | **6,933** |

The following actions taken during the period were approved by the annual general meeting held to approve the 2016 financial statements: *(i)* allocation of the parent's 2016 profit to the fair value reserve, in the amount of €20,372K; *(ii)* distribution of €36,587K in dividends for 2016, through use of the bond issue reserve for €14,731K and profit carried forward for the remainder.

Because of the absorption of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A. by the parent, the Group's profit carried forward has been reclassified with €557K attributed to the goodwill reserve and €23,422K to the fair value reserve.

Other movements in net equity include the adjustment of the cash flow hedge reserves for outstanding derivatives (+€3,244K for the parent and +€862K for a subsidiary), changes in the translation reserve for the conversion of financial statements expressed in a currency other than the euro (-€24K), and the parent's share of net profit for the half-year (€48,944K).

Due to the buy-back of the 20% interest in Porta Medicea S.r.l., there were no non-controlling interests as of 30 June 2017. The excess price paid with respect to the value of the equity acquired (€781K) has been recognized under Group profit (loss) carried forward.

## 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 | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|---|
| ***Mortgage loans*** | | **297,822** | **314,904** | **(17,082)** |
| 04 BNL Rimini IGD MALATESTA - Rimini | 06/09/2006 - 06/07/2021 | 6,492 | 7,490 | (999) |
| 09 Interbanca IGD | 25/09/2006 - 05/10/2021 | 50,346 | 57,023 | (6,677) |
| 05 BreBanca IGD MONDOVICINO (Galleria) | 23/11/2006 - 10/01/2023 | 6,045 | 6,560 | (515) |
| 08 Carisbo Guidonia IGD TIBURTINO | 27/03/2009 - 27/03/2024 | 45,109 | 47,102 | (1,994) |
| 06 Unipol Lungosavio IGD | 31/12/2008 - 31/12/2023 | 7,329 | 7,644 | (315) |
| 01 Unipol SARCA | 10/04/2007 - 06/04/2027 | 66,857 | 68,350 | (1,493) |
| 07 Carige Nikefin Asti I BRICCHI | 31/12/2008 - 31/03/2024 | 19,430 | 20,168 | (737) |
| 13 CR Veneto Mondovi (Retail Park) | 08/10/2009 - 01/11/2024 | 18,095 | 18,896 | (801) |
| 10 Mediocredito Faenza IGD | 05/10/2009 - 30/06/2029 | 10,216 | 10,680 | (465) |
| 14 MPS Palermo (Galleria) | 21/12/2010 - 30/11/2025 | 22,399 | 23,378 | (979) |
| 17 Carige Palermo IGD (Iper) | 12/07/2011 - 30/06/2027 | 15,972 | 16,770 | (798) |
| 15 CentroBanca Cone (Galleria) | 22/12/2010 - 31/12/2025 | 29,532 | 30,843 | (1,310) |
| | | | | |
| ***Due to bonds*** | | **674,754** | **574,141** | **100,613** |
| Bond 100 ML | 11/01/2017- 11/01/2024 | 99,371 | 0 | 99,371 |
| Bond 150 ML | 07/05/2014 - 07/01/2019 | 124,362 | 124,192 | 170 |
| Bond 162 ML | 21/04/2015 - 21/04/2022 | 153,037 | 152,205 | 832 |
| Bond 300 ML | 31/05/2016 - 31/05/2021 | 297,984 | 297,744 | 240 |
| | | | | |
| **Due to other sources of finance** | | **4,090** | **4,251** | **(161)** |
| Sardaleasing per sede Bologna | 30/04/2009 - 30/04/2027 | 4,090 | 4,251 | (161) |
| | | | | |
| **Non-current financial liabilities** | | **976,666** | **893,296** | **83,370** |

### *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 average interest rate on adjustable-rate mortgage loans at 30 June 2017 was 0.91%.

### *Bonds*

The increase in this item refers to a new €100 million bond loan issued on 11 January 2017, the terms of which are reported in section 1.7 on significant events. Additional transaction costs came to €671K.

Details of outstanding bonds are presented in the table below:

| | Non-current portion | Current portion | | | | Non-current portion | Current portion | | |
|---|---|---|---|---|---|---|---|---|---|
| **Debts for bonds** | **31/12/2016** | **31/12/2016** | **Bond issue** | **Ancillary cost amortization at 30/06/2017** | **Financial charges at 30/06/2017** | **30/06/2017** | **30/06/2017** | **Nominal interest rate** | **Actual interest rate** |
| Bond 150 ML | 124,900 | | | | | 124,900 | | | |
| Additional transaction cost | (708) | | | 170 | | (538) | | | |
| Coupon rate 31.12.2016 | | 4,747 | | | (4,747) | | | | |
| Interests paid | | | | | 4,840 | | | | |
| Coupon rate 30.06.2017 | | | | | 2,307 | | 2,307 | | |
| **Total Bond 150 ML** | **124,192** | **4,747** | **0** | **170** | **2,400** | **124,362** | **2,307** | **3.875%** | **4.17%** |
| Bond 122,90ML | | 6,785 | (6,785) | | | | 0 | | |
| Additional transaction cost | | (16) | | 16 | | | 0 | | |
| Coupon rate 31.12.2016 | | 192 | | | (192) | | | | |
| Interests paid | | | | | 294 | | | | |
| Coupon rate 30.06.2017 | | | | | 0 | | 0 | | |
| **Total Bond 122,90ML** | **0** | **6,961** | **(6,785)** | **16** | **102** | **0** | **0** | **4.335%** | **5.07%** |
| Bond 22 ML | | 1,215 | (1,215) | | | | 0 | | |
| Additional transaction cost | | (1) | | 1 | | | 0 | | |
| Coupon rate 31.12.2016 | | 34 | | | (34) | | | | |
| Interests paid | | | | | 52 | | | | |
| Coupon rate 30.06.2017 | | | | | 0 | | 0 | | |
| **Total Bond 22 ML** | **0** | **1,248** | **(1,215)** | **1** | **18** | **0** | **0** | **4.335%** | **4.63%** |
| Bond 162 ML | 162,000 | | | | | 162,000 | | | |
| Additional transaction cost | (9,795) | | | 832 | | (8,963) | | | |
| Coupon rate 31.12.2016 | | 2,987 | | | (2,987) | | | | |
| Interests paid | | | | | 4,293 | | | | |
| Coupon rate 30.06.2017 | | | | | 823 | | 823 | | |
| **Total Bond 162 ML** | **152,205** | **2,987** | **0** | **832** | **2,129** | **153,037** | **823** | **2.65%** | **3.94%** |
| Bond 300 ML | 300,000 | | 0 | | | 300,000 | | | |
| Additional transaction cost | (2,256) | | | 240 | | (2,016) | | | |
| Coupon rate 31.12.2016 | | 4,397 | | | (4,397) | | | | |
| Interests paid | | | | | 7,500 | | | | |
| Coupon rate 30.06.2017 | | | | | 617 | | 617 | | |
| **Total Bond 300 ML** | **297,744** | **4,397** | **0** | **240** | **3,720** | **297,984** | **617** | **2.50%** | **2,80%*** |
| * including the effect of the Cash Flow Hedge reserve | | | | | | | | | |
| Bond 100 ML | | | 100,000 | | | 100,000 | | | |
| Additional transaction cost | | | (671) | 42 | | (629) | | | |
| Coupon rate 31.12.2016 | | | | | | | | | |
| Interests paid | | | | | | | | | |
| Coupon rate 30.06.2017 | | | | | 1,057 | | 1,057 | | |
| **Total Bond 100 ML** | | | **99,329** | **42** | **1,057** | **99,371** | **1,057** | **2.25%** | **2.35%** |
| **Total bonds** | **574,141** | **20,340** | **91,329** | **1,301** | **9,425** | **674,754** | **4,804** | | |
| | | | | | | | | | |
| **Cash Flow Hedge reserve (bond 300 ML)** | **(1,476)** | | | **156** | | **(1,320)** | | | |
| | | | | | | | | | |
| **Total financial charges** | | | | **1,457** | **9,425** | | | | |

## Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 30 June 2017.

| Name | Property | Owner | Type of product | Counterparty | Start date | End date | Repayment | Covenant | Indicator i) | Indicator ii) | Indicator iii) | Indicator iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 04 BNL Rimini IGD | MALATESTA - Rimini | IGD SIIQ S.p.A. | Loan | Banca Nazionale del Lavoro | 06/09/2006 | 06/07/2021 | Straight-line amortization of principal: €2mn p.a. | Financial condition of IGD SIIQ S.p.A.: ratio of net debt (including derivative assets and liabilities) to difference between equity and dividends approved for the year must not exceed 2 through to maturity | 0.85 | | | |
| 05 BreBanca IGD | MONDOVICINO (mall) | IGD SIIQ S.p.A. | Mortgage | Banca Regionale Europea | 23/11/2006 | 10/01/2023 | Amortization with increasing principal | | | | | |
| 01 Unipol Larice | SARCA (mall) | IGD Management S.r.l. | Mortgage | Unipol Merchant | 10/04/2007 | 06/04/2027 | Straight-line amortization of principal: €3mn p.a.; balloon payment: €40.7mn | Certified consolidated financial statements ratio of net debt (including derivative assets and liabilities) to equity must not exceed 2.3 | 1.02 | | | |

| Name | Property | Owner | Type of product | Counterparty | Start date | End date | Repayment | Covenant | Indicator i) | Indicator ii) | Indicator iii) | Indicator iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 06 Unipol Lungosavio IGD | LUNGO SAVIO - Cesena (mall) | IGD SIIQ S.p.A. | Mortgage | Unipol Merchant | 31/12/2008 | 31/12/2023 | Amortization with increasing principal and balloon payment of €3.6mn | | | | | |
| 07 Carige Nikefin Asti | I BRICCHI - Isola D'Asti (mall) | IGD SIIQ S.p.A. | Mortgage | Banca Carige | 31/12/2008 | 31/03/2024 | Amortization with increasing principal and balloon payment of €9.5mn | | | | | |
| 08 Carisbo Guidonia IGD | TIBURTINO - Guidonia (mall + hypermarket) | IGD SIIQ S.p.A. | Mortgage | Cassa di Risparmio di Bologna | 27/03/2009 | 27/03/2024 | Straight-line amortization of principal: €4.1mn p.a.; balloon payment: €24mn | Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity | 1.02 | | | |
| 09 Interbanca IGD | Iper LUGO - Ravenna, Iper MAESTRALE - Senigallia, Iper MIRALFIORE - Pesaro, CENTRO D'ABRUZZO - Pescara (hyper), LE PORTE DI NAPOLI - Afragola (hyper) - PORTO GRANDE (hyper+mall), hyper LEONARDO | IGD SIIQ S.p.A. | Loan | GE Capital | 25/09/2006 | 05/10/2021 | Amortization with increasing principal | Consolidated financial statements: ratio of net debt (including derivative assets liabilities) to equity must not exceed 2, from 31/12/2006 to maturity | 1.02 | | | |
| 10 Mediocredito Faenza IGD | LE MAIOLICHE - Faenza (hypermarket) | IGD SIIQ S.p.A. | Loan | Mediocredito Banca S.p.A. | 05/10/2009 | 30/06/2029 | Straight-line amortization of principal: €0.94mn p.a. | IGD SIIQ S.p.A. financial statements: ratio of external net debt to equity + intercompany loans must not exceed 2.7 | 0.99 | | | |
| 14 MPS Palermo | Palermo (mall) | IGD SIIQ 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% | 1.02 | 47.00% | | |
| 15 CentroBanca Conè mall | Conè (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 | 1.02 | | | |
| 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 | 1.02 | | | |
| 17 Carige Palermo IGD | Palermo (hypermarket) | IGD SIIQ S.p.A. | Mortgage | Banca Carige | 12/07/2011 | 30/06/2027 | Amortization with increasing principal | | | | | |

| Name | Property | Owner | Type of product | Counterparty | Start date | End date | Repayment | Covenant | Indicator i) | Indicator ii) | Indicator iii) | Indicator iv) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 24 Notes 3.875% - Due 07/01/2019 | unsecured | IGD SIIQ S.p.A. | Bond | Paying Agent - BNP Paribas | 07/05/2014 | 07/01/2019 | Bullet | i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00. | 47.87% | 2.80 | 14.92% | 1.93 |
| 26 Notes 2.65% - 21/04/2022 | unsecured | IGD SIIQ S.p.A. | Bond | Paying Agent - BNP Paribas | 21/04/2015 | 21/04/2022 | Bullet | i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00. | 47.87% | 2.80 | 14.92% | 1.93 |
| 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) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.7; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.25 | 47.87% | 2.80 | 14.92% | 1.93 |
| 28 Notes 2.25% - 11/01/2024 | unsecured | IGD SIIQ S.p.A. | Bond | Paying Agent - Deutsche Bank | 11/01/2017 | 11/01/2024 | Bullet | i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.7; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.50 | 47.87% | 2.80 | 14.92% | 1.93 |

## Note 30) Provision for employee severance indemnities

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

| | Balance at 01/01/2017 | Actuarial gain/(losses) | Utilization | Allocation | Financial charges IAS 19 | Balance at 30/06/2017 |
|---|---|---|---|---|---|---|
| **Provisions for employees severance indemnities** | 2,530 | 0 | (60) | 174 | 20 | 2,664 |

The following charts show the demographic and financial assumptions used:

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

| *FINANCIAL ASSUMPTIONS* | *2017* |
|---|---|
| Cost of living increase | 1.5% |
| Discount rate | 1.62% |
| Increase in total compensation | Executives 2.5% White collar/Middle managers 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.

## Note 31) General provisions

| | 31/12/2016 | Utilization | Allocations | 30/06/2017 |
|---|---|---|---|---|
| Provision for taxation | 1,239 | | 108 | 1,347 |
| Provision for bonus | 942 | (942) | 503 | 503 |
| Other general provisions | 2,783 | | | 2,783 |
| **Total general provisions** | **4,964** | **(942)** | **611** | **4,633** |

***Provision for taxation***

This provision covers the charges that might arise from tax audits and other likely tax liabilities. The increase consists mainly 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 2018 on the basis of the Group's 2017 estimated results. The utilization refers to the payment made in the first half of 2017.

***Other general provisions***

These cover the risks arising from litigation in course, as well as probable future expenses. See Note 45 for further information.

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

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Deferred income | 5,927 | 5,931 | (4) |
| Payables for substitute tax | 2,898 | 4,405 | (1,507) |
| Other liabilities | 390 | 371 | 19 |
| **Sundry payables and other non-current liabilities** | **9,215** | **10,707** | **(1,492)** |

Deferred income concerns the City of Livorno for additional secondary urban infrastructure works as provided for by contract (€2,477K) and works to be delivered to Porta a Mare S.p.A. (€3,450K). The decrease of €4K 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 on the investment property Punta di Ferro, 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:

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Security deposits from Coop Alleanza 3.0 Soc. Coop. | 11,526 | 11,514 | 12 |
| Security deposits from Unicoop Tirreno Soc. Coop. | 1,013 | 1,013 | 0 |
| Security deposits from Distribuzione Centro Sud S.r.l. | 450 | 450 | 0 |
| Security deposits from Distribuzione Lazio Umbria S.r.l. | 942 | 942 | 0 |
| Security deposits from Alleanza Luce e Gas S.r.l. | 30 | 30 | 0 |
| **Related parties sundry payables and other non-current liabilities** | **13,961** | **13,949** | **12** |

Security deposits refer to the sums advanced on the leasing of hypermarkets and malls. They pay interest at the rates provided for by law. See Note 40 for additional information.

## Note 33) Current financial liabilities

| | Duration | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|---|
| Banca Pop. Emilia Romagna - Ultra short-term | 16/06/2017 - 24/07/2017 | 3,000 | 0 | 3,000 |
| Banca Pop. Emilia Romagna - Ultra short-term | 22/05/2017 - 24/07/2017 | 10,000 | 0 | 10,000 |
| Banca Pop. Emilia Romagna - Ultra short-term | 26/06/2017 - 24/07/2017 | 5,000 | 0 | 5,000 |
| Banca Regionale Europea Ultra short-term | 05/06/2017 - 04/08/2017 | 3,500 | 0 | 3,500 |
| Banca Pop. Emilia Romagna - Ultra short-term | 24/11/2016 - 12/01/2017 | 0 | 31,000 | (31,000) |
| Bnl - Bologna | 22/05/2017 - 24/07/2017 | 7,500 | 10,001 | (2,501) |
| Carisbo - Ultra short-term | 29/06/2017 - 29/09/2017 | 4,000 | 0 | 4,000 |
| Banco Popolare - Ultra short-term | 13/12/2016 - 12/01/2017 | 0 | 12,500 | (12,500) |
| Cassa di Risparmio del Veneto | 13/12/2016 - 12/01/2017 | 0 | 18,502 | (18,502) |
| Mps - Ultra short-term | 23/06/2017 - 24/07/2017 | 5,000 | 8,500 | (3,500) |
| Bnl - Bologna | 23/05/2017 - 04/07/2017 | 10,000 | 8,541 | 1,459 |
| Mps - Ultra short-term | 29/06/2017 - 29/07/2017 | 4,000 | 0 | 4,000 |
| Banca Regionale Europea Ultra short-term | 23/05/2017 - 24/07/2017 | 12,000 | 20,000 | (8,000) |
| Banca Pop. di Milano | at sight | 2 | 0 | 2 |
| Banca Carige | at sight | 0 | 21 | (21) |
| Emilbanca c/c | at sight | 0 | 1,489 | (1,489) |
| ***Total due to banks*** | | **64,002** | **110,554** | **(46,552)** |
| | | | | |
| 04 BNL Rimini IGD MALATESTA - Rimini | 06/09/2006 - 06/07/2021 | 2,001 | 2,002 | (1) |
| 05 BreBanca IGD MONDOVICINO (Mall) | 23/11/2006 - 10/01/2023 | 1,035 | 1,009 | 26 |
| 06 Unipol Lungosavio IGD | 31/12/2008 - 31/12/2023 | 622 | 603 | 19 |
| 09 Interbanca IGD | 25/09/2006-05/10/2021 | 13,388 | 13,145 | 243 |
| 08 Carisbo Guidonia IGD TIBURTINO | 27/03/2009 - 27/03/2024 | 4,131 | 4,134 | (3) |
| 01 Unipol SARCA | 10/04/2007 - 06/04/2027 | 3,044 | 3,049 | (5) |
| 07 Carige Nikefin Asti I BRICCHI | 31/12/2008 - 31/03/2024 | 1,460 | 1,414 | 46 |
| 13 CR Veneto Mondovi (Retail Park) | 08/10/2009 - 01/11/2024 | 1,710 | 1,714 | (4) |
| 10 Mediocredito Faenza IGD | 05/10/2009 - 30/06/2029 | 933 | 934 | (1) |
| 14 MPS Palermo (Mall) | 21/12/2010 - 30/11/2025 | 1,987 | 1,962 | 25 |
| 17 Carige Palermo IGD (Hyper) | 12/07/2011 - 30/06/2027 | 1,588 | 1,572 | 16 |
| 15 CentroBanca Cone (Mall) | 22/12/2010 - 31/12/2025 | 2,640 | 2,640 | 0 |
| ***Total mortgage loans*** | | **34,539** | **34,178** | **361** |
| | | | | |
| Leasing Igd HQ | 30/04/2009 - 30/04/2027 | 318 | 313 | 5 |
| Other financial payables due to business unit purchase | | 0 | 375 | (375) |
| ***Total due to other sources of finance*** | | **318** | **688** | **(370)** |
| | | | | |
| Bond 122,9 ML | 07/05/2013 - 07/05/2017 | 0 | 6,961 | (6,961) |
| Bond 22 ML | 07/05/2013 - 07/05/2017 | 0 | 1,248 | (1,248) |
| Bond 100 ML | 11/01/2017- 11/01/2024 | 1,057 | 0 | 1,057 |
| Bond 150 ML | 07/05/2014 - 07/01/2019 | 2,307 | 4,747 | (2,440) |
| Bond 162 ML | 21/04/2015 - 21/04/2022 | 823 | 2,987 | (2,164) |
| Bond 300 ML | 31/05/2016 - 31/05/2021 | 617 | 4,397 | (3,780) |
| ***Total due to bonds*** | | **4,804** | **20,340** | **(15,536)** |
| | | | | |
| **Current financial liabilities** | | **103,663** | **165,760** | **(62,097)** |

Current financial liabilities with third parties include the current portion of lease payments on the new head office and the current portion of outstanding mortgage and bond loans (including interest accrued).

The principal changes in current financial liabilities relate to:

- ✓ the reduction in ultra-short-term credit lines;
- ✓ 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 bond loan that matured on 7 May 2017.

## Note 34) Net financial position

The table below presents the net financial position at 30 June 2017 and 31 December 2016. At neither date does it include derivatives held for hedging purposes, which by nature do not constitute monetary assets or liabilities.
Uncommited credit facilities with banks amount to €291 million, of which €225.29 million was unutilized at the close of the period.
Committed revolving credit facilities with banks, unutilized at 30 June, amount to €60 million.
See the section "Statement of financial position and financial review" of the Directors' Report for comments.

| NET DEBT | 30/06/2017 | 31/12/2016 |
|---|---|---|
| Cash and cash equivalents | (2,788) | (3,084) |
| Financial receivables and other current financial assets vs related parties | (416) | (151) |
| **LIQUIDITY** | **(3,204)** | **(3,235)** |
| Current financial liabilities | 64,002 | 110,929 |
| Mortgage loans - current portion | 34,539 | 34,178 |
| Leasing - current portion | 318 | 313 |
| Bonds - current portion | 4,804 | 20,340 |
| **CURRENT DEBT** | **103,663** | **165,760** |
| **CURRENT NET DEBT** | **100,459** | **162,525** |
| Non-current financial liabilities | (368) | (393) |
| Leasing - non-current portion | 4,090 | 4,251 |
| Non-current financial liabilities | 297,822 | 314,904 |
| Bonds | 674,754 | 574,141 |
| **NON-CURRENT NET DEBT** | **976,298** | **892,903** |
| **NET DEBT** | **1,076,757** | **1,055,428** |

## Note 35) Trade and other payables

| | 30/06/2017 | 31/12/2016 | Changes |
|---|---|---|---|
| Trade and other payables | 19,764 | 15,634 | 4,130 |

The increase in trade payables reflects construction and contract work carried out during the half-year, particularly for the expansion of Esp Ravenna and the expansion of the Gran Rondò shopping center in Crema.

## Note 36) Related party trade and other payables

| | 30/06/2017 | 31/12/2016 | Changes |
|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 168 | 196 | (28) |
| Consorzio Lame | 8 | 12 | (4) |
| Consorzio La Torre | 6 | 18 | (12) |
| Consorzio Cone' | 0 | 2 | (2) |
| Consorzio CC ESP | 2 | 0 | 2 |
| Consorzio Katané | (2) | 0 | (2) |
| Consorzio Porta a Mare | 52 | 6 | 46 |
| Consorzio Centro Le Maioliche | 0 | 1 | (1) |
| Consorzio Leonardo | 1 | 27 | (26) |
| Consorzio I Bricchi | 38 | 0 | 38 |
| Unicoop Tirreno Soc. Coop. | 1,042 | 1,013 | 29 |
| Consorzio Sarca | 0 | 29 | (29) |
| DistribuzioneCentro Sud S.r.l. | 1 | 1 | 0 |
| Consorzio Crema | 0 | 24 | (24) |
| Consorzio prop. Fonti del Corallo | 14 | 6 | 8 |
| Distribuzione Lazio Umbria S.r.l. | 0 | 2 | (2) |
| Consorzio del Commendone | (1) | 63 | (64) |
| Consorzio Punta di Ferro | 0 | 28 | (28) |
| **Related parties trade and other payables** | **1,329** | **1,428** | **(99)** |

Trade and other payables with related parties were essentially in line with the previous year. See Note 40 for additional information.

## Note 37) Current tax liabilities

| | 30/06/2017 | 31/12/2016 | Changes |
|---|---|---|---|
| Debt due to the tax administration for taxes w ithheld | 2,307 | 560 | 1,747 |
| Irap | 4 | 12 | (8) |
| Ires | 209 | 169 | 40 |
| VAT | 563 | 125 | 438 |
| Drainage consortium | 0 | 0 | 0 |
| Other taxes | 29 | 9 | 20 |
| Substitute tax | 1,528 | 1,521 | 7 |
| **Tax liabilities** | **4,640** | **2,396** | **2,244** |

Most of the change, totaling €2,244K, concerns the increase in tax due by the parent company for withholding charged on dividends, to be paid in July 2017.

## Note 38) Other current liabilities

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Social security | 355 | 376 | (21) |
| Accrued liabilities and deferred income | 1,714 | 504 | 1,210 |
| Insurance | 8 | 8 | 0 |
| Due to employees | 839 | 711 | 128 |
| Social security | 5,090 | 5,069 | 21 |
| Unclaimed dividends | 5 | 1 | 4 |
| Advance received and due w ithin one year | 463 | 79 | 384 |
| Amounts due to directors for emoluments | 67 | 259 | (192) |
| Amounts due to auditors for emoluments | 1 | 5 | (4) |
| Other liabilities | 1,118 | 702 | 416 |
| **Other current liabilities** | **9,660** | **7,714** | **1,946** |

The increase in accrued liabilities and deferred income is due mainly to invoices issued during the half-year but not pertaining to the period. Advances received were on the rise in connection with the residential units in Livorno that have been sold under preliminary contracts.

Related party payables are shown below:

| | 30/06/2017 | 31/12/2016 | Change |
|---|---|---|---|
| Other payables | 14 | 21 | (7) |
| **Related parties current liabilities** | **14** | **21** | **(7)** |

Current liabilities with related parties were unchanged with respect to the previous year. See Note 40 for additional information.

## Note 39) Dividends

During the year, as determined by the Annual General Meeting held to approve the 2016 financial statements on 12 April 2017, a dividend of €0.045 was paid for each of the 813,045,631 shares outstanding, for a total of €36,587,053.40.

## Note 40) 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. | 532 | 0 | 168 | 11,526 | 0 | 0 | 2 | |
| Robintur S.p.A. | 2 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Librerie.Coop S.p.A. | 21 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Allaeanza Luce e Gas S.r.l. | 71 | 0 | 0 | 30 | 0 | 0 | 0 | |
| Unicoop Tirreno Soc. Coop. | 38 | 0 | 1,056 | 1,013 | 0 | 0 | 0 | |
| Consorzio prop. Fonti del Corallo | 0 | 0 | 14 | 0 | 0 | 0 | 1 | |
| Consorzio Clodì | 7 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio Crema | 62 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio CC ESP | 21 | 0 | 2 | 0 | 0 | 0 | 0 | |
| Consorzio I Bricchi | 1 | 0 | 38 | 0 | 0 | 0 | 0 | |
| Consorzio Katané | 297 | 0 | -2 | 0 | 0 | 0 | 0 | |
| Consorzio Lame | 0 | 0 | 8 | 0 | 0 | 0 | 0 | |
| Consorzio Leonardo | 0 | 0 | 1 | 0 | 0 | 0 | 4 | |
| Consorzio La Torre | 0 | 0 | 6 | 0 | 0 | 0 | 3 | |
| Consorzio Millenniun Center | 2 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio Punta di Ferro | 6 | 0 | 0 | 0 | 0 | 0 | 13 | |
| Consorzio Porta a Mare | 51 | 0 | 52 | 0 | 0 | 0 | 0 | |
| Consorzio Sarca | 1 | 0 | 0 | 0 | 0 | 0 | 0 | |
| DistribuzioneCentro Sud S.r.l. | 0 | 0 | 1 | 450 | 0 | 0 | 0 | |
| Distribuzione Lazio Umbria S.r.l. | 0 | 0 | 0 | 942 | 0 | 0 | 0 | |
| Iniziative Bo Nord s.r.l. in liquidazione | 0 | 268 | 0 | 0 | 0 | 0 | 0 | |
| Consorzio del Commendone | 0 | 0 | -1 | 0 | 0 | 0 | 0 | |
| Rgd ferrara 2013 S.r.l. | 307 | 96 | 0 | 0 | 0 | 0 | 0 | |
| Arco Campus s.r.l. | 0 | 320 | 0 | 0 | 0 | 0 | 0 | |
| **Total** | **1,419** | **684** | **1,343** | **13,961** | **0** | **0** | **23** | **0** |
| | | | | | | | | |
| **Amount reported** | **72,393** | **784** | **30,767** | **23,176** | **1,080,329** | **89** | | |
| **Total increase/decrease of the period** | | | | | | | **22,261** | **908** |
| **% effect** | **1.96%** | **87.24%** | **4.37%** | **60.24%** | **0.00%** | **0.00%** | **0.10%** | **0.00%** |

| Related party disclosures | REVENUES AND OTHER INCOME | FINANCIAL INCOME | COSTS | FINANCIAL CHARGES |
|---|---|---|---|---|
| Coop Alleanza 3.0 Soc. Coop. | 13,897 | 0 | 169 | 6 |
| Robintur S.p.A. | 113 | 0 | 0 | 0 |
| Librerie.Coop S.p.A. | 431 | 0 | 0 | 0 |
| Allaeanza Luce e Gas S.r.l. | 90 | 0 | 0 | 0 |
| Unicoop Tirreno Soc. Coop. | 1,669 | 0 | 42 | 1 |
| Consorzio Cone' | 82 | 0 | 65 | 0 |
| Consorzio Clodì | 27 | 0 | 41 | 0 |
| Consorzio Crema | 20 | 0 | 42 | 0 |
| Consorzio CC ESP | 17 | 0 | 14 | 0 |
| Consorzio I Bricchi | 56 | 0 | 253 | 0 |
| Consorzio Katané | 101 | 0 | 172 | 0 |
| Consorzio Lame | 90 | 0 | 0 | 0 |
| Consorzio Leonardo | 115 | 0 | 0 | 0 |
| Consorzio La Torre | 98 | 0 | 133 | 0 |
| Consorzio Millenniun Center | 51 | 0 | 21 | 0 |
| Consorzio Punta di Ferro | 82 | 0 | 67 | 0 |
| Consorzio Porta a Mare | 38 | 0 | 125 | 0 |
| Consorzio Sarca | 30 | 0 | 0 | 0 |
| DistribuzioneCentro Sud S.r.l. | 760 | 0 | 0 | 0 |
| Distribuzione Lazio Umbria S.r.l. | 1,272 | 0 | 0 | 0 |
| Coop Sicilia S.p.A. | 2,585 | 0 | 0 | 0 |
| Consorzio del Commendone | 72 | 0 | 43 | 0 |
| Consorzio Centro Le Maioliche | 85 | 0 | 55 | 0 |
| R.P.T. Robintur Travel Partner S.r.l. | 8 | 0 | 0 | 0 |
| Rgd ferrara 2013 S.r.l. | 269 | 2 | 0 | 0 |
| **Total** | **22,058** | **2** | **1,242** | **7** |
| | | | | |
| **Amount reported** | **75,660** | **56** | **21,880** | **17,625** |
| **% effect** | **29.15%** | **3.57%** | **5.68%** | **0.04%** |

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 the first half of 2017, including for retail premises, amounted to €13.9 million;
- the provision of IT services by Coop Alleanza 3.0. Soc. Coop.;
- security deposits received on leases;

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the period ended 30 June 2017, €113K in rent was received from Robintur S.p.A. and €8K from R.P.T. Robintur Travel Partner S.r.l.

Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the half-year, the Group received €431K under this arrangement.

Transactions with Alleanza Luce e Gas S.r.l. refer to the rental of part of the second floor of the building where IGD has its head office. For the half-year, the Group received €89K 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 €760K, as well as security deposits received on leases.

Transactions with Coop Sicilia S.p.A., owned 100% by Coop Alleanza 3.0 Soc. Coop., concern receivables and income from the leasing of properties used as hypermarkets.  In the period ended 30 June 2017 such income amounted to €2.6 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 half-year, the Group received €1.7 million under these arrangements.

Transactions with Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno) refer to the lease to that company of the Casilino hypermarket and the Civita Castellana supermarket for €1.3 million, 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 €405K).

Transactions with RGD Ferrara 2013 S.r.l., formed on 30 September 2013 to manage the Darsena City shopping center in Ferrara (a joint venture between IGD and Beni Stabili), consist of: (*i*) rental of the Darsena property by IGD (rent for the first half of 2017 amounted to €269K) and (*ii*) an interest-bearing loan in the amount of €95K, with interest charged at the 3-month Euribor plus a spread of 350 basis points.

During the half-year, a loan of €320K was granted to the subsidiary Arco Campus, charging interest at the 3-month Euribor plus 50 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 94.5% 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 0.97x at 31 December 2016 and 0.98x at 30 June 2017);
2. keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50% (it was 48.51% at the close of the half-year, compared with 48.25% at the end of 2016).

## Note 42) Derivative instruments

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

| Fair value - hierarchy | 30/06/2017 | 31/12/2016 | Change | Level |
|---|---|---|---|---|
| Derivative assets | 249 | 0 | 249 | 2 |
| Derivative liabilities | (22,920) | (28,748) | 5,828 | 2 |
| **Interest rate Swaps - net effect** | **(22,671)** | **(28,748)** | **6,077** | |

| 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 | 10,705,500 | 10,705,500 | 10,705,500 | 10,705,500 | 7,060,329 | 10,705,500 | 10,705,500 |
| Inception date | 6/10/2009 | 6/10/2009 | 6/11/2009 | 6/12/2009 | 2/12/2009 | 10/27/2009 | 10/28/2009 |
| Maturity | 10/5/2021 | 10/5/2021 | 10/5/2021 | 10/5/2021 | 1/10/2023 | 10/5/2021 | 10/5/2021 |
| 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 | 6,286,641 | 12,540,750 | 8,382,188 | 7,964,111 | 6,286,641 | 12,540,750 | 12,540,750 |
| Inception date | 4/28/2010 | 8/27/2010 | 4/28/2010 | 4/28/2010 | 4/30/2010 | 8/31/2010 | 8/27/2010 |
| Maturity | 3/31/2024 | 3/27/2024 | 3/28/2024 | 12/29/2023 | 3/28/2024 | 3/27/2024 | 3/27/2024 |
| 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 29 – BNL 0,5925% | IRS 30 – BIntesa 0,5925% |
|---|---|---|---|---|---|---|---|---|
| Nominal amount | 12,540,750 | 9,642,857 | 20,100,000 | 16,170,000 | 6,468,000 | 9,702,000 | 34,625,000 | 34,625,000 |
| Inception date | 8/27/2010 | 7/12/2011 | 7/12/2011 | 9/12/2011 | 9/12/2011 | 9/12/2011 | 6/8/2017 | 6/8/2017 |
| Maturity | 3/27/2024 | 3/31/2024 | 11/1/2024 | 12/31/2025 | 12/31/2025 | 12/31/2025 | 4/6/2027 | 4/6/2027 |
| IRS frequency | Quarterly | Quarterly | Half-yearly | Quarterly | 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 | Euribor 3 months |
| Customer rate | 2.29% | 2.80% | 3.25% | 2.43% | 2.43% | 2.43% | 0.59% | 0.59% |

## Note 43) Subsequent events

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

## Note 44) Commitments

At 30 June 2017 the Group had the following major commitments:

- Contract with C.M.B. for the development of the Officine Storiche section, for a remaining amount of €22.6 million.
- Rent due for the Centro Nova, Centro Piave and Fonti del Corallo malls: the estimated liability to be settled by the end of 2017 comes to €5,023K, 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.
- Contract for the construction of a multi-level parking garage at Gran Rondò shopping center in Crema, for a remaining amount of €1.03 million.
- Contract for the construction of a midsize store at Gran Rondò shopping center in Crema, for a remaining amount of €2.01 million.

## 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 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 Beni Stabili on 29 March 2007.

**ACTIONS TAKEN BY BENI STABILI S.p.A. SIIQ IN AGREEMENT WITH IGD SIIQ S.p.A.**

Given the receivables accrued to 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. (tenant) and Darsena FM S.r.l. (subtenant) in an effort to collect unpaid rent.

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 acted on a joint complaint from Beni Stabili S.p.A. SIIQ and IGD SIIQ S.p.A. and declared Magazzini Darsena and Darsena FM 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.

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. On 3 May 2016 the Court of Ferrara concluded the bankruptcy procedure, acknowledging the final allocation of assets.

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.

**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.

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

During the first half of 2015, Iniziative Immobiliari Siciliane S.r.l. (IIS) filed a lawsuit in Ravenna against IGD SIIQ S.p.A. concerning the purchase of a mall, within the broader purchase of the Katanè shopping center in Gravina di Catania, under a contract signed on 29 October 2009. At issue is whether IIS should receive a supplement on the agreed price, under Art. 2 of that contract, to be quantified after the fifth anniversary of the shopping center's grand opening on the basis of certain variables.
The dispute is over what to include in the calculation of rent for the purpose of determining the price supplement (if any), and what to include in the initial calculation of rent to determine whether it increased.
Specifically, IIS has asked the Court of Ravenna to find that for the purposes of calculating a price supplement, certain items should be included which in IGD's opinion should not.
On 25 June 2015, IGD filed an appearance and response contesting all of its opponent's claims, stating that it owes no price supplement to IIS, as the amount of rent for the purposes of this calculation had not increased with respect to the threshold agreed.
On the basis of the arguments filed, IGD asked the Court of Ravenna to reject all demands made by IIS. As a subordinate measure, IGD objected that a different interpretation of the clause on how to quantify a price supplement should be considered null and void, as the object of the clause 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).
Although the wording of the queries (and therefore the parameters for computing rent in order to quantify any price supplement) clarifies a number of issues, it is indeed somewhat ambiguous and leaves other issues open to debate. At the hearing of 6 July 2016, 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.
After the expert report was filed, at the court session of 23 May 2017 (previously set for the purpose of discussing the findings of the expert witness), both IGD and IIS complained—for different reasons—about the methodology used by the expert witness and the content of the resulting report, and asked the court to order a review. The court agreed to consider the matter and on 3 August announced that it would call the expert witness to the hearing of 26 September 2017 in order to seek the clarifications requested by IGD. The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests, pending the final outcome of the expert testimony, that the case will be concluded largely in IGD's favor.

## Note 46) Tax litigation

Following the tax audit concluded on 11 September 2008, IGD received an audit report without significant findings, but with a recommendation to revalue closing inventories for about €645K; this generated an IRES (corporate tax) charge of €213.1K and an IRAP (regional business tax) charge of €27.4K plus penalties of €240.5K, all of which has been paid.
IGD then received an assessment claiming that it had mistakenly interpreted the type of contract (sale of a future asset rather than a commissioned job) and therefore misclassified inventories, subjecting them to the wrong set of tax rules. The Company's appeal to the Provincial Tax Commission of Ravenna was rejected with a ruling of January 2011.
In September 2011 IGD appealed the lower commission's decision and requested a public hearing with the Regional Tax Commission, asking it to declare the assessment null and void.
In May 2014 the Regional Commission rejected the appeal and on 28 August IGD was ordered to settle the remaining third of the taxes and penalties charged, which it paid on 24 October 2014.
In December 2014 IGD appealed to the Court of Cassation; after that final ruling, it plans to request that the tax be refunded because any error caused a simple carry-over effect from one year to the next.
On 23 December 2015 the regional tax authorities of Emilia Romagna served Immobiliare Grande Distribuzione SIIQ S.p.A. with two assessments arguing that €240,625.00 in costs incurred in 2010 had been unduly deducted for IRES and IRAP purposes and that the corresponding €48,125.00 in VAT had been unduly credited against VAT payable. The assessments resulted from a notification that the provincial tax authorities of Ravenna had received from the Sicilian regional office, which began by stating that the Sicilian authorities had served Coop Sicilia S.p.A. (head office in San Giovanni La Punta in the province of Catania) with an assessment based on the disallowance of costs incurred for services that were deemed to lack sufficient documentation. On that basis, the Sicilian regional office recommended that the Ravenna provincial authorities disallow the portion of those costs that Coop Sicilia had charged to IGD under a contract between the two companies. After reviewing the papers and looking into the matter carefully, IGD's advisors concluded that the assessments are unfounded and filed settlement requests for both 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.

In session on 25 January 2017, the Provincial Tax Commission of Bologna sided with IGD: with decision no. 253/17 filed on 28 February it definitively cleared the IRES and IRAP assessments, and with decision no. 254/17 (also filed on 28 February) it accepted IGD's arguments concerning VAT and annulled that assessment as well.

For both proceedings, the Commission ordered the revenue office to reimburse IGD's legal expenses in the amount of €6,000.00 total.

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.

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

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

*pursuant to Art. 81 ter of the Consob Regulation adopted with Resolution 11971 of 14 May 1999, as amended*

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

- the adequacy of in relation to the characteristics of the business; and
- the company's due compliance with the administrative and accounting procedures for the preparation of the condensed consolidated financial statements for the first half of 2017.

2. We also confirm that:

2.1. the condensed consolidated financial statements:

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

b) correspond to the ledgers and accounting entries;

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

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

Bologna, 4 August 2017

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

## 2.8 External auditors Report

pwc

**REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

To the shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

**Foreword**

We have reviewed the consolidated condensed interim financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter, also the "Company") and its subsidiaries (hereinafter, also "IGD Group") as of 30 June 2017 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

**Scope of review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that consolidated condensed interim financial statements of IGD Group as of 30 June 2017 are not prepared, in all

*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 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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

Bologna, 4 August 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.*

## 2.9 Appraisals

CBRE

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

Milan, July, the 24th 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 89/17 and 90/17 dated 4th May 2017 countersigned on 9th May 2017, we have determined the Market Value of operating Shopping Galleries, Hypermarkets office portions and plots of land owned by IGD SIIQ SpA as at 30th June 2017. 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 | CITY | PROVINCE |
|---|---|---|---|
| Shopping Gallery | ESP | Ravenna | RA |
| Hypermarket | ESP | Ravenna | RA |
| Shopping Gallery | CASILINO | Roma | RM |
| Hypermarket | CASILINO | Roma | RM |
| Shopping Gallery | CITTA' DELLE STELLE | Ascoli Piceno | AP |
| Hypermarket | CITTA' DELLE STELLE | Ascoli Piceno | AP |
| Shopping Gallery | LA TORRE | Palermo | PA |
| Hypermarket | LA TORRE | Palermo | PA |
| Shopping Gallery | TIBURTINO | Guidonia Montecelio | RM |
| Hypermarket | TIBURTINO | Guidonia Montecelio | RM |
| City Center | PIAZZA MAZZINI | Livorno | LI |
| Trading | Porto a Mare | Livorno | LI |

**Winmarkt Portfolio:**

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

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, Casilino, Piazza Mazzini and Porta a Mare and all of the Winmarkt Portfolio.

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 us 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 and Hypermarkets:**

- 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 30th June 2017 is:

**Euro 671,089,500**
**(Six Hundred Seventy-One Million, Eighty-Nine Thousand, Five Hundred Euro/00)**

exclusive of transfer costs and VAT.

Yours faithfully

**CBRE VALUATION S.p.A.**
Ref. 17-64VAL-0122, 17-64VAL-0130,

**Davide Cattarin**
(Managing Director)

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

**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. 89/2017 and 90/2017 dated 4th May 2017 countersigned on the 9th May 2017 ("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

CBRE

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Milan, July, the 24th 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 89/17 and 90/17 dated 4th May 2017 countersigned on 9th May 2017, we have determined the Market Value of operating Shopping Galleries, Hypermarkets office portions and plots of land owned by IGD SIIQ SpA as at 30th June 2017.

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 | CITY | PROVINCE |
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| Hypermarket | ESP | Ravenna | RA |
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| Hypermarket | CASILINO | Roma | RM |
| Shopping Gallery | CITTA' DELLE STELLE | Ascoli Piceno | AP |
| Hypermarket | CITTA' DELLE STELLE | Ascoli Piceno | AP |
| Shopping Gallery | LA TORRE | Palermo | PA |
| Hypermarket | LA TORRE | Palermo | PA |
| Shopping Gallery | TIBURTINO | Guidonia Montecelio | RM |
| Hypermarket | TIBURTINO | Guidonia Montecelio | RM |
| City Center | PIAZZA MAZZINI | Livorno | LI |

**Winmarkt Portfolio:**

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

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 5. 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 valuations 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: Casilino, CentroEsp and Piazza Mazzini and all of Winmarkt portfolio.

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 us 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 and Hypermarkets:**

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

### Valuation Methodology

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

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

### Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 30th June 2017is:

Euro 591,470,000

(Five Hundred Ninety-One Million Four Hundred Seventy Thousand Euro/00)

exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.

Rif. 17-64VAL-0122 and 17-64VAL-0130

Davide Cattarin
(Managing Director)

For and on behalf of
CBRE Valuation Spa

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

Milan, July 19th 2017

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

For the attention of: *Mr. R. Zoia*

*Subject: Valuation as at 30th June 2017 of a Retail Portfolio held by IGD SiiQ S.p.A. comprising five Hypermarkets, two Supermarkets, three Retail Galleries and one Retail Park.*

Dear Mr. Zoia,

In accordance with the instruction dated 4th May 2017 and with the integration letter dated 23th May 2017, 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 five Hypermarkets, two Supermarkets, three Retail Galleries and one Retail Park mainly located in the North and Centre of Italy. The main details of these assets are identified in the table below:

| *Asset* | *Address* | *Use* | *GLA $m^2$* |
|---|---|---|---|
| Lame | Via Marco Polo, 3 Bologna (BO) | Hypermarket | 15,681 |
| Centro Leonardo | Viale Amendola, 129 Imola (BO) | Hypermarket | 15,862 |
| Conè | Via S. Giuseppe, 25 Conegliano (TV) | Hypermarket | 9,498 |
| Fonti Del Corallo | Via Graziani, 6 Loc. Porta a Terra (LI) | Hypermarket | 15,371 |
| Il Maestrale | Strada Statale Adriatica Nord, Senigallia (AN) | Hypermarket | 12,551 |
| Super Cecina | Via Pasubio, 33 Cecina (LI) | Supermarket | 5,749 |
| Super Civita Castellana | Piazza Marcantoni, Civita Castellana (VT) | Supermarket | 2,892 |
| Punta di Ferro | Piazzale della Cooperazione, 2 Forlì (FC) | Retail Gallery | 21,223 |
| Maremà | Via Ecuador, snc Loc. Commendone – Grosseto (GR) | Retail Gallery | 17,110 |
| Conè | Via S. Giuseppe, 25 Conegliano (TV) | Retail Gallery | 12,212 |
| Conè | Via S. Giuseppe, 25 Conegliano (TV) | Retail Park | 5,950 |

## 2 Scope of the Valuation Analysis

The scope of the valuation analysis is to provide you with our professional opinion of the following values as at market conditions available at the valuation date, 30th of June 2017:

- 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 analysis 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 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, 2016 and for the first 4 months of 2017 (Retail Gallery and Retail Park);
- Turnover figures (net VAT) of the Supermarket and Hypermarket divided per year for the years: 2016 and 2017;
- Non recoverable Landlord costs;

- Summary schedule of all additional income;
- Forecast turnover rent generated in 2017;
- Asset summary identification schedules.

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

## 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 € 443,610,000, which corresponds to a total Gross Market Values of € 457,568,550.

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

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

Yours sincerely,

P. Marin

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

[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.

CUSHMAN & WAKEFIELD

Via Filippo Turati, 16/18
20121 Milano
Tel +39 02 63799 1
Fax +39 02 63799 250
PEC: finance@pec.cwllp.it
cushmanwakefield.it

*For translation purposes only – Italian version legally binding*

| | |
|---|---|
| TO: | GRUPPO IGD |
| ATTENTION: | MR. ROBERTO ZOIA |
| PROPERTY: | REAL ESTATE PORTFOLIO |
| REPORT DATE: | 21 JULY 2017 |
| VALUATION DATE: | 30 JUNE 2017 |

# 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 | Bologna | BO | Il Borgo |
| 2 | San Giovanni Teatino | CH | Centro D'Abruzzo |
| 3 | Faenza | RA | Le Maioliche |
| 4 | Cesena | FC | Lungo Savio |
| 5 | San Benedetto del Tronto | AP | Porto Grande |
| 6 | Rovereto | TN | Millennium |
| 7 | Rimini | RI | Fitness Rimini (Fitness Centre) |
| 8 | San Benedetto del Tronto | AP | Porto Grande (Terreno - sviluppo) |
| 9 | Bologna | BO | Ipercoop Il Borgo |
| 10 | San Giovanni Teatino | CH | Ipercoop D'Abruzzo |
| 11 | Lugo di Romagna | RA | Ipercoop Lugo Romagna |
| 12 | Pesaro | PU | Ipercoop CC Miralfiore |
| 13 | Cesena | FC | Iper Cesena |
| 14 | San Benedetto del Tronto | AP | Ipercoop CC Porto Grande |
| 15 | Schio | VI | Iper Schio |
| 16 | Faenza | RA | Ipercoop Le Maioliche |
| 17 | Rimini | RI | Ipercoop + Magazzino Rimini |

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-170630-01-ITA*.

IGD-GRUPPOIGD-CERTVALPERBILANCIO-170630-01-ENG

*For translation purposes only – Italian version legally binding*

## 1.2 PURPOSE OF VALUATION

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

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

## 1.3 COMPLIANCE WITH RICS "RED BOOK"

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

## 1.4 DISCLOSURE OF CONFLICT OF INTEREST

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

## 1.5 BASIS OF VALUATION

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

### MARKET VALUE

*VS 3.2 defines the Market Value as follows:*

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

### MARKET RENT

*VS 3.3 defines the Market Rent as follows:*

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

## 1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter Ns Ref: VAL/CLI/IGD-GruppoIGD-CertVal-170630-01-ITA dated 19 April 2017 and relevant Company's acceptance, are enclosed to this report under Attachment II.

### 1.7 THIRD PARTY LIABILITY

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

### 1.8 VALUERS

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

## 2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

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

This valuation is not subject to any Special Assumptions.

## 3. DATE OF VALUATION

The date of valuation is 30 June 2017.

## 4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-170630-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the current valuation dated 30 June 2017.

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-170630-01-ITA*.

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

## 6. GENERAL PRINCIPLES

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

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-170630-01-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-170630-01-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-170630-01-ITA*.

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

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

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

## 8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio and split as per your request, as at 30 June 2017, may fairly be estimated as:

**€462,160,000**

**(Fourhundredsixtytwomilliononehundredsixtythousand 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-170630-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €469,004,138.

## 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-170630-01-ENG

*For translation purposes only – Italian version legally binding*

## 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.

Attachments that form part of this report:

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

ATTACHMENT II INSTRUCTION AND CONFIRMATION LETTER

CUSHMAN & WAKEFIELD

Via Filippo Turati, 16/18
20121 Milano
Tel +39 02 63799 1
Fax +39 02 63799 250
PEC: finance@pec.cwllp.it
cushmanwakefield.it

*For translation purposes only – Italian version legally binding*

| | |
|---|---|
| TO: | GRUPPO IGD |
| ATTENTION: | MR. ROBERTO ZOIA |
| PROPERTY: | REAL ESTATE PORTFOLIO (excluding buildable land) |
| REPORT DATE: | 21 JULY 2017 |
| VALUATION DATE: | 30 JUNE 2017 |

## 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 | Bologna | BO | Il Borgo |
| 2 | San Giovanni Teatino | CH | Centro D'Abruzzo |
| 3 | Faenza | RA | Le Maioliche |
| 4 | Cesena | FC | Lungo Savio |
| 5 | San Benedetto del Tronto | AP | Porto Grande |
| 6 | Rovereto | TN | Millennium |
| 7 | Rimini | RI | Fitness Rimini (Fitness Centre) |
| 8 | Bologna | BO | Ipercoop Il Borgo |
| 9 | San Giovanni Teatino | CH | Ipercoop D'Abruzzo |
| 10 | Lugo di Romagna | RA | Ipercoop Lugo Romagna |
| 11 | Pesaro | PU | Ipercoop CC Miralfiore |
| 12 | Cesena | FC | Iper Cesena |
| 13 | San Benedetto del Tronto | AP | Ipercoop CC Porto Grande |
| 14 | Schio | VI | Iper Schio |
| 15 | Faenza | RA | Ipercoop Le Maioliche |
| 16 | Rimini | RI | Ipercoop + Magazzino Rimini |

More details relating to the Properties are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-170630-01-ITA*.

IGD-GRUPPOIGDNOSVILUPPI-VALCERTPERBILANCIO-170630-01-ENG

*For translation purposes only – Italian version legally binding*

## 1.2 PURPOSE OF VALUATION

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

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

## 1.3 COMPLIANCE WITH RICS "RED BOOK"

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

## 1.4 DISCLOSURE OF CONFLICT OF INTEREST

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

## 1.5 BASIS OF VALUATION

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

### MARKET VALUE

*VS 3.2 defines the Market Value as follows:*

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

### MARKET RENT

*VS 3.3 defines the Market Rent as follows:*

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

## 1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter Ns Ref: VAL/CLI/IGD-GruppoIGD-CertVal-170630-01-ITA dated 19 April 2017 and relevant Company's acceptance, are enclosed to this report under Attachment II.

*For translation purposes only – Italian version legally binding*

### 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 Mariacristina Laria MRICS and Joachim Sandberg FRICS.

## 2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

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

This valuation is not subject to any Special Assumptions.

## 3. DATE OF VALUATION

The date of valuation is 30 June 2017.

## 4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-170630-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the current valuation dated 30 June 2017.

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-170630-01-ITA*.

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

## 6. GENERAL PRINCIPLES

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

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-170630-01-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-170630-01-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-170630-01-ITA*.

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

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

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

## 8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio (excluding buildable land and development project) and spilt as per your request, as at 30 June 2017, may fairly be estimated as:

**€459,210,000**

**(Fourhundredfiftyninemilliontwohundredtenthousand 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-170630-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €466,007,682.

## 9. CONFIDENTIALITY

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

## 10. DISCLOSURE AND PUBLICATION

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

Attachments that form part of this report:

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

ATTACHMENT II INSTRUCTION AND CONFIRMATION LETTER

DUFF & PHELPS
Real Estate Advisory Group

Agrate Brianza, 24 July 2017
Ref. n° 21222,00 – 21199,00

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

*To the kind attention of Mr Roberto Zoia*

**Subject:** **Determination of the Market Value as of June 30th 2017 of a real estate portfolio consisting of of n. 11 real estate assts intended for commercial use and located on the italian territory and n. 6 real estate assets located on the romanian territory, indicated as owned by GRUPPO IGD S.p.A.**

Dear sirs,
in compliance with Your request, REAG – Real Estate Advisory Group carried out the valuation of a real estate portfolio, indicated as owned by GRUPPO IGD S.p.A. (hereinafter the Client), in oder to determine the market value as of June 30th 2017.

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.

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**Definitions**

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

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

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

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

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

**"Market Rent" (MR)** is " (…) the estimated amount for which a property, or space within a Property, should lease on the date of valuation between a willing lessor and a willing lessee on

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appropriate lease terms, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". (Valuation Standard RICS, January 2014).

## Valuation criteria

Valuations Asset by Asset of the entire portfolio have been carried out considering the conditions set out in drafts of leases and rent of business unit and individual "rent roll" provided by the Ownership, reflecting the rental situation as of June 2017.

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.

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;

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- on the discounted back net incomes (cash flow) as of the evaluation date.

**REAG moreover:**

- Carried out site inspections on the Properties of Bologna (offices), Crema (Gran Rondò), Asti (I Bricchi), Mondovicino (Mondovì), Chioggia (Clodì), Ravenna (supermarket and shop), Sesto S. Giovanni (Sarca) and Afragola (Le Porte di Napoli) located in Italy and on the Properties of Alexandria, Ploiesti, Slatina, Ramnicu Valcea, located in Romania, to find out all the information (building qualities, preservation condition, etc,) necessary to elaborate the appraisals themselves, in addition to the information given by Client; no site inspections were carried on the other properties, REAG based the appraisals on the informations already known.

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

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

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

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

- 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.

**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 June 30sh, 2017, the **Market Value** of the subject Properties can reasonably be expressed as follows:

**Euro 612.720.000,00**

**(Euro Sixhundredtwelvemillionsevenhundredtwentythousand/00)**

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

Performed by:
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Project Manager

Supervised and coordinated by:
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# 3. GLOSSARY

### AGENCY MANAGEMENT

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

### AVERAGE COST OF DEBT

Refers to the average cost, without taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt.

The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

### 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 occupance 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 mortagage loans and bonds.

## HYPERMARKET

Property with a sales floor in excess of 2,500 sqm, used for the retail sales of food and non-food products.

## INITIAL YIELD

The annualized rental income from a property as a percentage of its valuation at the time of purchase.

## INTEREST COVER RATIO (ICR)

Measure of the number of times a company's operating profit covers the interest payable on debt. It is an indicator used to understand a company's solvency and ability to assume debt. It is calculated by dividing EBITDA by the net financial expense.

## INTEREST RATE SWAPS / IRS

Financial instrument whereby two parties agree to exchange a certain interest rate stream on a pre-established date. Using to convert floating rate debt into fixed rate debt.

## LIKE-FOR-LIKE PORTFOLIO

Real estate assets held in the portfolio for the entire year and the entire prior year.

## LIKE FOR LIKE REVENUES

Revenues from rental activities of the assets held in the portfolio for the entire year and the entire prior year. They are separately calculated for Italy and Romania portfolios and they exclude:

- Revenues from assets that have been acquired, sold or subject to remodeling and therefore they have not realized any income in the period;
- missing revenues from instrumental vacancy due to different reasons (ie works carried out to create new layouts);
- exceptional and one-off revenues which would make the comparison less reliable.

## LOAN TO VALUE (LTV)

Ratio between the amount borrowed and the market value of freehold properties.

## MALL / SHOPPING MALL

Property comprised of many stores plus the common spaces around which they are situated. Usually called a "galleria" in Italian.

## MIDSIZE STORE

A property with a sales floor area of 250 to 2,500 sqm used for the retail sales of non-food consumer goods.

## NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNNAV)

The equity pertaining to the Group, calculated based on EPRA indications which call for a few adjustments.
Certain items are excluded from the NAV calculation for lack of relevance in a business model with a long term view like the Group's. NNNAV provides more relevant information about the fair value of assets and liabilities. The NAV is adjusted to take into account the fair value of (i) hedges, (ii) debt and (iii) deferred taxes.
It represents the equity pertaining to the Group including in the calculation the fair value of the main assets and liabilities that are not included in the EPRA NAV, namely (i) hedges, (ii) debt and (iii) deferred taxes.

## NET DEBT

Net debt shows financial structure and is calculated by adding long-term debt, short-term debt and the current portion of long-term debt included in “Non-current and current financial liabilities (with third parties and related parties)”, net of “Cash and cash equivalents”, “Non-current financial assets” and “Financial receivables and other current financial assets (with third parties and related parties)”.

## OCCUPANCY RATE

Gross let surface area as a percentage of properties’ total surface area.

## OVER-RENTED

Space rented for an amount exceeding its ERV.

## PRE-LET

Lease signed by a tenant before development of the property has been completed.

## REAL ESTATE ASSETS

The Group’s freehold properties.

## REAL ESTATE PORTFOLIO

The portfolio of freehold and leasehold properties rented out by the IGD Group.

## REIT

Real Estate Investment Trust. Comparable to a SIIQ in Italy.

## RETAIL PARK

Group of three or more complexes with a combined area of more than 4,500 sqm and shared parking.

## REVERSIONARY POTENTIAL YIELD

The net annual rent that a property would generate if it were fully let at going market rates, as a percentage of the property’s value.

## SHOPPING CENTER

Real estate complex comprised of a hypermarket and a shopping mall, featuring common areas and services located in a covered area with heating and air conditioning.

## SIIQ

Società di Investimento Immobiliare Quotata. Real estate investment model comparable to a REIT. SIIQ rules allow income tax exemptions for publicily held listed compagnie whose prevalent activity is the rental of properties and equivalent, provided they meet a series of earinings and balance sheet requirements.

## STORE

Property for the retail sale of non-food consumer goods.

## SUPERMARKET

A property with a sales floor of 250 to 2,500 sqm used for the retail sale of food and non-food products.

## TENANT MIX

Set of store operators and brands found within a mall.

## UNDER-RENTED

Space rented for an amount less than its ERV.

### WACC / WEIGHTED AVERAGE COST OF CAPITAL

The weighted average cost of debt and all other sources of capital, used to calculated the expected return on investments.