ANNUAL REPORT 2018

igd SIIQ
SPACES TO BE LIVED IN

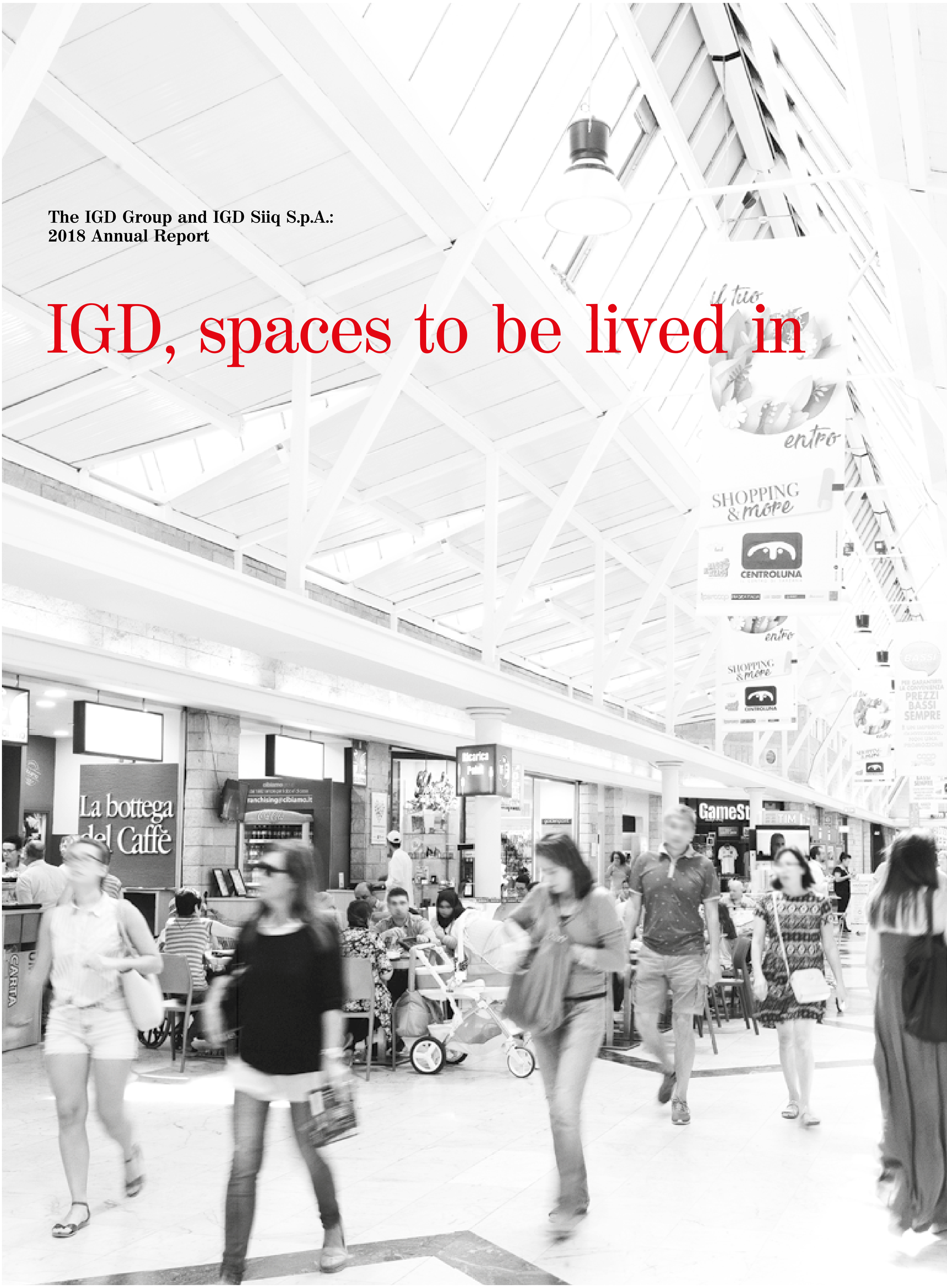
LEONARDO
IMOLA

Opening 1992
Restyling 2006
Mall sq.m.15,098
Food anchor GLA sqm 15,862

4,668,012 visitors in 2018

The IGD Group and IGD Siiq S.p.A.:
2018 Annual Report

IGD, spaces to be lived in



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CENTRO SARCA

MILAN

Opening 2003

Restyling 2015

Mall GLA sq.m. 23,773

Food anchor GLA sqm 11,000

5,783,184 visitors in 2018

Environrmental Certifications:

BREEAM, UNI EN ISO 14001

01

THE IGD GROUP

1.1 LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2018 was a very intense and fruitful year, which marks an important milestone in the growth path that IGD has been pursuing since the IPO in 2005 through today as shown by the value of the real estate portfolio which has quadrupled in the 13 years, rising from €590 million to €2,412 million.
2018 was also a year of growth: we expanded our portfolio with the 4 malls and the retail park purchased in April from ECP for €195.5 million and successfully completed a €150 million capital increase which was used to finance a significant part of this transaction.
2018 marks an end as it is the last year of the Business Plan 2016-2018 and, at the same time, a starting point as in November the new Board of Directors approved the new Business Plan which will carry your company through 2021.

The results shown in the Annual Report 2018 enabled execution of the Business Plan 2016-2018 which had challenging targets.
In the last four years we have doubled our cash flow generation, going from the €35.1 million recorded in 2014 to €79.7 million in 2018, with a weighted average annual growth rate of more than 20%. With the 21.4% increase in FFO achieved in the last year of the Plan 2016-2018 we have reached a record level and exceeded the most recent guidance: in August, in light of the acquisition, we forecast a rise in FFO of at least 20%.
In 2018, the robust performance of rental income and revenue from the real estate business, which rose 9.2%, drove EBITDA and fueled a 12.4% increase in the core business EBITDA which benefitted from the traditional policy of keeping operating costs under strict control. The core business EBITDA Margin amounted to 71.9%, an increase of an impressive 220 basis points compared to 69.7% in 2017: clear testimony to the ability of the assets that just joined our portfolio to make an incremental contribution to the Group's margins already in the short term.
The intense growth phase which characterized the last few years was carried out while maintaining a disciplined approach to finance: the drop in the Loan-to-Value to 45.8%, and the Interest Cover Ratio of 3.5x, as well as the drop in the cost of debt to 2.7%, therefore below the threshold of 3.0%, are in line with the path outlined in the Plan for 2018.
Net profit was impacted by the property valuations: the decrease from €86.5 million in 2017 to €46.4 million in 2018 is attributable primarily to the negative impact of fair value measurements and the investments made offset by the impact of the acquisition of 4 business units. If compared to the size of IGD's real estate portfolio, which at year-end exceeded €2.41 billion, the change in fair value is limited. This figure indicates the ability of our portfolio to maintain its value even when market conditions were less favorable than in 2017, thanks to the solid and sustainable positioning of our shopping centers in their respective catchment areas and the investments made to maintain the quality high.
The fair value of IGD's real estate portfolio increased by €183.9 million in 2018 compared to year-end 2017, based on the independent appraisals at 31 December 2018, coming in at €2,412.2 million. The updated appraisals reflect the inclusion in IGD's perimeter of the properties purchased in April and the impact of the framework agreement finalized in November 2018 which extended the expiration date of the rental agreements of 18 Coop Alleanza hypermarkets to 2037 and rendered the rents more stable and sustainable.
As part of the same agreement, in light of the positive effects of the experiment involving the remodeling of Le Porte di Napoli and Città delle Stelle hypermarkets, 5 assets were found which could benefit from increasing the number of stores/services in the malls by downsizing the hypermarkets. As much as we continue to believe that a food anchor is still a key attractor for our shopping centers, we are aware that the new consumption models call for an ever increasing

From the left: **Elio Gasperoni,** IGD's Chairman
and **Claudio Albertini,** IGD's CEO

number of personal services and denote the visitors' search for a shopping center experience that is increasingly complete; these transformations are accompanied by the expansion of e-commerce which makes it necessary to rethink the offer and size of the hypermarket.

We gained more knowledge about how to handle the new e-commerce paradigm more appropriately. On the one hand we act as champions and keepers of the merchandising mix, making decisions to expand the space dedicated to restaurants, entertainment and personal services, for example. On the other hand we also make our spaces available to those who want to integrate the digital and physical world by opening the doors to kiosks for demonstrations or creating spaces for the pick-up of merchandise purchased online.

At the end of 2018 food courts represented around 8.2% of tenants' sales, while services reached 4.1%. We are increasingly more convinced that food courts should be offered together with entertainment in order to keep them alive at night as well: for this reason we have introduced areas where you can experiment with virtual reality through different games, beginning with surf simulators, as well as provide a carefully selected and innovative offering in terms of cinema. The first Notorius Pictures multiplex opening on 1 March at Centro Sarca in Milan is an example. The multiplex will meet the highest technical standards for audio and video available today, in addition to providing singular comfort.

On the other hand, we placed topics like socialization, aggregation and interaction at the center of our Marketing Plan, favoring the customer experience in order to give further credence to our pay-off "IGD Spaces to be lived in".

If we look at the operating metrics it seems that in 2018 our efforts relating to commercial policies and asset management were effective: the financial occupancy improved in the year across all asset classes, reaching 97.2% at year-end for the Italian portfolio and 97.1% for the Romanian assets.

In 2018 rental income rose 1.3% like-for-like in Italy, with mall rents up 1.5%, while hypermarkets rose 0.9%. In 2018 in Italy new leases were signed at conditions which were on average stable. Excluding the lease for a mid-size store in Conegliano, overall upside reaches 1.2%.

In Romania where, following the peak in investments reached in 2012-2014 and the commercial initiatives designed to refresh the appeal of our centers, occupancy has improved considerably over time. In 2018 IGD worked very carefully on assessing the reliability of the tenants in a consumer environment driven by expansionary fiscal policy. As a result of the renewals and rotations, we recorded an average increase in rents of 3.9% per square meter, while the average increase in rental income reached 2.9%.

Sustainability is also strategic to our success. For this reason we continued with the environmental certification of our centers in 2018, expanding the ISO14001 perimeter to 20 properties. After Centro Sarca in Milan, in 2018 the Tiburtino center and Katané obtained BREEAM certification with a rating of very good for asset performance, in line with our targets and the desire to satisfy not just environmental criteria, but also to enhance the well-being that our centers provide. In 2018 investments in solar energy continued at two shopping centers, di ESP and La Torre, which has already resulted in appreciable benefits in terms of lowering energy consumption. Investments in making the centers easier to reach, with several modes of transportation, also continued; toward this end charging stations for electric cars were introduced and new bicycle paths were created in Italy where today 80% of the properties can be reached using public means of transportation.

While the operating metrics point to the efficacy of the different commercial and asset management initiatives undertaken, we also paid attention to financial management, following the path outlined in the Plan to maintain a balanced level of debt and ensure the Company's access to the capital markets at competitive rates.

In the second part of 2018 we succeeded in further reducing the cost of debt which, in fact, dropped to below 2.7%. This puts the company in the position of not needing new financing until 2021, when the bond issued in 2016 with Morgan Stanley matures. We were also granted a 3-year €200 million senior unsecured loan, which can be extended to 5 years, comprised of 2 separate tranches: the first, of €125 million, for the repayment of the bond that expired on 7 January 2019; the second, comprised of the remaining €75 million was used to extinguish short-term lines of credit and cover liquidity needs.

Once this transaction was closed, at year-end we had hedged almost 93% of our debt against interest rate risk, maintaining large margins with respect to the covenants.

On 24 October 2018 Moody's confirmed the Baa3 rating of our debt, with a negative outlook.

If the results presented in our 2018 financial statements rewarded us for the work done, confirming the validity of the choices made, we cannot say the same thing about the multiples at which IGD's stock is trading even though the Business Plan we presented in Milan and London was well received by investors. Even though the recovery in January steered us away from the lows, IGD's stock continues to trade at very low multiples with respect to both FFO and the EPRA NNNAV.

During 2018 IGD's market capitalization shrunk by 18.5%, also as a result of the capital increase completed in April; in the same period the Italian index fell by 16.7%, while the European real estate sector index lost 11.7%.

In addition to the growing tensions in world trade, uncertainty about Brexit, concerns about the excessive deficit/GDP ratio in the Italian Budget Law, retail real estate stocks – and, therefore, IGD – were impacted by a slowdown in consumption, combined with the new challenges presented by omnichannel sales: these are all elements that increase the risk premium for stock markets, in general and the retail real estate sector, in particular.

By distributing our earnings, we continue, however, to provide our shareholders with interesting returns. IGD's Board

of Directors proposed to leave the dividend unchanged at 50 euro cents per share: at the year-end 2018 price, the yield of the proposed dividend is 9.3% and reaches around 81% if we consider the most recent prices (around €6): both very significant levels and markedly higher compared to 2017.
We, therefore, remain confident that IGD, particularly at current levels, still represents an investment with great medium-term visibility. Because of this our commitment to explaining the steps we plan to take to maintain the great resilience of our FFO and the staying power of our portfolio's valuations, will continue in 2019.
IGD can count on a management team that has worked together closely over the last 10 years, guiding the Company to profitable growth during the aftermath of the 2008 crisis through today. A lean and determined group, in which ideas are easily shared and the operating decisions are made very quickly; this allows the Company to take advantage of opportunities and quickly change direction when necessary. Overall the company is more prepared to face the future now than ten years ago: from an operational, financial and managerial standpoint we are more prepared and qualified. Having presented multi-year plans with targets that we have always achieved testifies to the fact that we have developed an ability to plan and execute that makes us credible, including as we move forward.
Furthermore, with respect to the difficult economic times experienced in the past, today we are bigger and more experienced which makes us stronger and better equipped to respond to the challenges of the near future. The new size that we reached after the most recent acquisition allowed us to achieve a higher EBITDA margin as we can now spread costs over a larger sales base. All of the acquisitions we have made over time were quickly and effectively integrated by applying our operating policies to the new assets in our portfolio. We followed the same approach with this last transaction: that's why there was an immediate benefit in terms of cash flow generation.
In the meantime out shopping centers have also become stronger: the livability of our "spaces to be lived in" has improved thanks to continuous investment. We have become more agile in our ability to redesign the layout and merchandising mix based on trends that seem to change much quicker than in the past. We have also become very careful and quick in understanding and interpreting emerging trends, we cannot think that we will benefit from the latest work done on repositioning for too long. We have, therefore, prepared ourselves to work in a phase during which the commercial offering is constantly being rethought by making the changes to our space that this entails.
In 2018 a new Board of Directors took office, with a number of directors that over time has gone from 15 to 13, then lastly to 11, of which 7 are independent with a mix of expertise that is well balanced between experts in real estate, managers, entrepreneurs, and professionals active in legal and academic fields.
Today our goal is to execute an ambitious 2019-2021 Business Plan not focused on growth, but on the consolidation of our leadership in a challenging environment.
The Plan calls for investments of €90 million in three years, beginning with moving forward on the Officine Storiche section of the Porta a Mare project in Livorno: beginning on 21 December 2018, after having reached an agreement with the local authorities over changes to the original project, we will proceed at full capacity on the work which in 2020 will result in the inauguration of a new retail concept, with personal services dedicated to fitness, leisure time and restaurants. As for restyling, work will continue on the interior and exterior of the Casilino center in Rome, which should be completed in 2019. In the second half of the year we expect to finish the remodeling of the spaces in the Fonti del Corallo center in Livorno by downsizing the UniCoop Tirreno hypermarket and, at the same time, creating new spaces for services and retailers.
We believe, therefore, that the premises exist for IGD to continue to be a strong generator of cash, with a portfolio capable of maintaining its value throughout all economic cycles. Going forward we will also focus on maintaining a balanced LTV in an environment of rising interest rates. We feel ready, therefore, to manage our business and face the new challenges that the market might impose upon us in order to provide our shareholders with the best returns possible.

The Chairman
Elio Gasperoni

The Chief Executive Officer
Claudio Albertini

1.2 CORPORATE AND SUPERVISORY BODIES Summary

Board of Directors

ELIO GASPERONI **Chairman** *Executive*	**ROSSELLA SAONCELLA** **Vice Chairman** *Independent* Compensation and Nominations Committee	**CLAUDIO ALBERTINI** **Chief Executive Officer** *Executive*	
GIAN MARIA MENABÒ **Director** *Non executive*	**ERIC JAEN VÉRON** **Director** *Independent* Related Party Transactions Committee	**LIVIA SALVINI** **Director** *Independent* Compensation and Nominations Committee Related Party Transactions Committee	**LUCA DONDI DALL'OROLOGIO** **Director** *Independent* Control and Risk Committee Related Party Transactions Committee
SERGIO LUGARESI **Director** *Independent* Control and Risk Committee	**TIMOTHY GUY MICHELE SANTINI** **Director** *Independent* Compensation and Nominations Committee	**ELISABETTA GUALANDRI** **Director** *Independent* Control and Risk Committee	**ALESSIA SAVINO** **Director** *Non executive*

1. Leonardo shopping center (Imola) acquired from IGD in 2018

Board of Statutory Auditors

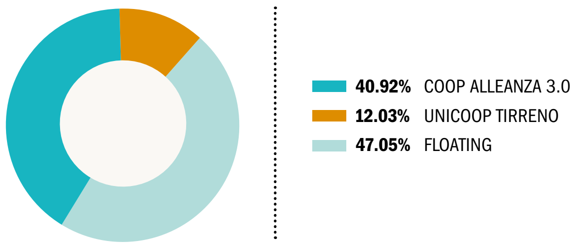
ANNA MARIA ALLIEVI **Chairman** *Standing*	**ROBERTO CHIUSOLI** **Auditor** *Standing*	**DANIELA PREITE** **Auditor** *Standing*	**PIERLUIGI BRANDOLINI** **Auditor** *Alternate*	**LAURA MACRÌ** **Auditor** *Alternate*	**PAOLO PRANDI** **Auditor** *Alternate*

1

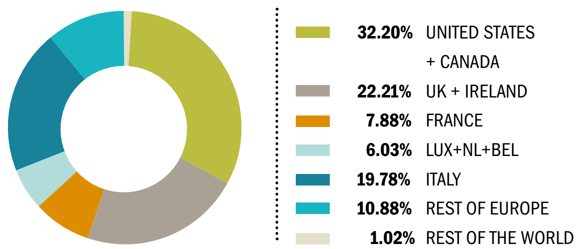
Supervisory Board	External Auditors	Financial Reporting Officer
GILBERTO COFFARI (CHAIRMAN), ALESSANDRA DE MARTINO, PAOLO MAESTRI	**PRICEWATERHOUSECOOPERS S.P.A.**	**CARLO BARBAN**

Shareholders

SHAREHOLDER BASE



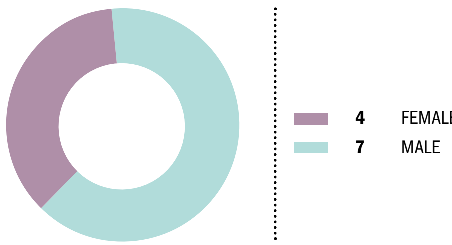
GEOGRAPHIC BREAKDWON OF THE INVESTORS BY PERCENTAGE OF MARKET FLOAT *



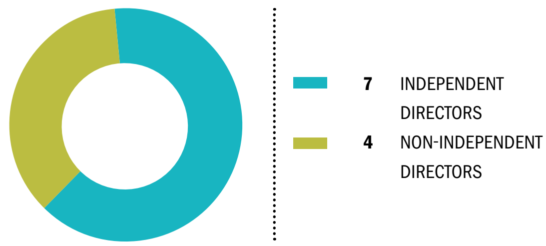
* Source: data processed internally based on dividend recipients

Board of Directors

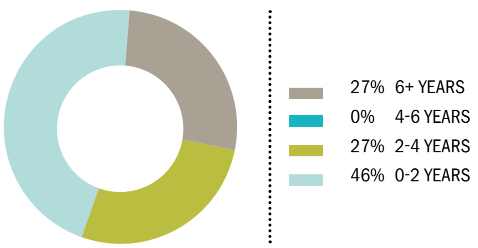
BREAKDOWN BY GENDER



INDEPENDENT/NON-INDEPENDENT DIRECTORS



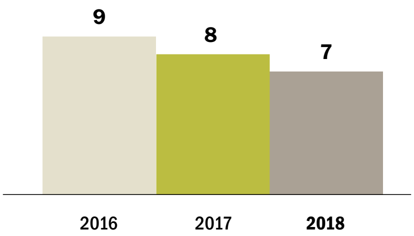
SENIORITY OF THE MEMBERS OF THE BOD (% of the total number of Directors)



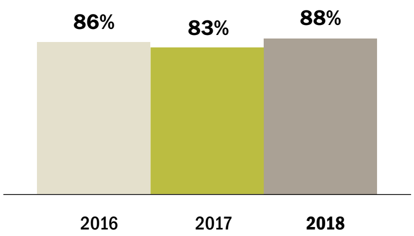
CHANGES COMPARED TO THE PRIOR MANDATE	PRIOR MANDATE	CURRENT MANDATE	FTSE MID CAP
Number of Directors	**13**	**11**	
Directors appointed by minorities	**2**	**4**	
% of women in the B.o.D.	**31%**	**36%**	**26.20%**
% of independent directors	**54%**	**64%**	
Average age of the directors	**60**	**57**	**57.1**
Status of the Chairman	**EXECUTIVE**	**EXECUTIVE**	
Lead Independent Director (LID)	**NO**	**NO**	

Functioning of the Board of Directors

NUMBER OF BOARD MEETINGS



ATTENDANCE RATE OF THE DIRECTORS



BOARD EVALUATION PROCESS

Board evaluation conducted
YES

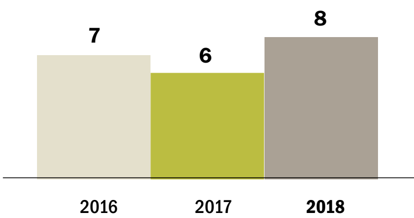
Advisor
EGON ZEHNDER

Self-assessment tools
ANONYMOUS QUESTIONNAIRES/INTERVIEWS

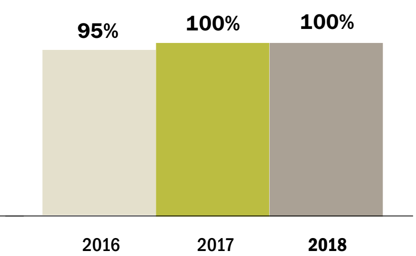
NUMBER OF COMMITTEE MEETINGS AND DIRECTORS' ATTENDANCE	NUMBER OF MEETINGS	ATTENDANCE	PRESENCE OF INDEPENDENT MEMBERS (%)
Nominations and Compensation Committee	6	100%	100%
Control and Risk Committee	8	100%	100%
Committee for Related Party Transactions	5	87%	100%

Control and risk management system Functioning of the Committees

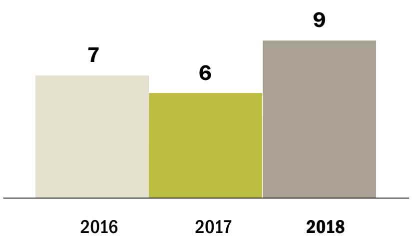
NUMBER OF THE CONTROL AND RISK COMMITTEES MEETING



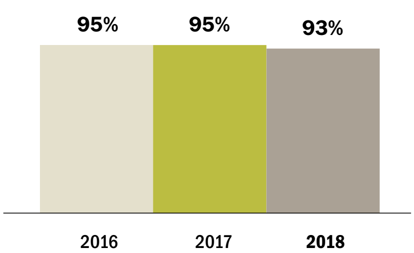
ATTENDANCE AT THE CONTROL AND RISK COMMITTEE



NUMBER OF THE BOARD OF STATUTORY AUDITORS MEETING



ATTENDANCE AT THE BOARD OF STATUTORY AUDITORS



MAIN ELEMENTS OF THE CONTROL SYSTEM

Risk management division
YES

Enterprise risk management plan
YES

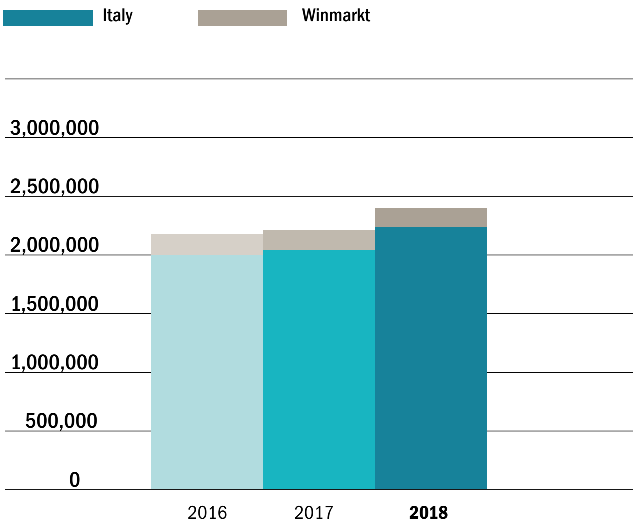
Is the ERM plan discussed with the Committee?
YES

Specific compliance programs in place (Antitrust/ Anticorruption/Whistleblowing…)
YES

For more information see Chapter 3
REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE.

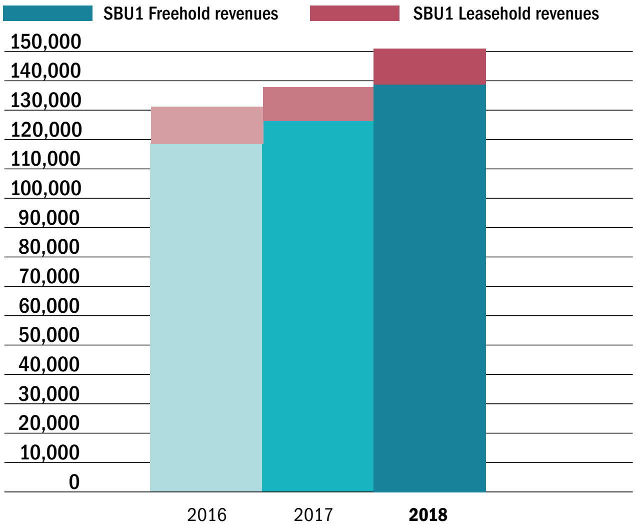
1.3 GROUP HIGHLIGHTS

Real estate portfolio market value



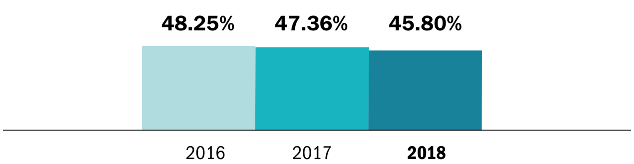
€ 2,412.15 million

Core business rental revenues



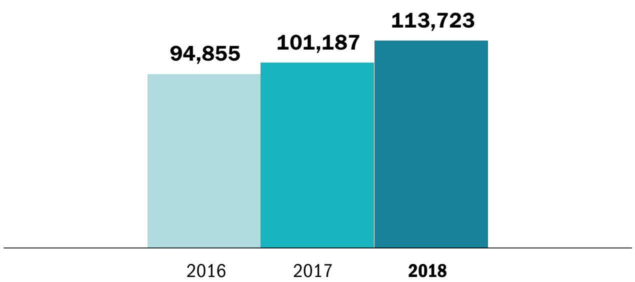
€ 151.76 million

Loan to value



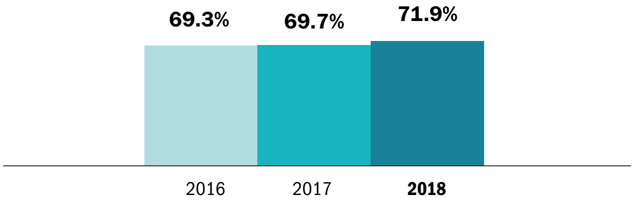
45.80%

Core business EBITDA



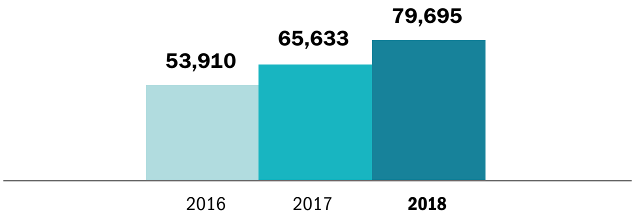
€113.723 million

Core business EBITDA Margin



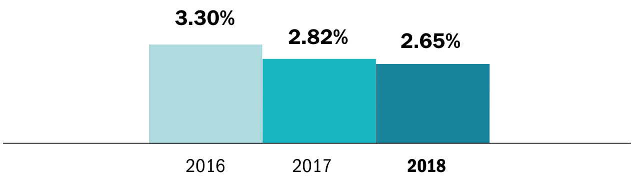
71.9%

Core business FFO



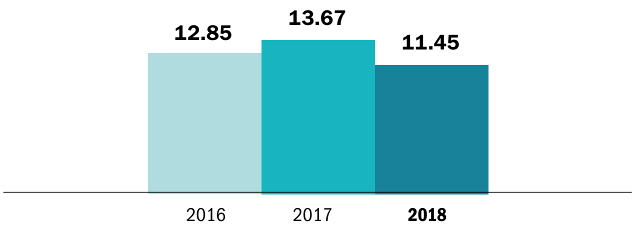
€79.695 million

Average cost of debt *adjusted*



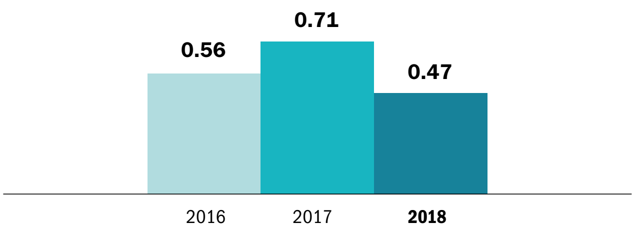
2.65%

Epra NNNav per share



€11.45

Share price / Epra NNNAV



€0.47

CENTRO LUNA
SARZANA (LA SPEZIA)

Opening 1992

Mall GLA sq.m. 3,575

Food anchor GLA sqm 11,500

2,815,389 visitors in 2018

02

DIRECTORS' **REPORT**

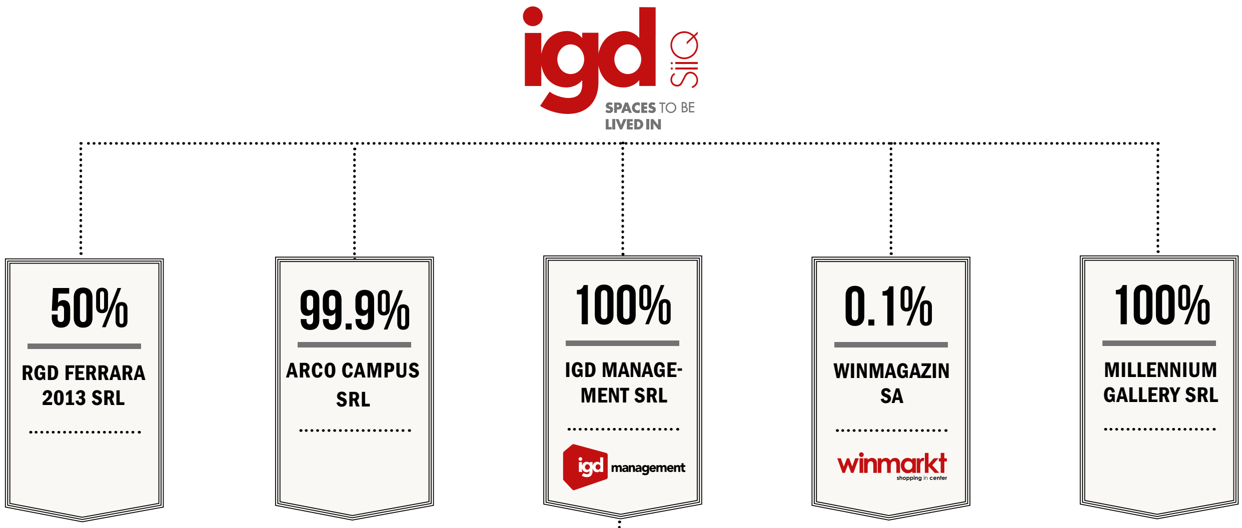
Dear Shareholders,
The directors' report that follows combines the reports to the consolidated financial statements and the financial statements of the Parent Company Immobiliare Grande Distribuzione SIIQ S.p.A., to avoid the repetition that would result by providing two separate documents. The consolidated financial statements at 31 December 2018 of Gruppo Immobiliare Grande Distribuzione SIIQ S.p.A. (IGD SIIQ S.p.A or IGD for short), including this report and the notes to the financial statements, consolidate the balance sheets and income statements of IGD SIIQ SpA and other Group companies as listed in the paragraph related to the scope of consolidation.

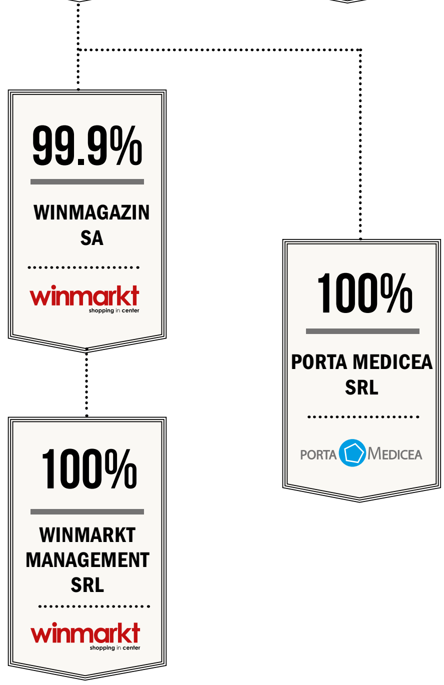
Alternative Performance Indicators

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

2.1
THE IGD GROUP

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





CENTRO ESP
RAVENNA
Opening 1998
Extension 2017
Mall GLA sqm 30,071
Food anchor GLA sqm 16,536

5,138,905 visitors in 2018

1. IGD's headquarters in Bologna

IGD SIIQ's perimeter of exempt operations includes the freehold assets found in Italy.
At 31 December 2018, the Parent Company also controlled:

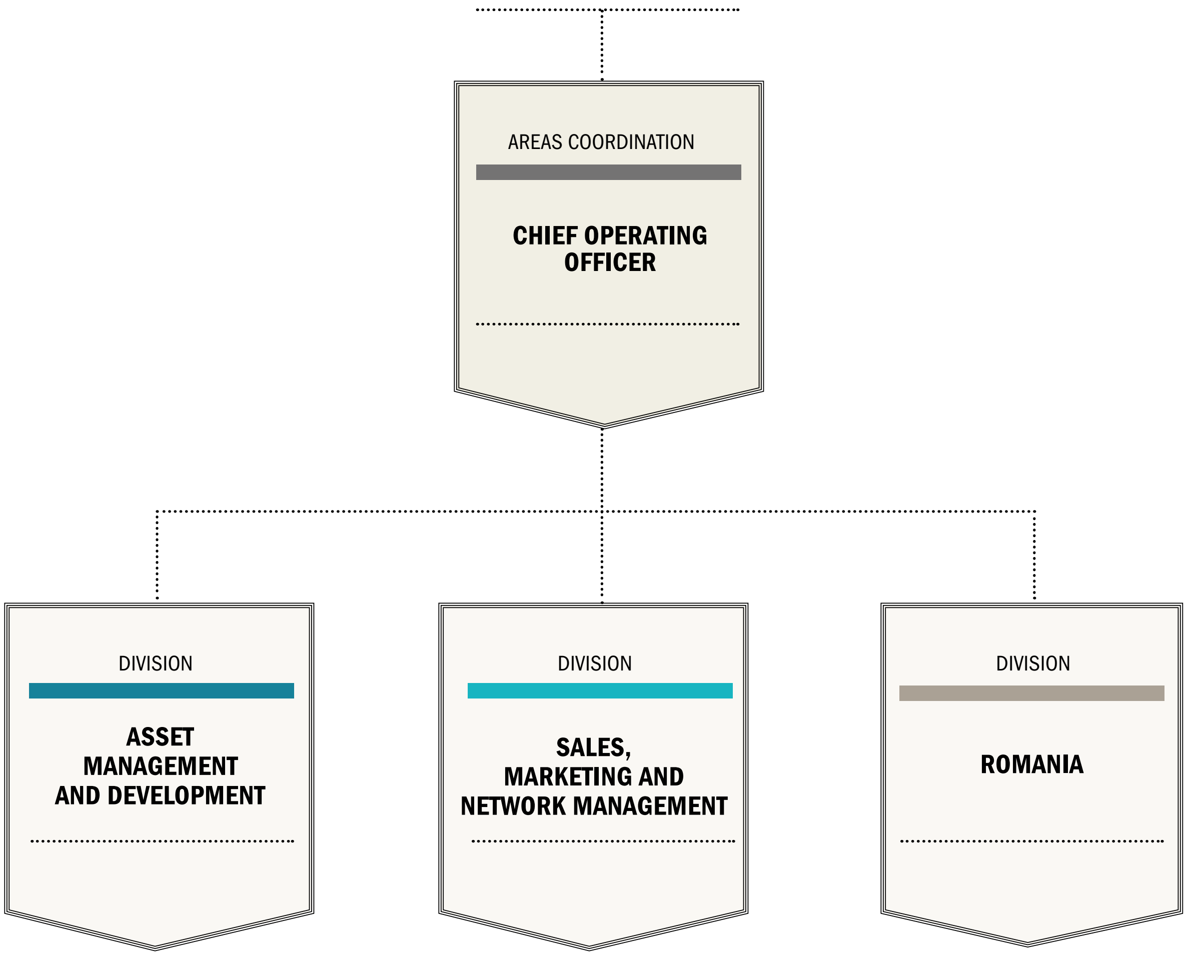
- → 100% of **Millennium Gallery,** (part of the Rovereto shopping mall and a business division in the shopping center in Crema);
- → 50% of **RGD Ferrara 2013,** formed on 30 September 2013, to manage the Darsena City Shopping Center in Ferrara;
- → 99.9% di **Arco Campus srl,** company dedicated to the construction, leasing and management of properties used for sports;
- → 100% of **IGD Management srl** which, in addition to owning the Centro Sarca shopping mall in Milan, also holds the majority of the operations which are not included in the SIIQ's scope of consolidation:
    - 99.9% of **WinMagazine SA,** the Romanian subsidiary, through which it controls 100% of WinMarkt Management srl, the company responsible for the team of Romanian managers;
    - 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.

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

- → Asset management and development;
- → Sales, marketing and network management;
- → Romania.

The three divisions report to the Chief Operating Officer.

ORGANIZATION
IGD GROUP



Our activities

2

Property

IGD is the biggest Italian retail property company; as a property company IGD acquires retail properties, both already operational and newly completed (shopping centers, hypermarkets, supermarkets and malls) from which it extracts value over the long term. Occasionally, the sale of freehold assets is also considered with a view to maintaining an optimal portfolio structure through an appropriate asset rotation strategy.

Property management and leasing

The property management and leasing of all the Group's freehold properties, as well as of some third party assets, represents IGD's most important business. The main objective is to enhance the long term value of the portfolio through active management of the properties, striving to maintain the properties as flexible and functional as possible and optimize costs taking into account the entire life cycle of the shopping center
This activity comprises:

1. a technical division;
2. a commercial division;
3. a contracts division;
4. an operations and marketing division.

2 Leonardo shopping center, Imola (Bologna)

3. IGD's headquarters in Bologna

Services

This activity consists in providing services to owners and tenants of hypermarkets, supermarkets and the mall stores which can be broken down as follows:

- **Facility Management:**
IGD coordinates and supervises the drafting of the shopping center's marketing plan, as well as all the activities deemed essential to the operation of a shopping center: like security, cleaning and routine maintenance;

- **Agency Management and Pilotage:**
which consists in the analysis of the mall's competitive positioning in order determine the right merchandise mix.

Contract management

At the end of 2018 IGD had 1,467 leases in Italy with a total of 684 retailers. During the year the Company signed 184 new leases explained for 109 by renewals and the remaining 75 by turnover.
At the end of 2018 WinMagazin SA had 571 leases in Romania. During the year 423 new leases were signed explained for 249 by renewals and 174 by turnover.

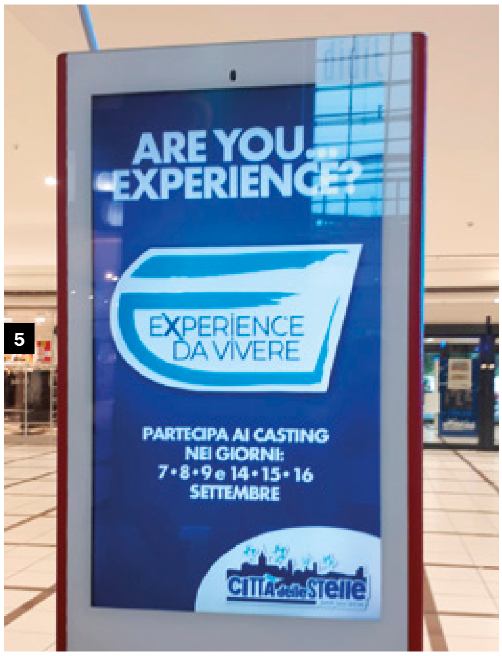
Careful turnover management, on the one hand, provides IGD with an opportunity to change the offering in its malls in light of new consumer trends and, on the other, to select retailers who are the most reliable and have the best sales potential.

As part of its Enterprise Risk Management activities, IGD has been, for some time, analyzing the risk profile of its tenants. The systems assigns each tenant with a score based on the risk category to which it belongs in order to assess the percentage of retailers belonging to the same risk category, as well as the rents as a percentage of IGD's total revenue. Thanks to turnover, IGD was able to reduce the number of high risk tenants and, at the same time, lower the sales at risk as a percentage of total sales.

The concentration of retailers generating a significant portion of IGD's rental income is limited: in Italy the ten largest tenants represented 19.9% of the total rental income generated by malls in 2018 versus 20.8% in 2017, while in Romania the ten largest retailers account for 29.3% of the total, a slight increase compared to the 27.3% recorded in 2017.

IGD's retail offering is strengthened by the significant number of very appealing brands: in the Italian malls, international brands account for 41% of the total rental income, while in Romania these brands represent 40% of the total.

4



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6

4-5. Games show, an event dedicated to video games at Città delle Stelle shopping center, Ascoli Piceno

6. Dinosaurs exhibition at Punta di Ferro shopping center, Forlì

Marketing

In 2018 IGD's marketing moved in three directions:

→ to define the characteristics of the Experience initiative, namely a group of initiatives to be undertaken in the shopping centers in order to make the visitor feel like an active part of what goes on in the center itself. The project, which includes the events, tenants and a communication campaign, was launched in two pilot centers in the second half of 2018 (Puntadiferro in Forlì and Città delle Stelle in Ascoli Piceno) and achieved favorable results in terms of attendance and satisfaction of the visitors involved. In light of the positive outcome of the pilot experience, the project has become an integral part of IGD's Business Plan and part of the 2019 Marketing Plans;

→ to increase the quality of the events put on in the shopping centers conceived as strong attractors which help IGD stand out with respect to its competitors. Agreements were made, therefore, directly with the manufacturers and with important retail chains;

→ to further the use of the new methodology to prepare marketing plans launched in 2016. In 2018 the last phase of the process was added, namely the monitoring and control of the validity of the initiatives offered. This made it possible for each center to evaluate the operating performance and determine the level of satisfaction with respect to the results obtained. This also helped to create an historic framework which will be useful when making future choices.

The marketing activities made a key contribution to enhancing the appeal of the shopping centers and in boosting footfalls at a time when the food anchor is less attractive than in the past: footfalls reached about 88 million in 2018 in IGD's Italian centers; net the 4 malls acquired during the year, footfalls reached around 74.7 million, down slightly compared to 2017.

Footfalls in the Romanian Winmarkt centers reached around 29.8 million in 2018, a decrease of 2.0% compared to the 30.6 million reported in 2017 explained by the competition linked to the opening of new latest generation shopping centers on the outskirts of a few Romanian cities where Winmarkt has a presence in the historic downtown areas.

7. The dental clinic at Esp shopping center, Ravenna
8. Food Court in Centro Luna, Sarzana (La Spezia)

Mission

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

Vision

IGD has always been focused on the retail segment of the Italian real estate market. A top player because of the overall size of its portfolio, IGD has succeeded in delivering on Business Plan guidance thanks to the way in which it has interpreted its role over time, including during the lengthy consumer crisis which persisted throughout a large part of the last decade. The ability to listen to the different needs of retailers, the desire to offer a range of flexible and personalized retail solutions, the ability to meet the changing needs of international brands (including bigger spaces and different formats) in a timely manner have allowed IGD to build a professional profile with characteristics that are unique to Italy. A fair, collaborative and farsighted approach to working which is valued by the tenants has also had a positive impact on the results posted in IGD's income statement.

Contrary to the models used by the main European retail property companies, IGD has not focused on large shopping centers nor on a specific type of region: a calculated choice originally which has proven repeatedly to be successful over the last 12 years of the Company's development. IGD's property portfolio, comprised of 8 key assets and different, midsize centers, can be found throughout Italy typically near urban centers along main roads which allows for easy access to the centers Most of the IGD's assets, while not large, are also strongly positioned in primary catchment areas.

Historically, the typical IGD shopping benefitted from a food anchor which helped to attract traffic all week long and promote customer loyalty which, in turn, benefitted mall retailers. More recently the format of IGD's centers is being gradually transformed, with the addition of more than one nonfood anchor which act as important "attractors" for the whole center and a growing number of personal services: not only restaurants, but also dental studios and fitness centers. Activities which reflect fully IGD's "Spaces to be lived in" concept and which respond to the needs that e-commerce cannot satisfy.

Over the last few years IGD has worked on downsizing the space dedicated previously to the hypermarket to create new food courts and new retail spaces in a few centers; this approach, which has benefitted the retailers and has had a positive impact on the long term sustainability of rents, today represents a benchmark for the rethinking of layouts at other centers where the hypermarket could be reformatted in order to adapt to new models of consumption.
Currently at the Fonti del Corallo Shopping Center in Livorno, space that was previously occupied by the hypermarket is being remodeled resulting in a reduction of the area dedicated to the hypermarket and an expansion of the shopping mall.
This same approach is part of the Strategic Agreement with Coop Alleanza 3.0, partner and IGD's main food anchor, which involves 18 hypermarkets and consists in:

- revision of the lease terms, namely a lengthening of the expiration of all the leases covered under the agreement and the adjustment of a few rents with a view to increased stability and sustainability;
- remodeling of 5 assets which need to boost appeal by downsizing the hypermarkets and increasing the number of stores/services in the malls.

The ability to rethink the merchandising mix and complete new fit-outs to reflect new retailer formats lie at the heart of IGD's ability to maintain a high level of occupancy over time.

Strategic guidelines

9. Centro Sarca, Milan

In 2018 IGD's 2016-2018 Business Plan came to a successful conclusion as basically all the targets set were achieved. On 7 November 2018 IGD, therefore, presented new strategic guidelines when it published its new 2019-2021 Business Plan.

The new Business Plan focusses on consolidating IGD's leadership in the Italian market and strengthening its financial structure.

The strategy in the plan leverages on 3 pillars which IGD intends to develop internally using internal resources and expertise: Innovation and operating excellence, asset management and financial strategy. As was the case in 2014, sustainability targets are included in the new plan.
In terms of innovation and operating excellence, IGD believes that in the coming years finding ways to promote interaction and personalized relationships with visitors, as well as the integration of e-commerce, will be key. For this reason a plan was developed that focuses on innovation, which strives to improve the customer journey, through initiatives and experiences that reinforce the shopping center's role as an entertainment hub and meeting place.

The asset management strategy consists in daily, dynamic and long term management of our properties in order to better serve visitors and retailers. The investments planned, therefore, aim to maintain and increase the quality of the portfolio, favoring innovation, appeal, quality materials, in addition to sustainability.
More in detail, IGD will focus on four areas:

→ **Riqualification of the existing portfolio**
→ **Strategic agreement with Coop Alleanza 3.0**
→ **Completion of the current investment pipeline**
→ **Asset rotation**

The financial strategy is geared to maintaining rigorous financial discipline, consistent with the investment grade profile in order to limit financial risks (interest rate and credit) and obtain the best market conditions possible.

Lastly, with regard to Sustainability, the qualitative/quantitative targets referred to in the 2019-2021 Plan reflect the topics that emerged in the Materiality Analysis.

IGD's investment plan for the three-year period 2019-2021 was conceived with a view to rigorous financial discipline. The gradual completion of the investments called for will fuel important cash flow generation (reflected in the FFO) and, consequently, IGD's ability to provide shareholders with attractive and sustainable returns.

LE MAIOLICHE
FAENZA (RAVENNA)

Opening 2009

Mall GLA sqm 12,580

Food anchor GLA sqm 9,277

2,071,227 visitors in 2018

Environmental Certifications:

UNI EN ISO 14001

LE PORTE DI NAPOLI
NAPLES

Opening 1999

Extension 2014

Mall GLA sqm 16,983

Food anchor GLA sqm 9,570

4,222,250 visitors in 2018

2.2 PERFORMANCE IN 2018

2.2.1 Income statement review

The Group's activity continued at an intense pace in 2018, marked by the closing of important business and financial transactions; these activities were completed in a positive global market environment, but slower compared to 2017: economic growth showed signs of cyclical deterioration in many of the developed and emerging markets; the prospects for world trade dimmed in light of several risk factors including the possibility that the trade negotiations between China and the United States could fail and uncertainty about how the United Kingdom's exit from the European Union will unfold[1].
In Italy, after a particularly positive 2017, there was a slowdown in the economic cycle; growth slowed progressively in the year: based on ISTAT's preliminary estimates, at year-end 2018 Gross Domestic Production was up +0.8%, lower than the +1.5% recorded in 2017; the last two quarters of the year, in particular, showed negative growth (-0.1% in the third quarter and -0.2% in the fourth quarter)[2].
This slowdown is attributable mainly to the decline in investments and, to a lesser degree, a drop in consumer spending while exports remain positive[3]. The labor market, however, did provide positive signals with unemployment coming in at 10.3%, 0.6% lower than in December 2017[4]. With regard to prices, in the wake of 2017, inflation was positive for all of 2018 even though it slowed in the last months of the year due mainly to the drop in energy prices[5]: the average inflation rate for the year showed an increase of +1.2%[6].
Not a particularly bright scenario, therefore, which was also impacted by unfavorable political tensions between the Italian government and the European Union in the second half of the year and the subsequent widening of the BTP-Bund spread in the autumn months. Nonetheless IGD's portfolio reported good operating performances in 2018: retailers' sales in Italian malls were up by 2.2%, while footfalls fell slightly. The sales figures are particularly good compared to the national retail sales figures for non-food goods which showed a decrease of 0.6% in terms of amount and an increase of 0.2% in volumes[7].
The average occupancy rate for the Italian portfolio also increased: from 96.8% at year-end 2017 to 97.2% year-end 2018.
All of these variables did impact rental income for the Italian perimeter which, however, showed growth of 9.7% at 31 December 2018 (net rental income rose by +11.8%). This good result reflects, firstly, the acquisition of the portfolio, comprising 4 malls and a retail park, closed in April. LFL revenue was also higher, however, by 1.3% due mainly to indexing, pre-letting which reduced vacancies and increased the average upside on new leases, as well as the gradual decrease in temporary discounts on rents.
IGD's asset management activities continued in 2018; in addition to the above mentioned acquisition, closed in April, of 4 malls in northern Italy which are in prime shopping centers in their respective catchment areas, in May a new mid-size retail area was opened and the total restyling of the mall façade at the Gran Rondò Shopping Center in Crema were completed, as was the multi-level parking garage. On 21 December the Company received the building permit issued pursuant to the agreement signed on 15 November relating to the "Porta a Mare" Project in Livorno which makes it possible to resume work on completing the 43 residential units and the retail area of approximately 15,600 m^2, which is the largest and most attractive portion of the entire project.
In Romania economic growth continued at a decidedly more robust pace than in Italy and above the European average, even though it was expected to be slower than in 2017: estimates show that Gross Domestic Product grew 4.0% in 2018; the main growth driver continues to be consumer spending which is still benefitting, albeit it to a lesser degree, from the government measures adopted between 2016 and 2017.[8] The good results, along with the significant restyling work and updating of the merchandising mix carried out by IGD over the last few years, translated into good operating results for our shopping centers: occupancy improved further rising from the 96.4% recorded in 2017 to 97.1% in 2018 (in line with Italy) and the average upside on new leases reached 3.9%.
These solid results fueled an increase in rental income of 2.9% against 2017.
From a financial standpoint, 2018 began with a significant €150 million capital increase which was successfully com-

1 Source: Bank of Italy – *Economic Bulletin 1/2019,* January 2019
2 Source: Istat – *Preliminary GDP Estimates,* January 2019
3 Source: Bank of Italy – *Economic Bulletin 1/2019,* January 2019
4 Source: Istat – *Employment Figures,* January 2019
5 Source: Bank of Italy – *Economic Bulletin 1/2019,* January 2019
6 Source: Istat – *Consumer Prices,* January 2019
7 Source: Istat – *Retail Trade,* February 2019
8 Source: European Commission – *Winter Economic Forecast,* February 2019

pleted in April. The proceeds were used to finance the acquisition of 4 shopping malls and 1 retail park. In October IGD signed a facility agreement with a pool of lenders for a 3-year EUR 200 million senior unsecured facility, which may be extended up to five years, divided into two tranches; the first payable at the beginning of January 2019 and the second by the end of March 2019; the facility will be used to repay a €150 million bond maturing in January 2019 and extinguish a few short-term credit lines. In May Moody's, in the wake of Italy's sovereign debt downgrade, confirmed the Baa3 rating of IGD's debt, but with a negative outlook. In October Moody's reconfirmed this rating. All of this made it possible for IGD to further lower the cost of debt which reached 2.65% at the end of 2018 compared to 2.82% at the end of 2017, and raise the Interest Cover Ratio or ICR from 2.93x at year-end 2017 to 3.47x.
As described in greater detail below, these positive results determined a net profit of €46.4 million and FFO of €79.7 million, an increase of 21.4% against 2017, exceeding the guidance disclosed to the market calling for an increase of at least 20%.

The consolidated operating income statement is shown below:

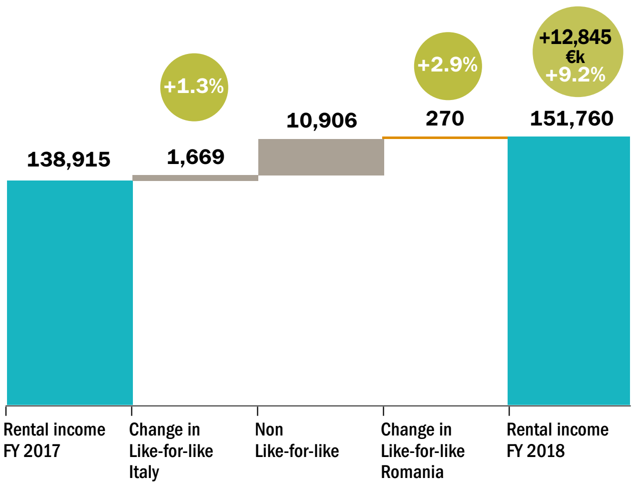
GROUP CONSOLIDATED	(A)	(B)	Δ
	FY CONS. 2018	FY CONS. 2017	(A)/(B)
Revenues from freehold activities	139,286	126,276	10.3%
Revenues from leasehold activities	12,474	12,639	-1.3%
Total income from rental activities	**151,760**	**138,915**	**9.2%**
Rents and payable leases	-10,265	-10,218	0.5%
Direct costs from rental activities	-17,463	-16,810	3.9%
Net rental income	**124,032**	**111,886**	**10.9%**
Revenues from services	6,309	6,176	2.1%
Direct costs from services	-5,162	-5,812	-11.2%
Net services income	**1,147**	**364**	**n.a.**
Headquarters personnel	-6,707	-6,642	1.0%
G&A expenses	-4,749	-4,421	7.4%
CORE BUSINESS EBITDA (Operating income)	**113,723**	**101,187**	**12.4%**
Core business Ebitda Margin	***71.9%***	***69.7%***	
Revenues from trading	4,445	5,116	-13.1%
Cost of sale and other trading costs	-5,536	-5,841	-5.2%
Operating results from trading	**-1,091**	**-725**	**50.4%**
EBITDA	**112,632**	**100,462**	**12.1%**
Ebitda Margin	***69.3%***	***66.9%***	
Impairment and Fair Value adjusments	-30,279	23,886	n.a.
Depreciations and provisions	-1,106	-1,180	-6.3%
EBIT	**81,247**	**123,168**	**-34.0%**
FINANCIAL MANAGEMENT	-32,498	-34,343	-5.4%
EXTRAORDINARY MANAGEMENT	-85	-95	-10.3%
PRE-TAX PROFIT	**48,664**	**88,729**	**-45.2%**
Taxes	-2,276	-2,276	0.0%
PROFIT FOR THE PERIOD	**46,388**	**86,454**	**-46.3%**
Profit/Loss for the period related to third parties	0	0	n.a.
GROUP NET PROFIT	**46,388**	**86,454**	**-46.3%**

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.

→ Net Rental Income

Rental income amounted to €151,760 thousand, an increase of 9.2%.

NET RENTAL INCOME

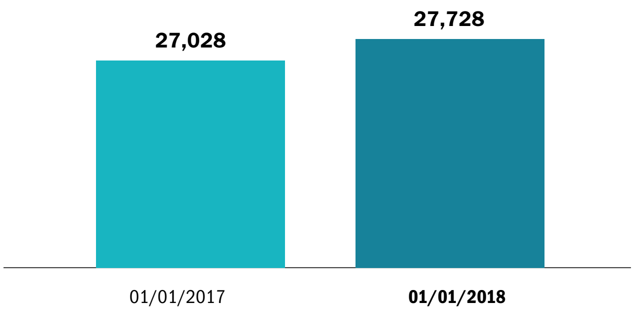


The increase of €12,845 thousand is explained by:

- for €1,669 thousand, like-for-like revenue in Italy (+1.3%). Malls were up (+1.5% as a result of the pre-letting carried out during the year, as well as lower discounts), as were hypermarkets (+0.9%). 184 new leases were signed with average rents unchanged (+1.2% excluding the only lease signed in December);
- for around €10,906 thousand, the expanded perimeter which includes the ESP extension opened in 2017 and the 4 new malls acquired in April 2018 (Leonardo, Lame, CentroLuna and La Favorita);
- for around €270 thousand, higher like-for-like revenue in Romania (+2.9%) linked to pre-letting and renegotiations. 423 leases were signed in the period (174 for turnover and 249 renewals) with an average upside of 3.9%.

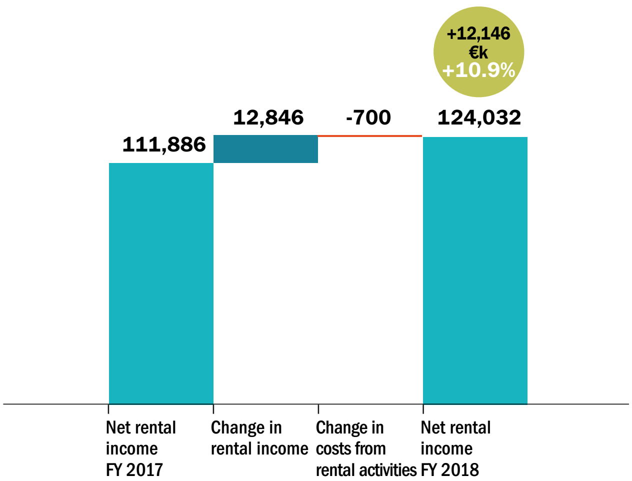
The direct costs for the rental business rose approximately 2.6 % compared to the same period of the prior year to €27,728 thousand, but fell as a percentage of revenue (18.3% at 31 December 2018 compared to 19.5% in the same period of the prior year). The increase in costs is attributable mainly to the expanded perimeter (condominium fees, property tax - *IMU* and condominium fees) partially offset by a drop in provisions and other items.

DIRECT COSTS FROM RENTAL ACTIVITIES



Net rental income amounted to €124,032 thousand, an increase of 10.9% against the same period of the prior year.

NET RENTAL INCOME



The rental of freehold properties generated a margin of €5,488 thousand, rising 10.2% against the same period of the prior year, and reaching an impressive 87.4% of revenue, higher than in the comparison period.
The net rental income freehold margin rose by 11.2% to €121,999 thousand and also increased as a percentage of revenue, coming in 87.6%.
The net rental income leasehold margin came to €2,059 thousand, lower than in the same period of the prior year (-5.2%), and reached 16.5% of revenue.

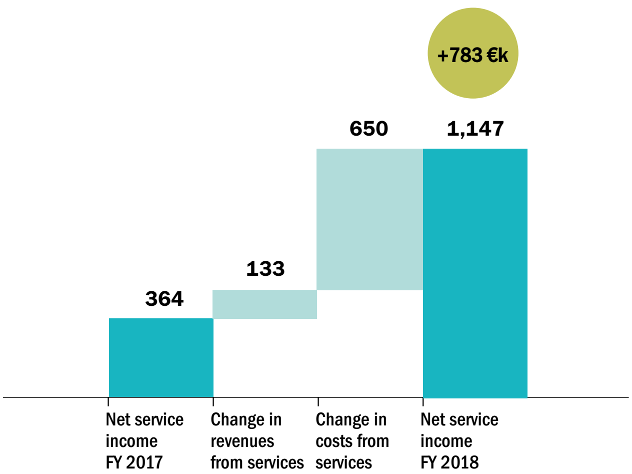
→ Net Service Income

Revenue from services was +2.2% higher than in the prior year. Most of this revenue comes from the facility management business (around 87% of the total or €6,309 thousand), which was higher than in the prior year (+3.1%) due mainly to new management mandates (ESP extension and Le Bolle) offset by the decrease in Pilotage revenue (pilotage fees from the ESP extension were recognized in 2017).

The **direct costs for services** amounted to €5,162 thousand, a decrease of €650 thousand (-11.2%) compared to the same period of the prior year attributable mainly to a decrease in pilotage costs incurred for the ESP extension (opened in 2017).

Net services income amounted to €1,147 thousand, an increase of €783 thousand compared to the same period of the prior year, rising as a percentage of revenue from services from the 5.9% recorded in the prior year to 18.2%.

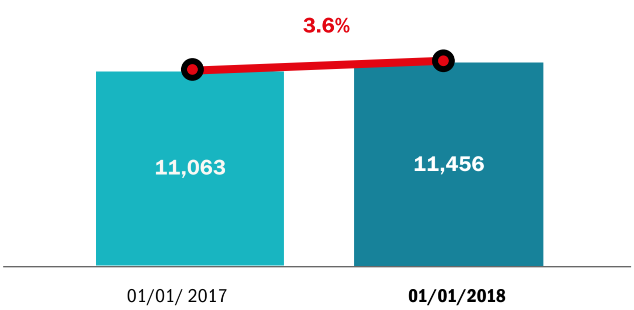
NET SERVICES INCOME



→ General expenses for the core business

General expenses for the core business, including payroll costs at headquarters, came to €11,456 thousand, an increase (+3.6%) against the €11,063 thousand posted in 2017, but down as a percentage of revenue (7.2% at 31 December 2018 versus 7.6% in the same period of the prior year). The increase is attributable primarily to higher security expenses, listing costs and one-offs recorded in the period linked to corporate projects.

CORE BUSINESS G&A EXPENSES

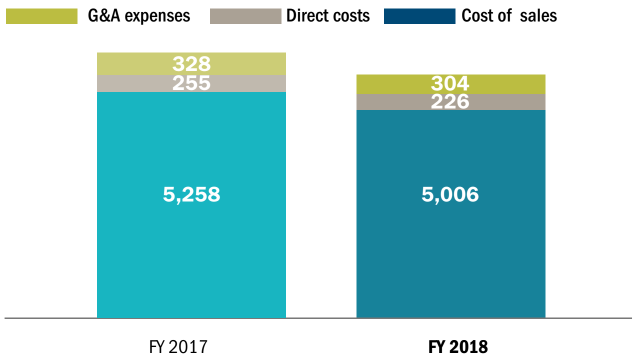


→ Operating results for trading

Trading posted an operating loss of €1,091 thousand, about €366 thousand higher compared to 2017. Revenue from property sales reached €4,445 thousand in the twelve months and reflects the sale of 14 residential units, 14 garages and one parking place. At the approval date of this annual report a preliminary agreement had been signed for an additional unit; the total of the units sold/pledged has, therefore, reached 90.7% of the total saleable area.

The costs for the Porta a Mare project are broken down below:

PORTA A MARE PROJECT COSTS

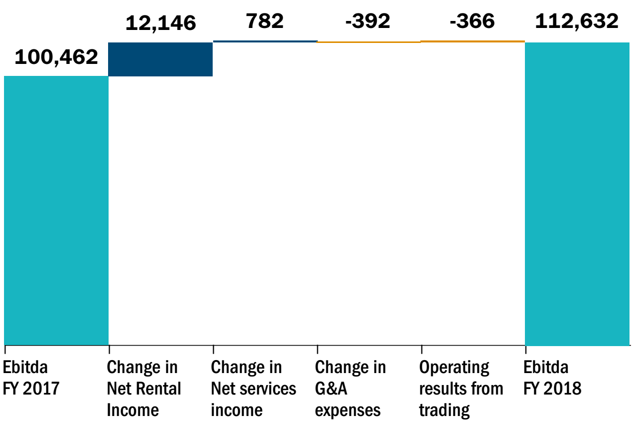


General expenses and direct costs were slightly lower than in the prior year. The costs of goods sold was also lower as 4 less units were sold.

→ EBITDA

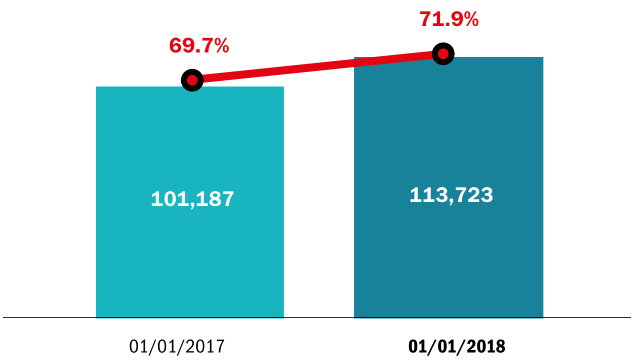
Core business **EBITDA** amounted to €113,723 thousand in 2018, an increase of 12.4% with respect to the prior year, while total EBITDA rose by 12.1% to €112,632 thousand. The changes in the components of total EBITDA during 2018 are shown below.

EBITDA



As mentioned above, the EBITDA margin 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 71.9%, an increase of around 2.2 percentage points against the same period of the prior year.

CORE BUSINESS EBITDA

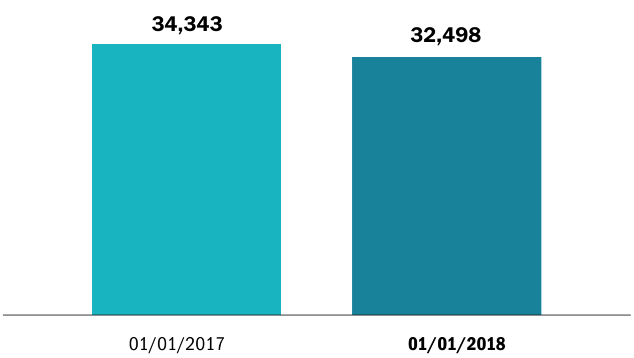


→ EBIT

EBIT amounted to €81,247 thousand, a decrease of 34.0% against the same period 2017. In addition to the above mentioned rise in EBITDA, the result reflects mainly the negative balance of write-downs and fair value adjustments of €43,136 thousand partially offset by the acquisition of 4 businesses which had a positive impact of €12,857 thousand.

→ Financial income (charges)

FINANCIAL INCOME (CHARGES)



Financial charges went from €34,343 thousand at 31 December 2017 to €32,498 thousand at 31 December 2018. The decrease of around €1,845 thousand is attributable primarily to *(i)* lower interest expense on IRS due to the expiration of one IRS in April 2017 and the subsequent stipulation of a new IRS agreement at more favorable terms; and *(ii)* lower financial charges on the amortized cost of bonds, due to the adoption of the new accounting standard IFRS 9, which increased liabilities for bond loans while reducing their interest expense.
The average cost of debt (without considering recurring and non-recurring transaction costs) at 31 December 2018 was 2.65%, down from 2.82% in the previous year, while the average effective cost of debt went from 3.13% at 31 December 2017 to 2.88%.
The interest cover ratio (ICR), the ratio of Ebitda to interest expense, came to 3.47x, higher than the 2.93x posted in the prior year.

→ Equity investments/non-recurring transactions

The result posted in the half, -€85 thousand, is attributable mainly to: *(i)* the result of an equity investment accounted for using the equity method and *(ii)* an impairment loss charged on an investment carried at cost.

→ Taxes

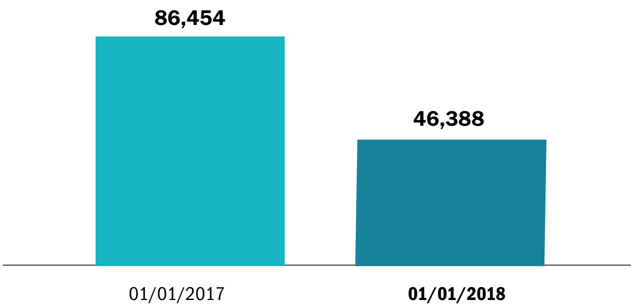
TAXES	31/12/2018	31/12/17	CHANGE
Current taxes	1,431	1,356	75
Deferred tax liabilities	488	900	(412)
Deferred tax assets	359	30	329
Out-of-period income/charges - Provisions	(2)	(10)	8
Total income taxes for the period	**2,276**	**2,276**	**0**

The tax burden, current and deferred, reached €2,276 thousand at 31 December 2018, in line with the prior year.
Current taxes rose primarily due to the higher income recorded in the prior year.
The amount due for IRAP, in line with the previous year, did not allow for the additional transformation of the unused ACE benefit into a tax credit to be taken against IRAP.
The change in deferred tax assets and deferred tax liabilities is mostly due to their adjustment to reflect the disparity between fair and tax value caused by fair value adjustments on certain investment properties held by subsidiaries without SIIQ status.

→ Group net profit

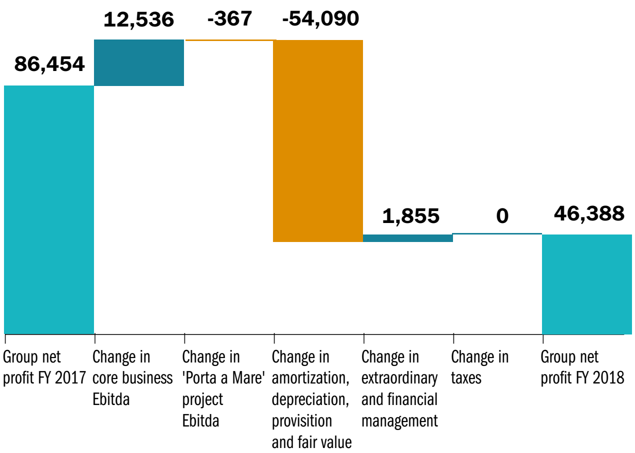
As a result of the above, the Group's net profit came to €46,388 thousand, a decrease of 46.3% against the €86,454 thousand recorded in 2017.

GROUP NET PROFIT



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

CHANGE IN NET PROFIT BETWEEN 2017 AND 2018



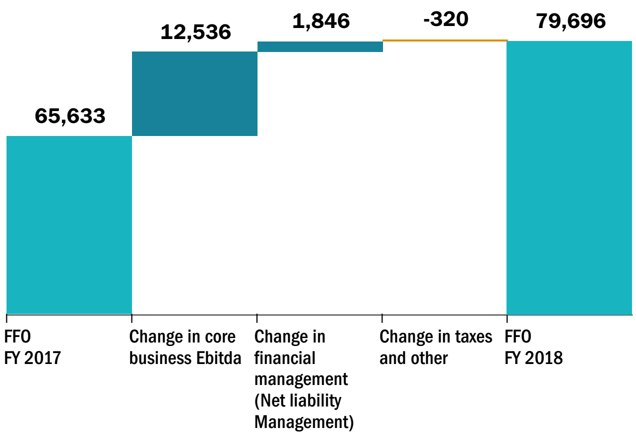
→ Core business FFO

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, reached €79,695 thousand at 31 December 2018, an increase of €14,062 thousand or 21.4% compared to the prior year. The change is explained by the noticeable increase in core business Ebitda and the drop in financial charges described above.

FUNDS FROM OPERATIONS	FY CONS 2017	FY CONS 2018	Δ VS CONS 2017	Δ%
Core business EBITDA	**101,187**	**113,723**	**12,536**	**12.4%**
Adj financial management*	-34,350	-32,504	1,846	-5.4%
Adj current taxes of the period*	-1,204	-1,524	-320	26.6%
FFO	**65,633**	**79,695**	**14,062**	**21.4%**

(*) Financial income (charges) and current taxes are shown net of non-core and non-recurring items.

CORE BUSINESS FFO



2.2.2. Statement of Financial Position and Financial Review

The IGD Group's statement of financial position at 31 December 2018 can be summarized as follows:

SOURCES-FUNDS	31/12/2018	31/12/2017	Δ	%
Fixed assets	2,346,527	2,157,176	189,351	8.78%
Assets under construction and advance	36,563	40,466	(3,903)	(9.65%)
Intangible assets	12,696	12,697	(1)	(0.01%)
Other tangible assets	9,615	10,204	(589)	(5.77%)
Sundry receivables and other non current assets	111	90	21	23.33%
Equity investments	277	254	23	9.06%
NWC	26,019	28,768	(2,749)	(9.56%)
Funds	(8,164)	(7,900)	(264)	3.34%
Sundry payables and other non-current liabilities	(19,742)	(21,182)	1,440	(6.80%)
Net deferred tax (assets)/liabilities	(26,340)	(24,777)	(1,563)	6.31%
Total use of funds	**2,377,562**	**2,195,796**	**181,766**	**8.28%**
Total shareholders' equity	1,252,338	1,115,753	136,585	12.24%
Non-controlling interest in capital and reserves	0	0	0	0.00%
Net (assets) and liabilities for derivative instruments	17,364	20,397	(3,033)	(14.87%)
Net debt	1,107,860	1,059,646	48,214	4.55%
Total sources	**2,377,562**	**2,195,796**	**181,766**	**8.28%**

The principal changes, compared to 31 December 2017, are described below:

- **Investment property,** the increase of €189,351 thousand is explained primarily by:
  - for around €208,336 thousand, the fair value measurement, at the time of purchase, of the shopping malls and retail park pertaining to the 4 businesses acquired in the first half of 2018 in northern Italy (Leonardo Shopping Center in Imola, Lame Shopping Center in Bologna, La Favorita Shopping Center and Retail Park in Mantua and CentroLuna in Sarzana).
  - for €11,922 thousand, the reclassification to investment property of the following finished projects: extension of the midsize retail area at Gran Rondò (Crema), inaugurated on 3 May 2018: new layout and earthquake proofing at Darsena (Ferrara); the ground floor restyling of the Casilino mall (Rome); waterproofing of the roof at the Tiburtino mall (Rome); extraordinary maintenance of a few malls in Romania and the residence/office space building for athletes and sports associations which was completed in the third quarter;
  - fair value adjustments of investment property which was revalued in the amount of €37,791 thousand and written down by €79,802 thousand for a net negative impact of €42,011 thousand;
  - for around €8,502 thousand, fit-out and extraordinary maintenance work completed at shopping centers, specifically Città delle Stelle in Ascoli, Katanè in Catania, Centro Borgo in Bologna, Esp in Ravenna, Centro d'Abruzzo in Chieti, Porte di Napoli, Tiburtino and Casilino in Rome;
  - for €2,607 thousand, the purchase in December 2018 of part of a hypermarket in the Gran Rondò shopping center, for the purpose of expanding the mall, from Coop Lombardia;
  - for €5 thousand, disposals.

- **Assets under construction and advances,** the decrease of €3,903 thousand is explained primarily by:
  - investments totaling around €8,773 thousand, mostly concerning: *(i)* final work on the expansion of the Gran Rondò shopping mall in Crema (around €1,336 thousand); *(ii)* ongoing work at Officine Storiche (for a total of €2,056 thousand); *(iii)* earthquake proofing at Portogrande and Centro d'Abruzzo (around €63 thousand); *(iv)* mall restyling at Darsena, Casilino and Fonti del Corallo (around €2,653 thousand); *(v)* roofing at Tiburtino and Centro Sarca shopping centers (around €160 thousand); *(vi)* construction work on Arco Campus (around €2,041 thousand); *(vii)* extraordinary maintenance work at various malls in Romania (around €414 thousand) and other minor improvements (around €50 thousand);
  - a decrease of €11,985 thousand for investments completed during the year and reclassified, mostly to investment property, as described above;
  - an impairment loss of €190 thousand on the Portogrande expansion and a fair value adjustment of -€886 thousand on the nearly completed Officine Storiche (Porta a Mare) project;
  - a net positive change in advances of €385 thousand.

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

- **Net working capital** showed a decrease of €2,747 thousand against 31 December 2017 explained primarily by:

  - a decrease in work in progress inventory of €4,410 thousand attributable mainly to the sale of 14 residential units, 14 garages and 1 parking place and the writedown, of €45 thousand, to adjust carrying amount to the lower of cost and appraised fair value;
  - an increase in trade receivables of around €1,501 thousand;
  - an increase in other current assets due mainly to €2,554 thousand in deferred costs linked to the new loan granted by BNP Paribas (for more information refer to Chapter 2.5);
  - an increase in trade and other payables of €740 thousand explained mainly by the purchase of a portion of the Gran Rondo mall in Crema in December 2018;
  - an increase in other current liabilities of €1,205 thousand attributable mainly to the security deposits made following the acquisition of the 4 businesses made in the period.

- **Provisions** dropped by €264 thousand as a result mainly of the adjustment made to provisions for severance and contingent liabilities relating to ongoing litigation, as well as provisions for variable compensation net of utilization during the year.

- **Payables and other non-current liabilities** decreased by €1,440 thousand due mainly to the reclassification as tax payables of the current portion (payable within one year) of the substitute tax accrued to Punta di Ferro when it obtained SIINQ status.

- **Net deferred tax assets and liabilities** went from €24,777 thousand to €26,340 thousand due primarily to tax misalignments relating to *(i)* adjustments to the fair value of investment properties which are not included in the SIIQ perimeter; *(ii)* taxed provisions, and *(iii)* hedges (IRS).

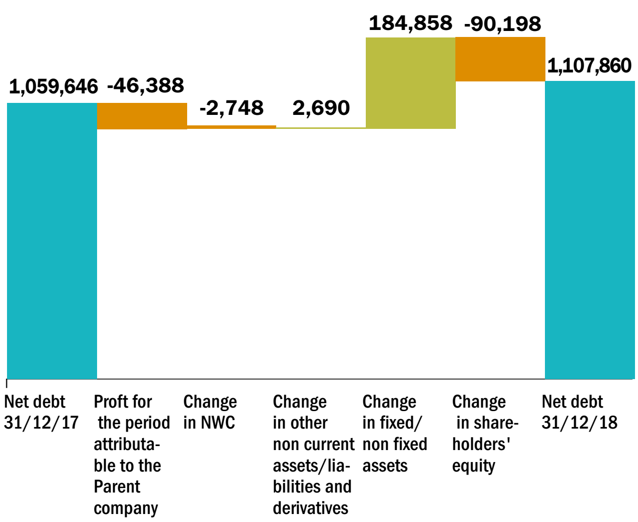
- The **Group's net equity** amounted to €1,240,190 thousand at 31 December 2018. The change of +€136,585 thousand is explained primarily by:

  - for €55,171 thousand, the distribution of the dividend for 2017;
  - for €150 million, the capital increase completed in April 2018
  - for €4,172 thousand, the costs for the capital increase accounted for, net of the relative tax effect, in a specific negative capital reserve in accordance with the applicable accounting standards;
  - for €1,533 thousand, the positive effect of the sale of the unexercised options stemming from the capital increase recognized as an increase in the share premium reserve;
  - adjustment of the cash flow hedge reserves for outstanding derivatives which amounted to around +€2,672 thousand for the parent company and around -€175 thousand for a subsidiary;
  - for €126 thousand, the sale in February of all the treasury shares held, €159 thousand of which linked to the elimination of the relative reserve and €33 thousand of which explained by a contingent liability recognized following the sale of these shares;
  - for €333 thousand, the purchase of treasury shares in June and the recognition of a reserve for the same amount;
  - for -€4,354 thousand, the impact of first time application of the new IFRS 9;
  - for approximately -€10 thousand, movements in the translation reserve for the translation of foreign currency financial statements;
  - for €262 thousand, the adjustment of the reserve for the recalculation of defined benefit plans;
  - for €46,388 thousand, the Group's portion of the profit for the year.

- **Net liabilities for derivatives** were down against the prior year due to the fair value measurement of hedging instruments.

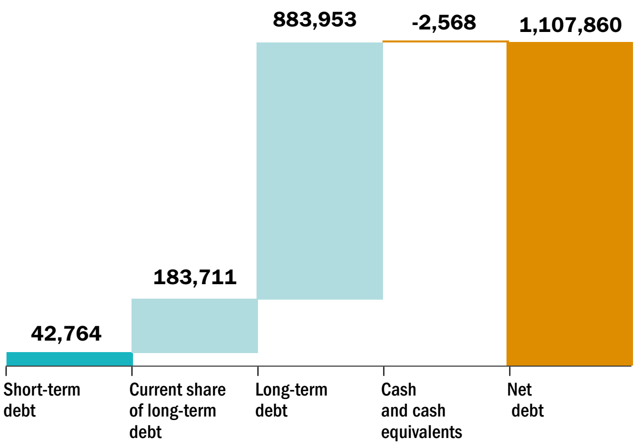
- The **net financial position** at 31 December 2018 was about €48.2 million higher than in the prior year. The changes are shown below:

RECONCILIATION OF THE NET FINANCIAL POSITION

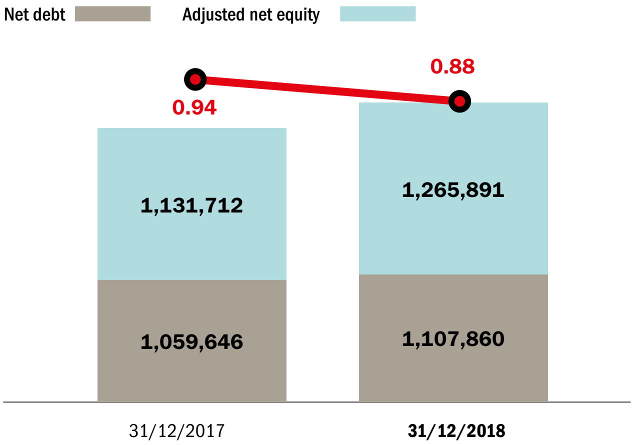


The breakdown of the net financial position is shown below:

BREAKDOWN OF THE NET FINANCIAL POSITION



GEARING RATIO



The gearing ratio reflects the debt to equity ratio, but does not include the accounting (non-monetary) effects of the CFH reserves. The ratio at 31 December 2018 was lower than the 0.94 recorded at 31 December 2017.

2.3
EPRA PERFORMANCE INDICATORS

The IGD Group decided to report on a few of the EPRA performance indicators[9], in accordance with the recommendations found in *"EPRA Best Practices Recommendations"*[10].

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

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

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.

EPRA Net Initial Yield (NIY): is a measure calculated as the annualized rental income (including variable and temporary revenue), less non-recoverable operating expenses, divided by the market value of the real estate assets, net of properties currently being developed.

EPRA "Topped-up" NIY: is a measure calculated by making an adjustment to EPRA NIY based on the annualized rental income (including variable and temporary revenue) excluding any other temporary incentives such as discounted rent free periods and step rents.

The results obtained by applying the EPRA Best Practices Recommendations are summarized below:

EPRA PERFORMANCE MEASURE	31/12/2018	31/12/2017	31/12/2017 RESTATED*
EPRA Earnings (€'000)	€ 76,146	€ 61,900	
EPRA Earnings per share	€ 0.69	€ 0.76	
EPRA NAV (€'000)	1,298,182	1,162,667	1,309,928
EPRA NAV per share	€ 11.77	€ 14.30	€ 11.87
EPRA NNNAV	1,263,454	1,111,040	1,258,301
EPRA NNNAV per share	€ 11.45	€ 13.67	€ 11.40
EPRA Net Initial Yield (NIY)	5.4%	5.4%	
EPRA 'topped-up' NIY	5.5%	5.5%	
EPRA Vacancy Rate Gallerie Italia	3.8%	4.6%	
EPRA Vacancy Rate Iper Italia	0.0%	0.0%	
EPRA Vacancy Rate Totale Italia	2.8%	3.2%	
EPRA Vacancy Rate Romania	2.9%	3.6%	
EPRA Cost Ratios (including direct vacancy costs)	18.7%	20.1%	
EPRA Cost Ratios (excluding direct vacancy costs)	16.9%	18.0%	

*For the sake of better understanding. the figures at 31/12/2017 were restated and included in the column "31/12/2017 Restated" inclusive of the impact of the capital increase (cash in and number of new shares).

9 European Public Real estate Association
10 See www.epra.com

The EPRA earnings per share calculation is shown below:

EARNINGS & EARNINGS PER SHARE	31/12/2018	31/12/2017
Earnings per IFRS income statement	**46,388**	**86,454**
EPRA Earnings Adjustments:		
(i) Changes in value of investment properties, development properties held for investment and other interests	30,280	-23,886
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	85	95
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	561	143
(iv) Tax on profits or losses on disposals	-157	-45
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	0	0
(vii) Acquisition costs on share deals and non-controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	-1,012	-861
(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	0	0
EPRA Earnings	**76,146**	**61,900**
Company specific adjustments:		
(a) General provisions and depreciations	1,104	1,179
(b) Non-controlling interests in respect of the above	0	0
(c) Tax on profits or losses on disposals	157	45
(d) Contingent tax	-2	-10
(e) Other deferred tax	1,859	1,791
(f) Capitalized interests	0	0
(G) Current Tax	302	302
(H) Other Adjstument for no core activities	129	426
Company specific Adjusted Earnings	**79,695**	**65,633**
Earnings Per Share (Numero Nuovo di azioni)		
Number of shares*	110,341,903	81,304,563
Earnings Per Share	**€ 0.69**	**€ 0.76**
Number of shares post capital increase		110,341,903
Earnings Per Share Restated*		**€ 0.56**

*** For the sake of better understanding, the EPRA Earnings per Share was restated to reflect the new number of shares stemming from the capital increase.**

The EPRA Earnings indicator is calculated by excluding non-monetary items (write-downs, fair value gains and losses on properties and financial instruments recognized in the income statement, any impairment or revaluations of goodwill), as well as non-recurring items (gains or losses from the disposal of investment properties, profits generated by trading along with current tax, costs relating to the advance repayment of any loans), deferred tax relating to the fair value of properties and financial instruments recognized in the income statement, as well as the portion of these items that pertains to non-controlling interests. The main differences with respect to FFO relate to generic amortization, depreciation and provisions, as well as the above EPRA adjustments, the non-recurring tax recognized in the income statement and the deferred tax that does not relate to the fair value of properties and financial instruments recognized in the income statement. The figure posted at 31 December 2018 shows a significant increase of €14,062 thousand or +21.41% against the same period of the prior year. This increase is consistent with the increase in FFO.

The NAV and NNNAV per share calculations are shown below:

NNNAV CALCULATION	31/12/2018 (B)		31/12/2017		31/12/2017 RESTATED (A)		Δ% (B VS A)
	€'000	€ P.S.	€'000	€ P.S.	€'000	€ P.S.	
Number of shares*	110,341,903		81,304,563		110,341,903		
1) Group shareholders' equity	**1,252,338**	**11.35**	**1,115,753**	**13.72**	**1,263,014**	**11.45**	**-0.8%**
Excludes							
Fair value of financial instruments	17,364		20,397		20,397		-14.9%
Deferred taxes	28,480		26,517		26,517		7.4%
Goodwill as a results of deferred taxes							
2) EPRA NAV	**1,298,182**	**11.77**	**1,162,667**	**14.30**	**1,309,928**	**11.87**	**-0.9%**
Includes							
Fair value of financial instruments	(17,364)		(20,397)		(20,397)		-14.9%
Fair value of debt	11,116		(4,713)		(4,713)		n.a.
Deferred taxes	(28,480)		(26,517)		(26,517)		7.4%
3) EPRA NNNAV	**1,263,454**	**11.45**	**1,111,040**	**13.67**	**1,258,301**	**11.40**	**0.4%**

***For the sake of better understanding, the figures at 31/12/2017 were restated and included in the column "31/12/2017 Restated" inclusive of the impact of the capital increase (cash in and number of new shares).**

The NAV was up slightly against the figure posted at 31 December 2018 (+0.4%) due mainly to, in addition to the above: *(i)* the positive change in the fair value of debt, calculated by discounting cash flows at a risk free rate plus a 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 31 December, as well as by a change in the composition, duration and cost of debt. The previously mentioned positive elements were offset by the payment of dividends in the year.

The **EPRA Net Initial Yield (NIY)** and the **EPRA "topped-up" NIY** are shown below:

The net initial yield is the annualized rents generated by the portfolio (including variable and temporary revenue), net of irrecoverable operating costs expressed as a percentage of the real estate portfolio's fair value, excluding development properties and assets being remodeled. Rental income includes all the adjustments the company is allowed to take under the leases at the end of each year (indexing and other changes).
The real estate assets considered for the purposes of NIY (the completed portfolio) include: *(i)* the properties held 100% by the Company; *(ii)* any properties held in joint venture and *(iii)* assets held for trading. Plots of land and properties under development are not included. The properties

NIY AND "TOPPED-UP" NIY €'000		FULL YEAR 31/12/2018			FULL YEAR 31/12/2017		
		ITALY	ROMANIA	TOTAL	ITALY	ROMANIA	TOTAL
Investment property		2,224,191	154,790	2,378,981	2,037,669	159,530	2,197,199
Investment property - share of JVs		0	0	0	0	0	0
Trading property (including share of JVs)		33,170	0	33,170	31,030	0	31,030
Less developments		*-518,810*	*0*	*-518,810*	*-71,053*	*0*	*-71,053*
Completed property portfolio		1,738,550	154,790	1,893,340	1,997,646	159,530	2,157,176
Allowance for estimated purchasers' costs		0	0	0			0
Gross up completed property portfolio	B	**1,738,550**	**154,790**	**1,893,340**	**1,997,646**	**159,530**	**2,157,176**
Annualised cash passing rental income		104,602	10,161	114,763	121,031	9,707	130,739
Property outgoings		-11,670	-1,150	-12,820	-13,260	-955	-14,215
Annualised net rents	A	**92,931**	**9,011**	**101,943**	**107,772**	**8,752**	**116,524**
Add: notional rent expiration of rent free periods or other lease incentives		1,354	606	1,960	2,189	297	2,486
Topped-up net annualised	C	94,286	9,617	103,903	109,961	9,049	119,009
EPRA NIY	A/B	**5.3%**	**5.8%**	**5.4%**	**5.4%**	**5.5%**	**5.4%**
EPRA "topped-up" NIY	C/B	**5.4%**	**6.2%**	**5.5%**	**5.5%**	**5.7%**	**5.5%**

(hypermarkets and malls) which, based on the framework agreement signed with Coop Alleanza 3.0 in November, will be remodeled, were reclassified under "Investment properties under development" which, consequently, went from €71,053 thousand to € 518,810 thousand. Fonti del Corallo, which will be remodeled, was similarly reclassified.
The EPRA "Topped-up" NIY is a measure calculated by making an adjustment to EPRA NIY based on the annualized rental income (including variable and temporary revenue) at capacity, namely excluding any temporary incentives such as discounted and step up rents.

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

→ Additional information on investment properties

In accordance with EPRA Best Practices Recommendations, the capital expenditure made in the last two years is shown below:

PROPERTY-RELATED CAPEX (€/000)	31/12/2018	31/12/2017
Acquisitions	195,480	-
Development	6,160	23,298
Like-for-like portfolio	14,290	9,118
Other	30	226
Capital Expenditure	**215,960**	**32,642**

COST RATIOS	31/12/2018	31/12/2017
Include:		
(i) Administrative/operating expense line per IFRS income statement	-44,878	-44,486
(ii) Net service charge costs/fees	3,627	3,204
(iii) Management fees less actual/estimated profit element	5,132	5,441
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits	30	369
(v) Share of Joint Ventures expenses		
Exclude (if part of the above):		
(vi) Investment Property depreciation		
(vii) Ground rent costs	10,265	10,218
(viii) Service charge costs recovered through rents but not separately invoiced		
EPRA Costs (including direct vacancy costs) (A)	**-25,824**	**-25,254**
(ix) Direct vacancy costs	-2,587	-2,677
EPRA Costs (excluding direct vacancy costs) (B)	**-23,237**	**-22,577**
(x) Gross Rental Income less ground rent costs - per IFRS	141,496	128,696
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) (x)	-3,627	-3,204
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		
Gross Rental Income (C)	**137,869**	**125,493**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**18.7%**	**20.1%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**16.9%**	**18.0%**

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 Company does not generally capitalize operating costs, with the exception of project management costs for the Porta a Mare project.

With regard to capex capitalized relative to freehold properties please refer to the following sections of the Report on Operations:
→ 2.2.2 Statement of financial position and financial review
→ 2.5 Significant events – Investments
and the Explanatory Notes (Chapter 4.6) Notes 12), 13), 14), 15), 16), 17).
For the accounting standards used for the various asset classes please refer to the Explanatory Notes, section 2.5 Investment property and assets under construction and section 2.10 Inventory.
With regard to the appraisal of the real estate portfolio, the independent experts selected and the appraisal criteria used, please refer to section 2.6 The real estate portfolio of the Report on Operations and section 3 Use of estimates of the Explanatory Notes (Chapter 4.6).
The reports issued by the each independent expert on the appraisals made at 31 December 2018 are in section 2.7 Appraisals of the independent experts.
The reconciliation of the fair value shown in the independent experts' appraisals and the book value of the real estate portfolio, along with any changes in the classification of real estate assets are reported in 2.6 The real estate portfolio in the Report on Operations.

2.4
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 Industry Finanza and Super Sector Beni Immobili segments; IGD is also part of the STAR segment.
The stock began trading on 11 February 2005.
The minimum lot is €1.00 and its specialist is Banca IMI.

IGD's stock symbols:

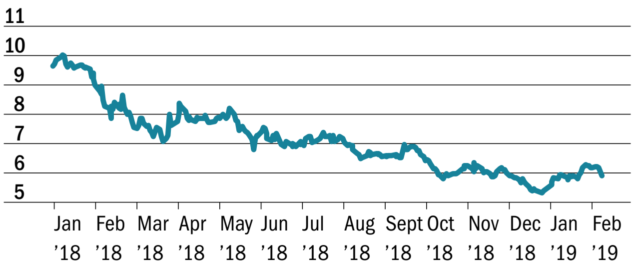
- **RIC: IGD.MI**
- **BLOOM: IGD IM**
- **ISIN: IT0005322612**
- **Borsa Italiana ID instrument: 327,322**

On 23 April 2018 IGD completed a capital increase which was entirely subscribed for a total of €149,977,861.10. As a result of this transaction, IGD SIIQ SpA's share capital amounted to €749,738,139.26, broken down into 110,341,903 ordinary shares without a stated par value.

Indices in which IGD's stock is included:

- **FTSE All-Share Capped, FTSE Italia All-Share, FTSE Italia STAR, FTSE Italia Mid Cap, FTSE Italia Finanza, FTSE Italia Beni Immobili.**
- **FTSE Italia PIR Mid Cap Index, FTSE Italia PIR Mid Small Cap Index, FTSE Italia PIR PMI All Index, FTSE Italia PIR PMI Plus Index, FTSE Italia PIR STAR Index, FTSE Italia PIR Benchmark Index, FTSE Italia PIR Benchmark STAR Index, FTSE Italia PIR Large & Mid Index.**
  PIR: Piani Individuali di Risparmio
- **FTSE EPRA/NAREIT Global Real Estate Index, FTSE EPRA/NAREIT Global Real Estate Index, FTSE EPRA/NAREIT Developed, FTSE EPRA/NAREIT Developed Dividend +, FTSE EPRA/NAREIT Europe, FTSE EPRA/NAREIT Euro Zone, FTSE EPRA/NAREIT Developed Europe Ex UK Dividend**
  EPRA: European Public Real Estate Association
- **WisdomTree Europe SmallCap Div, WisdomTree International Small, WisdomTree Global Dividend, WisdomTree International Equity, WisdomTree International High**
- **Bloomberg ESG Data Index**
- **S&P Italy BMI Index, S&P Eurozone BMI Index, S&P Global BMI Index, S&P Developed Property Index, S&P Global BMI Real Estate Index, S&P Developed REIT Index, S&P Global REIT USD Index**
- **MSCI World ex USA IMI**
- **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**
  GPR IPCM LFFS Sustainable GRES Index
  GPR Global Property Research

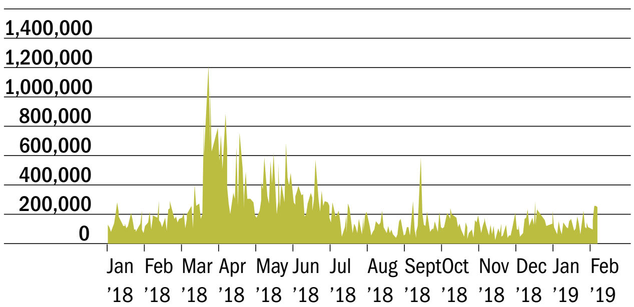
IGD'S STOCK PRICE SINCE 2 JANUARY 2018



Source: Italian Stock Exchange data compiled by IGD

After rising 33.1% in 2017, IGD's stock price dropped 39.9% in 2018 going from €8.96 at 29.12.2017 to €5.38 at 28.12.2018. The price reached the high for 2018 of €10.02 on 9 January and reached the low for the year of €5.31 on 27 December. In the first weeks of 2019 the trend was inverted with the stock price reaching levels above €6.

VOLUMES OF IGD STOCK TRADED SINCE 2 JANUARY 2018

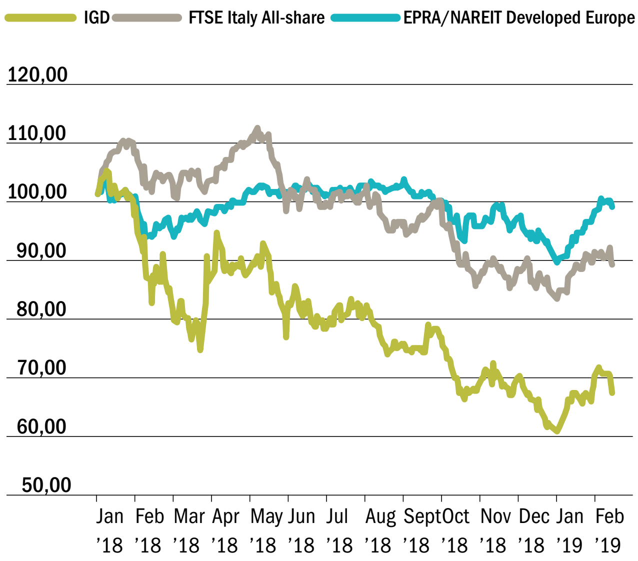


Source: Italian Stock Exchange data compiled by IGD

In 2017 an average of approximately 224,120 IGD shares were traded each day. Volumes were higher in the first part of the year (an average of 313,019 shares a day) around the time of the capital increase and on the date the dividend was paid. In the second half of the year volumes dropped to an average of around 137,383 shares per day.

In 2018 the Company continued with the program aimed at enhancing the liquidity to IGD's shares begun on 4 September 2017, which was extended through 4 September 2019 and suspended from 12 February to 18 June because of the capital increase. The purpose of this program, executed by an independent broker, is to support regular trading and avoid price fluctuations not in line with market trends.

IGD'S STOCK VS. THE ITALIAN STOCK MARKET INDEX FTSE ITALIA ALL-SHARE AND EPRA/NAREIT DEVELOPED EUROPE (BASE 2.1.2018 = 100)



Source: Italian Stock Exchange and EPA data compiled by IGD

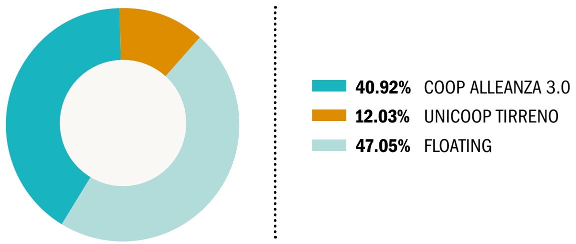
If in 2017 stock markets benefitted from a positive environment, with low borrowing costs that supported synchronized growth in all the major world economies, in 2018 the scenario gradually became less favorable. During the year the expectation that world economic growth would deteriorate increased, while the accommodative policies of the central banks used to overcome the financial crisis begun in 2018 appeared to have run their course.
In August investors convinced themselves that serious risks were materializing. New barriers to trade, the failure to reach an agreement about the United Kingdom's exit from the European Union and a high deficit/GDP ratio that could have been addressed in the Budget Law of the Italian government that took office in June, were the greatest uncertainties fueling the increased risk premium.
In the fall, while concerns about an escalating trade war between the USA and China intensified, it was also feared that the Federal Reserve would raise rates as the US expansionary monetary policy had run its course.
This singular combination of unfavorable elements in 2018 caused negative performances across all investment classes, both equities and bonds. The global stock market index, MSCI All Country World Index, fell 9.4%, marking the worst performance since the 2008 financial crisis. The Euro Stoxx 50 also lost 14.3% in 2018.
With regard to the indices that are most relevant for IGD, the year closed with a 16.7% drop in the FTSE Italy All-Share Index (the Italian stock market index) and a 11.7% decline in the EPRA NAREIT Developed Europe Index (European real estate sector). The 18.5% decrease in IGD's market capitalization, therefore, reflects the double digit dives of the benchmarks.
On the one hand, the Italian market performance was affected by uncertainty about the impact of the Italian government's policies, as testified by the widening of the BTP/Bund spread. On the other hand, the prices of the European real estate sector were impacted by a number of elements: the expectation that interest rates would be raised caused investors to look closer at the real estate company's debt, not only in terms of Loan-to-Value, but also in terms of Debt-to-EBITDA and the ability to repay debt through cash flow. Increased yields also had a negative impact on real estate equities, as shown in the higher WACC used in valuations. Looking closer at the European real estate sector, the retail companies were subject to greater deratings due to the impact that a weaker retail sales environment will have on rental income moving forward, including in light of the challenges presented by e-commerce.
IGD's stock, undoubtedly influenced by the unfavorable environment for equity investments as well as the elements that reduced the appetite for the Italian market and the retail real estate segment, was also penalized by factors linked specifically to the Company. In the short term the capital increase, completed successfully in April 2018, had a dilutive effect on the FFO per share; nonetheless, the quarterly results published after the transaction showed that the new assets purchased from ECP were already making a positive contribution to cash flow generation. Despite the good numbers, in terms of both operating results and financial management, and even though the Business Plan 2019-2021 (which calls for development to be totally self-financed) was well received, IGD's stock closed 2018 at very low multiples, around 7.5x FFO.
The year-end consensus price (updated at 31 December 2018) of the analysts covering the stock is around €8.20 Euro: well above recent levels.
The EPRA NNNAV, updated based on the real estate appraisals at 31 December 2018, of €11.45 per share, also indicates that the stock is undervalued.
The recovery in the stock price recorded in the first weeks of 2019 reflects a generally more favorable environment, one in which investors have seen a few problem areas disappear: even if regulatory risk for the retail sector in Italy (relating to reducing the holidays during which shopping centers can stay open) is weighing on IGD's stock.
Despite the uncertainties stemming from external variables, the market has access to concrete elements specific to IGD, like the solid fundamentals confirmed in the Annual Report 2018 and the visibility of the targets in the Strategic Plan 2019-2021: these elements indicate that there is ample room for a rerating of the stock which will bring the multiples closer to historic averages.

→ Dividend

The dividend for 2017

During the Annual General Meeting held on 1 June 2018 IGD's shareholders approved a dividend for 2017 of €0.50 per share. Shares went ex-div on 11 June 2018 (detachment of coupon n. 2) and the dividend was payable as from 13 June 2018. As the shares issued following the April 2018 capital increase were entitled to receive dividends, the dividend was paid on all 110,341,903 IGD shares outstanding on the ex-div date: a total of €55,170,951.50 was, therefore, paid as dividends.

MAIN SHAREHOLDERS



Source: IGD SIIQ SPA's shareholder register

In 2018 there were no changes in the shareholders with interests of more than 5% of the capital.
There are no shareholder pacts between the Company's largest shareholders: the free float, therefore, accounts for the largest portion of the capital or 47.05%.

→ Investor relations and financial communication

Analyst coverage

At year-end 2018 IGD was covered by six brokers, four domestic and two international.
The consensus target price, monitored by the Company and calculated as the average target price of the brokers covering the stock, was €8.20 at year-end 2018.
The analysts' recommendations are largely positive, with just one neutral rating. None of the analysts covering the stock have issued a sell recommendation.

Presentations and meetings with investors

In 2017 IGD organized four conference calls:

- 22 February, to discuss the FY 2017 results;
- 9 May, to discuss the results for first quarter 2018;
- 3 August, to discuss results for first half 2018;
- 7 November, to discuss the results for the first nine months of 2017 and present the Business Plan 2019-2021.

111 institutional investors participated in the conference calls.
Thanks to the collaboration of five different brokers, in 2018 IGD's management met institutional investors in the European financial centers (London, Paris and Milan).
In the first part of the year, the roadshows were dedicated to presenting the acquisition of the real estate portfolio from ECP, while in the last part of the year the focus was on the new Business Plan.
On 27 March 2018 IGD participated in the STAR Conference in Milan, while on 2 July the Company was, for the second time, present at the Italian Sustainability Day organized by *Borsa Italiana* in Milan. On 21 June IGD also participated in the Morgan Stanley Europe & EMEA Property Conference in London. Lastly, the company was also present at another important international event, namely the first EPRA Corporate Access & Markets Insights Day held on 12 December in London.
In 2018 management met with a total of around 90 institutional investors.

Online communication

The new version of the corporate website *www.gruppoigd.it*, complete with restyled graphics and richer content, has been online since 5 July 2018. New interactive functions were introduced in the Stock section of the Investor Relations page and the section on IGD's real estate portfolio was enriched with new fact sheets.
In the 2018-2019 Italian Webranking, which Comprend developed in partnership with Lundquist, IGD was ranked 16th with 67.7 points, higher than the 65.0 points awarded in 2017.
In 2018 IGD implemented stakeholder engagement policies through the continuous use of social media and was actively present on LinkedIn, Wikipedia, YouTube, Facebook, SlideShare, flickr and twitter.

Information produced by the IR team

2018 was the eleventh consecutive year in which the investor newsletter was made available in the Media section of the website in Italian and English each quarter with a view to keeping all its shareholders and, in general, all the investors interested in knowing more about the Company, up-to-date.
The Investor Relations department also continued to monitor its peers through a comparative analysis of the operating results and trading multiples of a group of European retail real estate companies
Thanks to the IR Board Report prepared every quarter, the Board of Directors can monitor the most significant changes in the institutional shareholder base, changes in brokers' estimates and target prices, as well as IGD's stock valuations.

Awards received for corporate reporting

IGD's continuous commitment to rendering its economic/financial and sustainability performances even more transparent and comparable resulted in receiving prestigious international recognition.

In September 2018 EPRA (the European Public Real Estate Association), for the first time, gave IGD's Consolidated Annual Report 2017, the EPRA BPR Gold Award" (Best Practice Recommendations).
This is the award given for having adhered to the Association's standards, granted after careful examination of the annual reports of 155 European real estate companies. IGD received the Gold Award after having received the Silver Award for Consolidated Annual Reports for two years in a row, 2015 and 2016.
As for the Corporate Sustainability Report, for the fourth year in a row IGD' received the'"EPRA sBPR Gold Award" (Sustainability Best Practice Recommendations), after careful analysis of 139 European real estate.

In Italy, thanks to the quality and depth of the information found in its Annual Report, IGD was a finalist in the *Oscar di Bilancio* for the third year in a row. The competition, organized by FERPI *(Federazione Relazioni Pubbliche Italiana)*, found IGD's Annual Report to be one of the most complete and effective reports in the Small – Medium Sized Enterprises section.

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10. Punta di Ferro shopping center, Forlì

→ Financial calendar 2019

26 February
Board of Directors' meeting to approve the draft separate and consolidated financial statements at 31 December 2018.

10-11 April
Annual General Meeting convened to approve the financial statements for the year ending 31 December 2018 in first call and second call, respectively.

7 May
Board of Directors' meeting to approve the Interim Financial Report at 31 March 2019.

2 August
Board of Directors' meeting to approve the Half-Year Financial Report at 30 June 2019.

7 November
Board of Directors' meeting to approve the Interim Financial Report at 30 September 2019.

FONTI DEL CORALLO
LIVORNO

Opening 2003
Extension and restyling project 2019
Mall GLA sqm 5,613
Food anchor GLA sq.m. 9,359

2,737,579 visitors in 2018

CASILINO
ROME

Opening 2002
Restyling project 2019
Mall GLA sq.m. 5,614
Food anchor GLA sq.m. 13,688

1,684,412 visitors in 2018

2.5 SIGNIFICANT EVENTS

The main events for the year are described below.

Corporate events

During the Extraordinary Shareholders' Meeting held on 12 February 2018 shareholders approved the proposal to increase share capital, against payment, on one or more occasions, by up to a maximum of €150 million through the issue of ordinary shares to be offered to shareholders in accordance with Art. 2441, first paragraph, of the Italian Civil Code, in proportion to the number of shares held. During the same meeting held in extraordinary session, shareholders also approved the reverse stock split of ordinary shares at a ratio of 1 new ordinary share with dividend rights for every 10 ordinary shares held.

On 19 February 2018, in execution of the shareholders' resolution of 12 February 2018, the reverse stock split of all 813,045,631 outstanding shares at a ratio of 1 new ordinary share, without a stated par value, for every 10 ordinary shares held, without a stated par value, was completed. With a view to a balanced transaction 1 ordinary share held by Coop Alleanza 3.0 Soc. Coop. was cancelled without a reduction in share capital. As a result of this transaction the share capital is unchanged at €599,760,278.16 and comprises 81,304,563 ordinary shares without a stated par value

On 22 February 2018 the Board of Directors approved the draft separate and consolidated financial statements for FY 2017, as well as the Annual Report on Corporate Governance and Ownership Structure, included in the annual report, and the Board of Director's Compensation Report. The Board of Directors also approved the Corporate Sustainability Report which was the first edition to have received certification from PricewaterhouseCoopers for compliance with the most important international standards (the GRI Standards).

On 21 March 2018 the Board of Directors approved the final terms and conditions of the share capital increase for a maximum of up to €150 million approved during the Extraordinary Shareholders' meeting held on 12 February 2018. The capital increase will take place through the issue of a maximum of 29,037,340 new ordinary shares, without a stated par value and dividend rights, at the subscription ratio of 5 new shares for every 14 ordinary shares held, at an issue price equal to €5.165 per each new share, for a total amount of €149,977,861.10. The Board of Directors also resolved to propose that shareholders, in the event the capital increase is successfully completed, approve payment of a dividend of € 0.50 per share.
On 22 March 2018 Consob approved the Registration Document, the Securities Note and the Summary Note relating to the rights issue and the listing of the shares issued as a result of the cash capital increase approved during the Shareholders' Meeting held on 12 February 2018.

On 23 April 2018 the rights offer of 29,037,340 newly issued shares was completed. During the offering period, which started on 26 March 2018 and ended on 13 April 2018, 79,668,540 option rights were exercised and 28,453,050 new shares were subscribed or 97.99% of the total offering, for a total amount equal to €146,960,003.50. Pursuant to Article 2441, paragraph 3, of the Italian Civil Code, at the end of the option period the 1,636,012 unexercised rights were auctioned on the stock exchange. All the rights were sold during the first trading session of the rights auction on 18 April 2018 and, subsequently, were all exercised resulting in the issue of 584,290 new shares, for a total of €3,017,857.85. The value of the sale of these rights, €1,532,943.24 based on the reference accounting standards, will be recognized in the share premium reserve. The offer was, therefore, completed with the full subscription of the new shares for a total amount of €149,977,861.10. The new share capital now amounts to € 749,738,139.26, divided into 110,341,903 ordinary shares without a stated par value.

On 9 May 2018 the Board of Directors examined and approved the Interim Financial Report at 31 March 2018.

During the Annual General Meeting held on 1 June 2018 IGD's shareholders approved the 2017 financial statements for IGD SIIQ S.p.A., as presented during the Board of Directors meeting held on 22 February 2018, which closed with a net profit of €86.5 million, and also resolved to pay a dividend of €0.50 per share. The dividend was payable as from 13 June 2018 with shares going ex-div on 11 June 2018. The total dividend payable amounted to €55,170,951.50 (€0.50 per share) and was taken from:

- for €36,704,390, distributable income generated by exempt operations which is equal to 70% of the distributable income from these operations subject to mandatory distribution;
- for €12,628,022, partial utilization of the reserve for retained earnings from exempt operations arising from the merger by incorporation of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A., which equals 70% of these reserves and subject to mandatory distribution;
- for €5,838,539.50, partial utilization of the reserve for retained earnings from exempt operations.

Shareholders also set the number of Board members at 11 and appointed the new Board of Directors which will remain in office through the Annual General Meeting called to approve the 2020 Annual Report. During the same meeting, shareholders also appointed the new Board of Statutory Auditors and approved the relative compensation.
Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 22 February 2018, pursuant to Art. 123-*ter* of Legislative Decree. 58/98, and renewed the Board of Director's authorization to purchase and sell treasury shares, on one or more occasions, up to the maximum allowed under the law.

On 6 June 2018 the Board of Directors confirmed Elio Gasperoni as Chairman of the Board of Directors and Claudio Albertini as Chief Executive Officer. Director Rossella Saoncella was also appointed Vice Chairman of the Board of Directors. The Board confirmed the pre-existing powers, granting the Chairman Elio Gasperoni and the Chief Executive Officer the same powers held during the prior term of office. The Board of Directors also appointed the Board Committees.

On 3 August 2018 the Board of Directors examined and approved the Half-Year Financial Report at 30 June 2018.

On 16 October 2018 IGD executed a facility agreement with a pool of lenders, including BNP Paribas, Italian Branch, who also acted as the Mandated Lead Arranger, Underwriter, Global Coordinator and Bookrunner, based on which the lenders will provide the Company with a 3-year EUR 200 million senior unsecured facility which may be extended by the Company up to five years. As per the "Commitment and Underwriting Letter" signed by IGD on 6 September 2018, the facility will be split in two tranches: "Tranche 1" of EUR 125,000,000, which will be used to refinance the outstanding EUR 124,900,00 of the EUR 150,000,000 bond issued by IGD, maturing on 7 January, and "Tranche 2" of EUR 75,000,000, which will be used to extinguish a few of the Company's short-term lines of credit, as well as to pursue the IGD Group's general corporate purposes.
As a result of this transaction, the Company will be able to finance itself at a lower cost, while also further reducing the cost of debt, as well as cover its financial needs over the next few years as there are no significant debt maturities until 2021.

On 24 October 2018 Moody's confirmed IGD's rating of "Baa3"; with a Negative outlook.

On 7 November 2018 the Board of Directors examined and approved the interim financial report at 30 September 2018 and the Business Plan 2019-2021.
On 7 November 2018, IGD's Board of Directors also approved the signing of a framework agreement with Coop Alleanza 3.0 which calls for:

- with respect to the leases on the hypermarkets in the Porto Grande (Porto d'Ascoli), Le Maioliche (Faenza), Coné (Conegliano), Katané (Catania) e La Torre (Palermo) shopping centers, *(i)* the early termination of 5 leases and the re-issuance of 5 new 18-year leases, expiring in 2037, *(ii)* the reduction of the GLA of each hypermarket, (Coop Alleanza 3.0 is responsible for the work in this regard), and *(iii)* the consequent recalculation of the rents;
- with respect to the leases on the hypermarkets in the Centro d'Abruzzo (San Giovanni Teatino), Centro Borgo (Bologna), Il Maestrale (Ancona), Centro Leonardo (Imola), I Malatesta (Rimini), Il Globo (Lugo), ESP (Ravenna), Lungo Savio (Cesena), Città delle Stelle (Ascoli Piceno), Lame (Bologna), Miralfiore (Pesaro) and Schio (Schio) shopping centers, and the business lease relative to the hypermarket in the Retail Park Clodì (Chioggia), *(i)* the early termination of 13 leases and the re-issuance of 13 new 18-year leases, expiring in 2037; *(ii)* the recalculation of of the rents in 6 of the leases, and *(iii)* the extension of the end date of the business lease.

The purpose of this transaction is to achieve two important strategic company goals:

- extend the end date of the lease terms through 2037 with a view to the long term. The average residual duration of the leases is currently around 7.1 years; after the transaction the average residual duration of the new leases is 18 years. The end dates of all the leases are expected to be extended to 2037;
- remodel, in order to increase the appeal of a few of IGD's freehold shopping center by reducing the GLA of the hypermarkets and increasing the space dedicated to entertainment, restaurants and personal services. In light of the changing market environment – characterized by the growth of e-commerce – the transaction will also help to optimize synergies between shopping malls and hypermarkets with a view to enhancing the IGD Group's freehold properties.

Investments

During the period under examination the IGD Group finalized the purchase of a portfolio comprising 4 shopping malls and a retail park, inaugurated the Gran Rondò extension and completed work on the residence/office space building for athletes and sports associations, continued with the development of the Porta a Mare – Officine Project, as well as extraordinary maintenance. More in detail:

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11. Leonardo shopping center, Imola (Bologna)
12. La Favorita shopping center and retail park, Mantova
13. Centro Lame shopping center, Bologna
14. Centro Luna shopping center, Sarzana (La Spezia)

→ Acquisition of the 4 shopping malls and the retail park

On 18 April 2018 the definitive agreement for the purchase from Eurocommercial Properties Group of a portfolio of 4 shopping malls and a retail park found in northern Italy (Leonardo Shopping Center in Imola, Lame Shopping Center in Bologna, La Favorita Shopping Center and Retail Park in Mantua and Centro Luna in Sarzana) was finalized. These businesses were purchased for €187 million, in addition to ancillary costs and transfer taxes of around €8.4 million.
More in detail, the properties comprising the businesses have a total leasable area of around 38,000 m^2 and are found in
shopping centers which have a total leasable area of around 91,000 m^2.

LEONARDO SHOPPING CENTER (IMOLA):
the Group already owns the hypermarket anchoring the shopping center and managed the mall for the seller; the acquisition will make it possible to consolidate the ownership inside an important shopping which has a primary catchment area of around 240,000 inhabitants;
LAME SHOPPING CENTER (BOLOGNA):
the Group already owns the hypermarket anchoring the shopping center and managed the mall for the seller;
LA FAVORITA SHOPPING CENTER AND RETAIL PARK (MANTUA):
The hypermarket anchoring the shopping center is owned by Coop Alleanza 3.0; the acquisition, therefore, will make it possible for the Group to strengthen operating synergies with Coop, Italy's leading retail food brand;
CENTROLUNA (SARZANA):
The hypermarket anchoring the shopping center is owned by Coop Liguria, player known to IGD as it owns the hypermarket anchoring the Mondovicino Shopping Center (already owned by IGD).
In all the properties purchased there is a "Coop" brand hypermarket with high turnover (average annual sales in excess of €8,000 per square meter).


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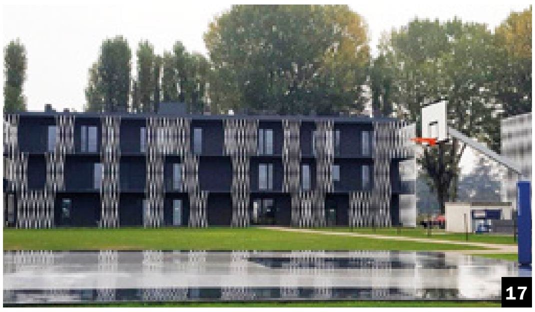
→ "Porta a Mare" Project

In the period under examination 14 residential units, 14 garages and one parking place at the Mazzini section were sold. At 31 December 2018 a preliminary sales agreement for another residential unit had been signed; the total of the units sold/pledged has, therefore, reached 90.7%.
Work on the Officine Storiche area (residential portion) continued for a total of around €564 thousand.
In April 2018 a variant for the retail portion was approved by the municipality of Livorno; on 14 November an amendment to the agreement entered into with the municipality of Livorno was signed which was needed in order to receive the building permit variant for Officine Storiche and the urbanization work. On 21 December 2018 the municipality issued the building permit variant.
Work on this section, which is expected to be completed in 2020, totaled around €2,056 thousand in the year.

→ Arco Campus

Work on the building to be used for housing and offices by athletes and sports associations was completed on 5 July 2018 for a total cash-out of €4,162 thousand, of which €2,040 thousand in 2018. On 6 August 2018, the subsidiary Arco Campus S.r.l. signed a renewable 15-year lease, effective 1 September 2018, with Virtus Pallacanestro Bologna S.p.A. for the building.


17


18

→ Gran Rondò Extension

In the first half of 2018, work continued on the midsize retail area in the Gran Rondò shopping mall in Crema which amounted to around €3,142 thousand (€1,497 thousand in the first half). The midsize retail area was opened on 3 May 2018. In December 2018 the Company finalized the purchase of part of a hypermarket in the Gran Rondò shopping center, to be used to expand the mall, from Coop Lombardia for €2,607 thousand.

16

→ Restyling

In 2018 restyling continued, and is still underway, at the Fonti del Corallo center. In the last quarter of 2018 work began at the same shopping center on the remodeling of the space, in accordance with the agreement between IGD SIIQ and UNICOOP Tirreno, reducing the GLA of the hypermarket in order to create three midsize areas. The costs incurred for the restyling and the remodeling amounted to €770 thousand at 31 December 2018.

19

→ Restyling completed and extraordinary maintenance

During 2018 work was carried out and completed on the reformatting of spaces and fit outs (joining/separating stores) mainly *(i)* in the Città delle Stelle mall in Ascoli where a midsize Scarpe&Scarpe store and a Roadhouse restaurant were opened early 2018; *(ii)* in the Darsena mall; and *(iii)* the ground floor of the Casilino mall.
In 2018 the reflooring of the mall in the Tiburtino center was completed and extraordinary maintenance also continued. Work was done on improving earthquake and water proofing, as well as the installation of electrical circuit breakers at the Esp, Borgo, Tiburtino, Fonti del Corallo, Darsena and Centro Sarca shopping centers and on fire alarm systems mainly at a few Romanian centers.
The investments made at 31 December 2018 are shown below:

INVESTMENTS	31/12/2018 €/MLN
ACQUISITIONS:	
INVESTMENT FOR THE PURCHASE OF 4 BUSINESS UNITS (INCLUDED ADDITIONAL CHARGES) (*)	195.48
DEVELOPMENT PROJECTS:	
EXTENSION AND RESTYLING GRAN RONDÒ	1.50
PURCHASE OF A MALL PORTION OF GRAN RONDÒ	2.61
ARCO CAMPUS (INVESTMENT ENDED IN 2H)	2.04
PORTA A MARE PROJECT SUB AREA OFFICINE STORICHE RETAIL (IN PROGRESS)	2.06
PORTA A MARE PROJECT (TRADING) (IN PROGRESS)	0.56
RESTYLING WORK IN PROGRESS	0.77
RESTYLING WORK ENDED DURING THE YEAR	2.88
EXTRAORDINARY MAINTENANCE	8.03
OTHER	0.03

€215.96 million
Total investments

(*) The value of the investment doesn't include the revaluation at 18 April 2018

Loans

The liabilities which IGD assumed as a result of the acquisition of the 4 businesses described above include 5 loans granted by UBI Banca. The details of these loans are provided below:

- residual mortgage loan on the malls at Centro Lame and Centro La Favorita of €13,125,000 expiring on 17 July 2023, payable quarterly at 3M Euribor plus a spread of + 100 bps;
- residual mortgage loan on the malls at Centro Lame and Centro La Favorita of €11,875,000 expiring 17 October 2021, payable quarterly at 3M Euribor plus a spread of + 100 bps;
- residual mortgage loan on the La Favorita retail park of €11,666,667 expiring 17 October 2021, payable quarterly at 3M Euribor plus a spread of + 150 bps;
- residual mortgage loan on the Centro Lame mall of €1,875,000 expiring 17 October 2018, payable quarterly at 3M Euribor plus a spread of + 135 bps;
- residual bullet mortgage loan on the malls at Centro Leonardo and CentroLuna of €50 million payable on 17 October 2022 at 3M Euribor plus a spread of + 135 bps.

On 16 October 2018 IGD executed a facility agreement with a pool of lenders, including BNP Paribas, Italian Branch, who also acted as the Mandated Lead Arranger, Underwriter, Global Coordinator and Bookrunner, based on which the lenders will provide the Company with a 3-year EUR 200 million senior unsecured facility which may be extended by the Company up to five years. As per the "Commitment and Underwriting Letter" signed by IGD on 6 September 2018, the facility will be split in two tranches: "Tranche 1" of EUR 125,000,000, which will be used to refinance the outstanding EUR 124,900,00 of the EUR 150,000,000 bond issued by IGD, maturing on 7 January, and "Tranche 2" of EUR 75,000,000, which will be used to extinguish a few of the Company's short-term lines of credit, as well as to pursue the IGD Group's general corporate purposes.

15. Officine Storiche, Porta a Mare, Livorno
16. Extension of Gran Rondò shopping center, Crema (Cremona)
17. Arco Campus, Bologna
18. Restyling of Fonti del Corallo shopping center, Livorno
19. Restyling and remodeling of Città delle Stelle shopping center (Ascoli Piceno)

CENTRO D'ABRUZZO
CHIETI

Opening 2001
Restyling 2014
Mall GLA sq.m. 12,571
Food anchor GLA sq.m. 14,127

3,568,679 visitors in 2018

Environmental Certifications:
UNI EN ISO 1400

WINMARK PLOIESTI
PLOIESTI (ROMANIA)

Restyling 2015
Mall GLA sq.m. 19,118

6,413,724 visitors in 2018

2.6
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 2018.

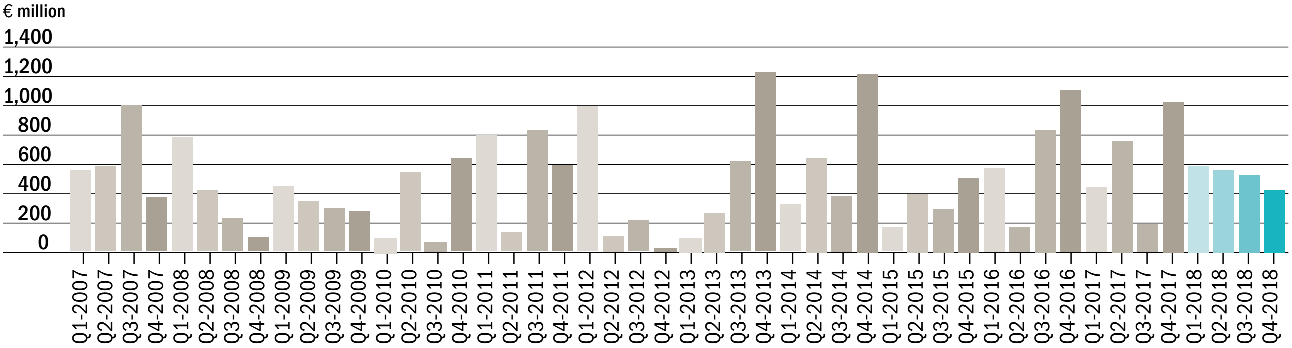
→ The Italian real estate market

Investments in the retail real estate market amounted to around €2.2 billion, showing a slight decline of 6%compared to the prior year.
The investments were balanced across shopping centers, above all in the first half, and high street, mainly in the second half. The predominance of foreign investors was confirmed (80% of the investments made in 2018).

NET YIELDS IN ITALY, RETAIL (%)	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
High Street Prime	3.15	3.00	3.00	3.00	3.00	3.00
High Street Secondary	4.75	4.50	4.50	4.50	4.50	4.50
Shopping Centre Prime	4.90	4.90	4.90	4.90	4.90	5.00
S.C. Good Secondary	5.90	5.90	6.00	6.00	6.25	6.25
Retail Park Prime	5.90	5.90	5.90	5.90	5.90	6.00
Retail Park Good Secondary	6.50	6.50	6.75	6.75	6.75	6.90

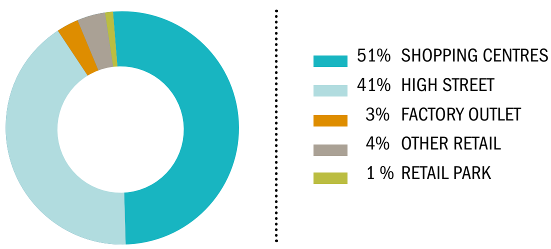
Source: CBRE Research, Q4 2018

RETAIL INVESTMENTS IN ITALY 2007-2018



Source: CBRE

2018 RETAIL INVESTMENTS BY TYPE



Source: CBRE Research, Q4 2018

The most important retail real estate investments made in Italy in 2018 are shown below:

MOST IMPORTANT RETAIL REAL ESTATE INVESTMENTS MADE IN ITALY IN 2018	TYPE	BUYER	VALUE (€)
Portafoglio	Shopping center	IGD	187 ML
Centro Sicilia	Shopping center	GWM	140 ML
8Galery	Shopping center	JV Axa-Pradera	105 ML
Via del Corso 511	High street	AEW	22 ML

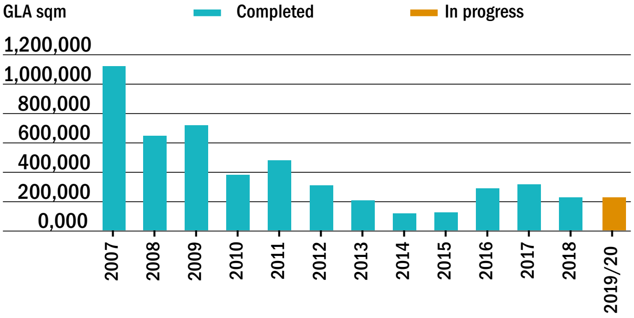
Source: CBRE

In 2018 yields were unchanged for prime and secondary high street, while in the second half of the year there was a slight increase in yields for shopping centers, as well as prime and secondary retail parks.

→ The stock and the retail sector pipeline

In 2018 a 150,000 m² of new GLA was completed and about the same is expected for the two-year period 2019/20. The arrival in 2018 of new brands like Starbucks, Five Guys, Jollibee, Xiaomi Tatras, Boots, Bimba Y lola and Save The Duck, to name a few of the main ones, confirmed retailers' interest in the Italian market.

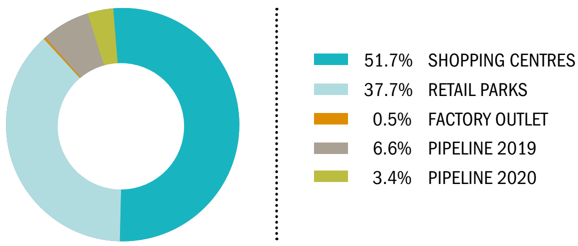
VOLUME OF NEW RETAIL DEVELOPMENT COMPLETED AND IN PROGRESS (GLA >10,000 SQM) IN ITALY, SEPTEMBER 2018



→ The Romanian retail real estate market

With the completion of around 115,000 m² of new retail GLA (shopping malls; retail parks and outlets), at year-end 2018 the total stock in Romania reached 3.63 million m², of which around 52% is comprised of shopping malls and around 38% retail parks.

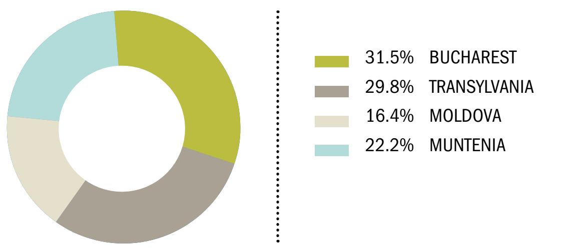
MODERN STOCK PER RETAIL FORMAT AS OF H2 2018, INCLUDING 2019-2020 PIPELINE



Source: CBRE Research, Q4 2018

In 2019 270,000 m² of new GLA or extensions of existing centers is expected to be completed, with an additional 140,000 m² in 2020.
Most of the new GLA under construction is found in midsize Romanian cities liked Brazov, Ploiesti, Targu Mures, Targoviste, Zalau, while the GLA created as a result of expansion is found mainly in the capital Bucharest and the biggest cities like Craiova Buzau and Timisoara.
Yields for prime shopping centers in Bucharest reached 6.50% versus 7.5% in Romania's biggest cities.
Prime rents in Bucharest were confirmed at €60 m²/month.

MODERN RETAIL STOCK PER REGIONS 2018



Source: CBRE Research, Q4 2018

In 2018 marked the arrival in Bucharest of new international deluxe brands like Hugo Boss, Emporio Armani and Tag Heuer, along with mid-range brands like Minisio, Kip and Superdry.

Freehold assets

Based on the appraisals at 31 December 2018, the IGD SIIQ SPA Group's real estate portfolio has a fair value of €2,412.15 million
The IGD SIIQ SPA Group's real estate portfolio is comprised of commercial retail properties, of which 97.28% is already generating revenue, while the remainder is explained by assets under construction.
The assets generating revenue streams are found in Italy and Romania, while at 31 December 2018 the development projects were solely in Italy.
The Group's real estate portfolio at 31 December 2018 was appraised by CBRE Valuation S.p.A. (also referred to as CBRE), Duff&Phelps Reag S.p.A. (also referred to as Duff&Phelps) , Cushman & Wakefield LLP (also referred to as i C&W) and Jones Lang LaSalle S.p.A (also referred to as JLL) based on the following percentages of FV:

BREAKDOWN OF THE IGD GROUP'S PORTFOLIO BY APPRAISER AT 31/12/2018

The breakdown of fair value by appraiser in Italy and Romania is shown below:

FAIR VALUE AT 31/12/2018 € million	TOTAL	ITALY	ROMANIA
CBRE	731.95	661.75	70.19
Duff&Phelps	639.80	555.20	84.60
C&W	598.25	598.24	0
JLL	442.15	442.14	0
Total IGD's Portfolio	**2,412.15**	**2,257.33**	**154.79**

The fees paid at 31 December 2018 to the independent appraisers are shown below:

FEES AT 31/12/2018 **Amount in thousands of Euro**	APPRAISALS FEES	OTHER FEES	FAIRNESS OPINIONS FEES	TOTAL FEES
CBRE	144	0	4	148
Duff&Phelps	195	17	5	217
JLL	45	0	6	51
C&W	86	15	12	113
Totale patrimonio IGD	**470**	**32**	**27**	**529**

The asset classes comprising the Group's real estate portfolio at 31 December 2018 are described below:

- "Hyper and super": 25 properties with a total GLA of about 235,000 m^2, found in 8 regions in Italy. In the first half of 2018 5 hypermarkets belonging to this asset class were reclassified for a total of around 30,000 m^2 as a result of the agreement signed with Coop Alleanza 3.0. A similar agreement was reached with Unicoop Tirreno for the downsizing of the Fonti del Corallo hypermarket, in this instance the 5,400 m^2 in GLA released was reclassified in the asset class "Other".

As a result of the agreement with Coop Alleanza 3.0, the mall space will increase, the relative rents will be redetermined and the end date of the leases for an additional 13 hypermarkets will be extended through 2037;

- "Malls and retail parks": 27 properties with a total GLA of about 418,000 m², found in 12 regions in Italy. In the first half of 2018 the GLA of this asset class increased by around 39,000 m² GLA as a result of the acquisition of 4 shopping malls: Lame Mal (Bologna), Mall +Retail Park La Favorita (Mantua); Leonardo Mall (Imola) and CentroLuna Mall (Sarzana). The acquisition of the mall in Sarzana (Liguria) marked the IGD Group's entry into the region of Liguria, meaning that IGD is now present in 12 Italian regions. In the second half of 2018 the GLA was increased by another 16,700 m², following the reclassification of the five hypermarkets included in the agreement with Coop Alleanza 3.0, and by 800 m² as a result of the purchase of the portion of the hypermarket owned by Coop Lombardia in order to expand the Gran Rondò mall:
- "Other": seven mixed use properties which are part of freehold shopping centers or office units with a total GLA of about 13,100 m². In the first half of 2018, the two stores created as a result of the downsizing of the Lame hypermarket in Bologna (GLA of around 580 m²) were absorbed by the Lame mall which became part of the IGD Group's portfolio following the acquisition of the 4 malls. In the second half two properties joined this asset class: Arco Campus, housing/offices for athletes and sports associations which covers an area of around 1,400 m², classified through the prior half as a "Development project" as it was being completed; and the 5.400 m² GLA created by downsizing the Fonti del Corallo hypermarket in Livorno which will be used for health services and mid-size areas;
- "Progetto Porta a Mare": a mixed use real estate complex under construction with a GLA of approximately 56,650 m² located near Livorno's waterfront;
- "Development projects", following the reclassification of the Arco Campus property as "Other" this asset class comprises a property located near the Porto Grande Shopping Center which will be used to expand the center by around 5,000 m² GLA;
- "Winmarkt" a portfolio of 14 properties used primarily for retail purposes, and an office building, found throughout Romania covering a total area of approximately 94,000 m². The properties belonging to this asset class are centrally located in thirteen of Romania's largest cities, but none are found in the capital, Bucharest.

Analysis of the freehold assets

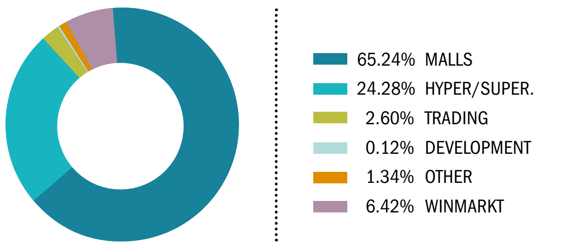
→ Geographical breakdown and composition of the portfolio

IGD's properties in **Italy** total 61 (including 50% of the "Darsena" Shopping Center) and can be broken down by asset class as follows:

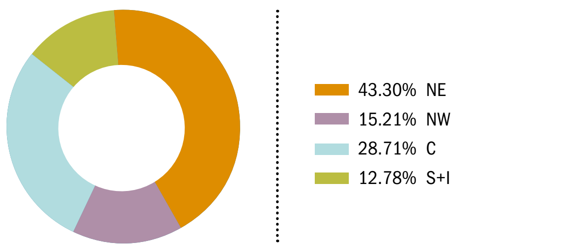
→ 25 hypermarkets and supermarkets
→ 27 shopping malls and retail parks
→ 1 development project
→ 1 asset held for trading
→ 7 other

The fair value of the IGD SIIQ Group's Italian real estate portfolio at 31 December 2018 can be broken down by asset class, region and geographic area as follows:

BREAKDOWN AT 31/12/2018



GEOGRAPHIC DISTRIBUTION AT 31/12/2018



Note: **NE:** Trentino Alto Adige, Veneto, Emilia-Romagna; **NO:** Piedmont, Lombardy; Liguria **C:** Tuscany, Marche, Lazio, Abruzzo; **S+I:** Sicily, Campania.

ITALY

NORTHERN ITALY
CENTRAL ITALY
SOUTHERN ITALY

TRENTINO ALTO ADIGE
1 Mall

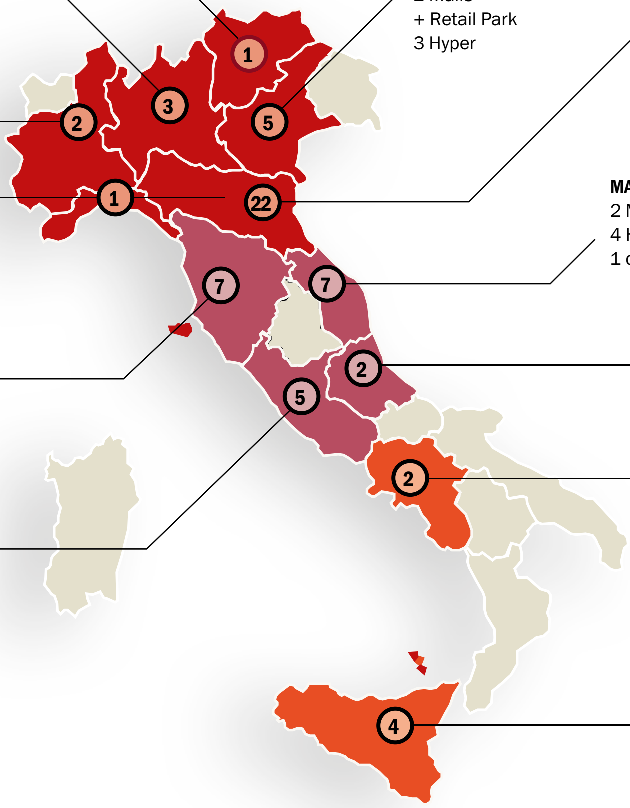
LOMBARDY
3 Malls

VENETO
2 Malls
+ Retail Park
3 Hyper

EMILIA ROMAGNA
8 Malls
9 Hyper-super
5 Other

PIEDMONT
2 Malls
+ Retail Park

LIGURIA
1 Mall



MARCHE
2 Malls
4 Hyper
1 development project

TUSCANY
2 Hyper-super
1 Asset held for trading
2 Malls
2 Other

ABRUZZO
1 Mall
1 Hyper

CAMPANIA
1 Mall
1 Hyper

LAZIO
2 Malls
3 Hyper-super

SICILY
2 Hyper
2 Malls

ROMANIA

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:

ASSET	LOCATION	MALL AND RETAIL PARK GLA	OTHER/ EXTERNAL AREAS (SQM)	OWNERSHIP	OPENING DATE	LAST EXTENSION/ REMODELING/ RESTYLING DATE	% OWNED
CENTRO COMMERCIALE BORGO	Bologna (BO)	6,975	//	IGD SIIQ SPA	1989	2015	100
IPERMERCATO CC MIRALFIORE	Pesaro (PU)	//	//	IGD SIIQ SPA	1992	//	100
IPERMERCATO CC GLOBO	Lugo di Romagna (RA)	//	//	IGD SIIQ SPA	1997	2005	100
CENTRO COMMERCIALE PORTO GRANDE	Porto d'Ascoli (AP)	7,555	543	IGD SIIQ SPA	2001	//	100
CENTRO COMMERCIALE D'ABRUZZO	San Giovanni Teatino (CH)	12,571	3,610	IGD SIIQ SPA	2001	2014	100
CENTRO COMMERCIALE LUNGO SAVIO	Cesena FC)	2,928	//	IGD SIIQ SPA	2002	//	100
GALLERIA COMMERCIALE MILLENNIUM	Rovereto (TN)	7,683	//	MILLENNIUM GAL-LERY SRL	2004	//	100
IPERMERCATO CC I MALATESTA	Rimini (RN)	//	882	IGD SIIQ SPA	2005	//	100
IPERMERCATO SCHIO	Schio (VI)	//		IGD SIIQ SPA	2008	//	100
CENTRO COMMERCIALE LE MAIOLICHE	Faenza (RA)	22,191	//	IGD SIIQ SPA	2009	//	100
CENTRO COMMERCIALE CITTÀ DELLE STELLE	Ascoli Piceno (AP)	21,021	1,850	IGD SIIQ SPA	2002	2017	100
CENTRO COMMERCIALE CASILINO	Roma (RM)	5,614	760	IGD SIIQ SPA	2002	//	100
CENTRO COMMERCIALE TIBURTINO	Guidonia Montecelio (RM)	33,494	//	IGD SIIQ SPA	2009	//	100
CENTRO COMMERCIALE LA TORRE	Palermo (PA)	15,250	//	IGD SIIQ SPA	2010	//	100
PIASTRA COMMERCIALE MAZZINI	Livorno (LI)	6,095	//	IGD SIIQ SPA	2014	//	100
CENTRO COMMERCIALE ESP	Ravenna (RA)	30,171	3,200	IGD SIIQ SPA	1998	2017	100
GALLERIA CC LUNA	Sarzana (SP)	3,576	//	IGD SIIQ SPA	1992	//	100
GALLERIA CC FAVORITA	Mantova (MN)	7,400	//	IGD SIIQ SPA	1996	2007	100
RETAIL PARK CC FAVORITA	Mantova (MN)	6,214	//	IGD SIIQ SPA	1996	//	100
CENTRO COMMERCIALE LEONARDO	Imola (BO)	15,098	//	IGD SIIQ SPA	1992	2012 (Zara p1)	100
SUPERMERCATO CECINA	Cecina (LI)	//	//	IGD SIIQ SPA	1994	//	100
CENTRO COMMERCIALE LAME	Bologna (BO)	6,158	//	IGD SIIQ SPA	1996	2003	100
IPERMERCATO CC IL MAESTRALE	Cesano di Senigallia (AN)	//	//	IGD SIIQ SPA	1999	//	100
IPERMERCATO CC FONTI DEL CORALLO	Livorno (LI)	5,613	//	IGD SIIQ SPA	2003	//	100
CENTRO COMMERCIALE E RETAIL PARK CONÈ	Conegliano (TV)	18,162	//	IGD SIIQ SPA	2010	//	100
SUPERMERCATO CIVITA CASTELLANA	Civita Castellana (VT)	//	//	IGD SIIQ SPA	2010	//	100
GALLERIA COMMERCIALE PUNTA DI FERRO	Forlì (FC)	21,223	//	IGD SIIQ SPA	2011	//	100
GALLERIA COMMERCIALE MAREMÀ	Grosseto (GR)	17,120	//	IGD SIIQ SPA	2016	//	100
GALLERIA COMMERCIALE GRAN RONDÒ	Crema (CR)	15,764	//	IGD SIIQ SPA	1994	2006	100
CENTRO COMMERCIALE LE PORTE DI NAPOLI	Afragola (NA)	16,983	//	IGD SIIQ SPA	1999	2014	100
GALLERIA COMMERCIALE SARCA	Sesto S. Giovanni (MI)	23,773	//	IGD MANAGEMENT SRL	2003	2015	100
GALLERIA COMMERCIALE E RETAIL PARK MONDOVICINO	Mondovì (CN)	17,197	//	IGD SIIQ SPA	2007	//	100
CENTRO COMMERCIALE DARSENA CITY	Ferrara (FE)	12,654	//	IGD SIIQ SPA	2005	//	50
CENTRO COMMERCIALE KATANÈ	Gravina di Catania (CT)	14,940	//	IGD SIIQ SPA	2009	//	100
GALLERIA COMMERCIALE I BRICCHI	Isola d'Asti (AT)	15,994	245	IGD SIIQ SPA	2009	//	100
RETAIL PARK CLODÌ	Chioggia (VE)	9,329	//	IGD SIIQ SPA	2015		100
SUPERMERCATO AQUILEIA	Ravenna (RA)	//	//	IGD SIIQ SPA		//	100
CENTRO PIAVE	San Donà di Piave (VE)	11,618	//	CSII SPA	1995	2003	//
CENTRO NOVA	Villanova di Castenaso (BO)	12,740	//	CSII SPA e COPAIN HOLDING SPA	1995	2008	//
GALLERIA CC FONTI DEL CORALLO	Livorno (LI)	7,313	//	Fondo Mario Negri	2003	//	//

FORM OF OWNERSHIP	NO. OF SHOPS	NO. OF MEDIUM SURFACES	NO. OF OTHER/EXTERNAL AREAS	PARKING PLACES	MAIN BRANDS	FOOD ANCHOR	FOOD ANCHOR GLA
Freehold property	32	4		1,450	Librerie Coop, Unieuro, Scarpe&Scarpe	Ipercoop	11,480
Freehold property (hypermarket)					//	Ipercoop	10,412
Freehold property (hypermarket)					//	Ipercoop	7,937
Freehold property	36	2	1	1,730	Decathlon, Deichmann	Ipercoop	15,290
Freehold property	43	7	3	1,730	Decathlon, Euronics, Librerie Coop, Piazza Italia; Terranova; Intersport, Scarpamondo	Ipercoop	14,127
Freehold property	23	1		850	Librerie Coop, Motivi, Primigi, Kiko	Ipercoop	7,476
Freehold property (excluding supermarket and a portion of the mall)	28	4		900	Game 7 Athletics, Oviesse, Trony, Bata	Superstore Coop (non di proprietà)	//
Freehold property (hypermarket + wholesale Area+ Fitness Area)					//	Ipercoop	10,435
Freehold property (only hypermarket)					//	Ipercoop	8,176
Freehold property	42	8		2,400	Deichmann, H&M, Trony, C&A, Decathlon, Bricofer	Ipercoop	9,277
Freehold property	43	8	1	2,200	Piazza Italia, Unieuro, H&M, Multiplex Stelle, Kiabi, Casa, Clayton, Dverso	Ipercoop	9,614
Freehold property	24	3	1	1,260	Euronics, Piazza Italia, Satur;	Ipercoop	13,688
Freehold property	99	13		3,800	Desigual; Azzurra Sport, Piazza Italia, Obi, Scarpamondo,NewYorker, Euronics	Ipercoop	7,663
Freehold property	44	6		1,700	Expert, Scarpe&Scarpe, Piazza Italia, H&M, McDonald	Ipercoop	11,217
Freehold property	23	1			Unieuro/Coop	Coop	1,440
Freehold property	85	16	1	3,304	Deichmann, Game 7 Athletics, Unieuro, H&M, Piazza Italia, Bershka, Pull & Bear, OVS; Kiabi, Casa, Maisons du Monde, Scarpe & Scarpe	Ipercoop	16,536
Freehold property (excluding hypermarket)	38	1			Piazza Italia, Kiko, GameStop, Camaieu	Ipercoop (non di proprietà)	//
Freehold property (excluding hypermarket)	34	4			Ovs, Piazza Italia, Calliope, Deichmann	Ipercoop (non di proprietà)	//
Freehold property (only buildings 1, 2A, 2B, 3)	5				Mediaworld,Terranova, Scarpe & Scarpe, Upim	//	//
Freehold property	59	6			OVS, Zara,Mediaworld	Ipercoop	15,862
Freehold property (only supermarket)					//	Coop	5,749
Freehold property	45	1			Benetton, Original Marines, Camaieu	Ipercoop	15,201
Freehold property (hypermarket)					//	Ipercoop	12,501
Freehold property (only hypermarket)					//	Ipercoop	9,359
Freehold property	56	9		1,550	Maison du Monde,Conbipel, H&M, Librerie Coop, Euronics, Scarpe&Scarpe, Stradivarius	Ipercoop	9,498
Freehold property (only supermarket)					//	Coop	3,020
Freehold property (excluding hypermarket)	94	3		2,854	H&M, Unieuro, Toys, McDonald, Deichmann, Benetton	Conad (non di proprietà)	//
Freehold property (excluding hypermarket)	45	6		3,000	Piazza Italia, Decathlon, Zara, Bershka, Stradivarius, Pull & Bear	Ipercoop (non di proprietà)	//
Freehold property (excluding hypermarket)	38	4	Presente distributore di proprietà Coop Lombardia	1,280	Oviesse, Promenade calzature	Ipercoop (non di proprietà)	//
Freehold property	67	8		2,650	Desigual; Euronics, H&M, Piazza Italia; Rosso Pomodoro	Ipercoop	9,570
Freehold property (excluding hypermarket)	72	8		2,500	OVS, H&M, Piazza Italia, Skyline cinema, Roadhouse, Scarpe&Scarpe, Rosso Pomodoro	Ipercoop (non di proprietà)	//
Freehold property (excluding hypermarket)	42	8		4,500	Jysk,OVS, Librerie.Coop, Brico IO, Foot Loker	Ipercoop (non di proprietà)	//
50% freehold property of mall and hypermarket	15	2		1,320	Pittarosso, Euronics	Despar	3,715
Freehold property	67	6		1,320	Adidas, Euronics, H&M, Conbipel, Piazza Italia,	Ipercoop	13,663
Freehold property (excluding hypermarket)	24	5		1,450	Deichmann	Il Gigante (non di proprietà)	//
Freehold property	8	6			OVS, Scarpe&Scarpe, Piazza Italia, Dechatlon	Ipercoop	7,490
Freehold property (supermarket)					//	Coop	2,250
Master Leasing	48	5		1,500	Cisalfa, Librerie Coop, Oviesse, Piazza Italia, Scarpe&Scarpe, McDonald	Ipercoop	15,826
Master Leasing	55	7		2,400	H&M, Librerie Coop, Bershka, Pittarosso, Benetton, McDonald	Ipercoop	18,188
Master Leasing	55	2		1,600	Oviesse; Librerie Coop, Bata, Swarovski	Ipercoop	15,371

winmarkt shopping in center

SHOPPING CENTER	LOCATION	SHOPPING CENTER GLA (SQM)	NET SALLING AREA	CIRCULATION (SQM) RENTED	RENTABLE WAREHOUSE/ OFFICE	OWNERSHIP	OPENING DATE	DATE OF EXTENSION /RESTYLING
WINMARKT GRAND OMNIA CENTER	Ploiesti	19,689	16,870	309	1,129	Win Magazin SA	1986	2015
WINMARKT BIG	Ploiesti	4,864	2,776	442	1,016	Win Magazin SA	1976	2013
WINMARKT	Galati	7,898	7,490	106	367	Win Magazin SA	1973	2005
WINMARKT	Ramnicu Valcea	7,913	7,684	51	166	Win Magazin SA	1973	2004
WINMARKT	Piatra Neamt	5,948	4,879	337	839	Win Magazin SA	1985	2014
WINMARKT	Braila	7,727	6,349	93	821	Win Magazin SA	1978	2004
WINMARKT	Buzau	5,302	4,953	32	314	Win Magazin SA	1975	2013
WINMARKT	Tulcea	3,963	3,777	5	182	Win Magazin SA	1972	2002
WINMARKT	Cluj Napoca	7,651	5,704	85	1,510	Win Magazin SA	1983	2011
WINMARKT	Bistrita	5,131	4,799	61	392	Win Magazin SA	1984	2005
WINMARKT	Alexandria	3,434	3,302	33	74	Win Magazin SA	1978	2013
WINMARKT	Slatina	6,086	4,833	29	1,102	Win Magazin SA	1975	2005
WINMARKT	Vaslui	3,622	3,452	23	192	Win Magazin SA	1973	2006
WINMARKT	Turda	2,515	2,231	-	284	Win Magazin SA	1981	2007
TOTALE GALLERIE		**91,743**	**79,099**	**1,607**	**8,388**			
WINMARKT JUNIOR	Ploiesti	3,012	2,137	544	331	Win Magazin SA		
TOTAL		**94,755**	**81,236**	**2,151**	**8,719**			

EXTENSION AREA	% OWNED	FORM OF OWNERSHIP	NO OF SHOPS	NO OF MEDIUM SURFACES	PARKING PLACES	MAIN BRANDS	FOOD ANCHOR	FOOD ANCHOR GLA	FOOD ANCHOR SALES AREA
	100	Freehold property	109	//	400	Adidas, Levi's, Domo, Vodafone, Carrefour Market, dm drogerie,Leonardo, Jolidon, Eponge, Banca Transilvania, KFC, Flanco, Pepco	Carrefour	1,215	1,215
	100	Freehold property	82	//		Banca Transilvania, Carrefour Market	Carrefour	882	700
	100	Freehold property	36	//		H&M, B&B, Sevda, Jolidon, Bigotti, Massini, Pepco, CGS	Billa	827	569
	100	Freehold property	35	//		H&M, Carrefour Market, Eponge, Leonardo, Jolidon, dm drogerie Markt, Domo	Carrefour	900	900
	100	Freehold property	67	//		H&M, Sevda, B&B Collection, Billa, Leonardo, Eponge, Pepco, Reshoes	Billa	878	520
	100	Freehold property	45	//		Carrefour Market, Leonardo, Jolidon, Altex, Vodafone, Sevda, Pepco	Carrefour	673	550
	100	Freehold property	29	//		H&M, Carrefour Market, Leonardo, Pepco	Carrefour	800	650
	100	Freehold property	27	//		H&M, B&B Collection, Leonardo, Altex, Fraher, Vodafone	Fraher	405	405
	100	Freehold property	36	//		Carrefour Market, dm drogerie, Leonardo, Big Fitness	Carrefour	1,338	1,188
	100	Freehold property	33	//		Altex, Leonardo, dm drogerie, fast-food Pizzamania, Pepco			
	100	Freehold property	31	//		Carrefour Market, Pepco, Eponge, Leonardo, Jolidon, Vodafone	Carrefour	680	680
	100	Freehold property	22	//		Altex, Telekom, B&B	Carrefour	553	505
	100	Freehold property	26	//		Carrefour, Reshoes, Jolidon	Carrefour	527	527
	100	Freehold property	9	//		Pepco			
	100	Freehold property	2						

Italy - Analysis by asset class

In 2018 the GLA of IGD Group's real estate portfolio producing revenue grew by around 40,000 m² as a result of the purchase of four malls and a portion of the hypermarket in the Gran Rondò mall which strengthened the IGD Group's leadership in the malls/retail parks asset class, and extended the Group's reach to include the region of Liguria. The main changes for each asset class in the year are described below.
Changes in property u se in 2018 are summarized in the following table:

The DCF method was used by all the appraisers for this asset class. CBRE, C&W and JLL used a standard duration of 10 years for all the assets; D&P 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 the second half of 2018 an agreement was reached with Coop Alleanza 3.0 which extended the end date of leases for 13 hypermarkets through 2037 and reduced the GLA of an additional 5 hypermarkets to the benefit of the malls for which the annual rent was redetermined effective 2019. A similar agreement was reached with Unicoop Tirreno for the downsizing of the Fonti del Corallo hypermarket, in this instance the GLA released was reclassified in the asset class "Other".

Amounts in million of Euro	IGD GROUP INVESTMENT PROPERTY						DIRECT DEVEL-OPMENT INITIATIVES	PORTA A MARE PROJECT	TOTAL INVESTMENT PROPERTY, LAND AND DEVELOPMENT INITIATIVES, ASSETS HELD FOR TRADING
	HYPERMAR-KETS AND SUPERMAR-KETS	SHOPPING MALLS ITALY	OTHER	TOTAL ITALY	TOTAL ROMANIA	TOTAL IGD GROUP			
Book value 31.12.2017	**647.20**	**1,331.60**	**18.85**	**1,997.65**	**159.53**	**2,157.18**	**4.99**	**66.06**	**2,228.23**
Increases due to 2018 work	0.45	9.26	0.02	9.73	1.39	11.12	2.04	2.62	**15.78**
Increases due to acquisitions/new openings	0.00	208.34	0.00	208.34	0.00	208.34	0.00	0.00	**208.34**
Reclassification due to hypermarket reductions	(67.15)	50.47	16.68	0.00	0.00	0.00	0.00	0.00	**0.00**
Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(4.93)	**(4.93)**
Reclassification	0.02	9.08	2.09	11.19	0.72	11.91	(4.04)	0.00	**7.87**
Net revaluation/write-downs	5.11	(34.96)	(5.32)	(35.17)	(6.85)	(42.02)	(0.19)	(0.93)	**(43.14)**
Book value 31.12.2018	**585.63**	**1,573.79**	**32.32**	**2,191.74**	**154.79**	**2,346.53**	**2.80**	**62.82**	**2,412.15**

→ 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 31 December 2018 by the appraisers CBRE Valuation S.p.A. (CBRE), Duff&Phelps Reag S.p.A. (D&P), Cushman & Wakefield LLP (C&W) e JLL S.p.A. (JLL) based on the following percentages of FV:

HYPER/SUPER	31/12/ 2018
CBRE	21%
D&P	10%
C&W	39%
JLL	31%
TOTAL	**100%**

The fair value of this asset class rose 1.32% or €7.6 million against the first half of the year (based on reclassified figures at 30 June 2018) and fell 9.51% or €61.6 million against 31 December 2017 to €585.6 million.
This result was impacted by the agreement with Coop Alleanza 3.0 described above. The total fair value of the 5 hypermarkets leased by Coop Alleanza 3.0, which are to be remodeled, fell 36.64% or €52.5 million against 31.12.2017 and 0.88% or €0.8 million against the prior half after the reclassification of the figures at 30 June 2018.
On a like-for-like basis, excluding the six hypermarkets that will be remodeled, the fair value of the hyper/super asset class increased 1.82% or €8.4 million against the first half of the year and e +1.62% or €7.5 million against 31 December 2018.
The gross initial yield for the rose 0.02%, due largely to the drop in FV, to 6.21%.

The gross initial yield for the hyper/super asset class at 31 December 2018 was down 0.10% compared to the first half of 2018 and down 0.11% compared to 31.12.2017 coming in at 6.08%.
The change in the gross initial yield is attributable mainly to the perimeter of remodeled hyper/super which dropped 0.41% against the prior half (-0.36% compared to 31.12.2017) while like-for-like the asset class was only 0.01% lower than in the prior half (0% compared to 31.12.2017).
The average discount rate was 0.26% lower than in the first half of 2018 and 0.28% lower compared to 31.12.2017 coming in at 6.46%. The discount rate was lower like-for-like (-0.25% compared to the prior half and -0.22% compared to 31.12.2017) and, to a greater extent, for the perimeter of remodeled hyper/super (-0.31% compared to the prior half and -0.26% compared to 31.12.2017).

The average gross cap out rate also fell by -0.02% compared to the first half of 2018 and by -0.03% compared to 31.12.2017, coming in at 6.27%. In this instance, also, a decrease was posted both like-for-like (-0.02% compared to the prior half and 31.12.2017) and, to a greater extent, for the remodeled e remodeled hyper/super (-0.05% compared to the prior half). 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 31 December 2018 by the appraisers CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and JLL S.p.A. based on the following percentages of FV:

MALLS/RP	31/12/2018
CBRE Valuation S.p.A.	30%
Duff&Phelps Reag S.p.A.	30%
Cushman & Wakefield LLP	23%
Jones Lang LaSalle S.p.A.	17%
TOTAL	**100%**

The DCF method was used by all the appraisers for this asset class. In CBRE Valuation S.p.A.'s, Cushman & Wakefield LLP's and Jones Lang LaSalle S.p.A.'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 or 18 years for this asset class.
The perimeter of this asset class increased in the first half of 2018 following the acquisition of 4 shopping malls for a total of around 39,000 m^2 GLA: Lame Mall of the Lame Shopping Center in Bologna, where IGD Siiq already owns two stores and the hypermarket leased to Ipercoop (Coop Alleanza 3.0); Leonardo Mall of the Leonardo Shopping Center in Imola where IGD Siiq already owns the hypermarket leased to Ipercoop (Coop Alleanza 3.0); La Favorita Mall in the La Favorita Shopping Center in Mantua; CentroLuna Mall of the CentroLuna Shopping Center in Sarzana (SP).
In the second half of 2018, as a result of the agreement with Coop Alleanza 3.0 referred to in the section on Hyper/Super and the purchase of a portion of the hypermarket in the Grand Rondo' center from Coop Lombardia, the total GLA of the malls/retail parks increased by an additional 20,000 m^2.
The fair value of this asset class reached €1,573.8 million, an increase of +18.19% (+242.2 million) with respect to 31 December 2017. The increase in fair value is attributable to the acquisition of the portfolio comprised of the Lame, La Favorita, Centroluna and Leonardo malls in the first half of the year. The decrease in fair value of -0.99% (-€15.7 million) against the first half of 2018 is explained by the remodeling of the five malls (Coné, Maioliche, P.to Grande, Katané and La Torre) included in the agreement with Coop Alleanza 3.0. The fair value of the five remodeled malls fell by -5.29% (-€18.2 million) compared to the reclassified figures recorded at 30 June 2018.

Like-for-like, namely excluding the four malls and the agreement with Coop Alleanza 3.0, the fair value for this asset class at 31.12.2018 was 0.22% (+€2.3 million) higher than in the first half of 2018 and +0.43% (+€4.5 million) higher compared to 31 December of the prior year.
The gross initial yield for this asset class at 31 December 2018 was 0.10% higher than in the first half of 2018 and +0.13% higher compared to 31.12.2017, coming in at 6.41%. The change in the gross initial yield is attributable mainly to the perimeter of remodeled malls/RP as like-for-like the asset class showed a slight increase of 0.01% against the prior half and a slight drop of 0.02% against 31.12.2017. The average discount rate increased slightly by 0.02% compared to first half 2018 and by 0.04% compared to 31.12.2017, coming in at 7.12%. The rate increase is explained largely by the perimeter of remodeled malls/RP as like-for-like the asset class showed a slight increase of 0.01% compared to the prior half and the prior year.
The average gross cap out came to 6.72%, a decrease of -0.02% compared to 31 December 2017 and a slight increase of +0.01% against first half 2018. The rate increase is explained largely by the like-for-like perimeter which showed an increase of 0.02% compared to the prior year and of +0.03% against first half 2018.
The financial occupancy rate came to 96.24% at 31.12.2018, an increase of 86 bps against 31.12.2017.

→ Development projects

At 31 December 2018 this asset class comprised one plot of land to be used for the extension of the Porto Grande Shopping Center in Porto d'Ascoli (AP) which calls for the construction of two midsize retail areas for a total GLA of 5,000 m^2 following the reclassification as "Other" of the Arco campus property, a mixed use residential/office building for Virtus Pallacanestro Spa of Bologna which was completed and leased during the half.
"Development projects" were valued at 31 December 2018 entirely by Cushman & Wakefield LLP using the residual method to value these assets.

The fair value of this asset class reached €2.81 million at 31 December 2018. Like-for-like fair value fell 6.33% or €0.19 million against the prior year.

→ Porta a Mare project (trading)

The assets of Porta Medicea, owner of the Porta a Mare Project, were valued at 31 December 2018 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 5,173 m². Sales of residential units began in 2013;
- Officine Storiche (retail, residential, parking and public parking) which has a total GLA of 20,490 m². Work began in first half 2015 and is expected to be completed in 2020;
- Lips (retail, tourist services, accommodations and temporary residences) which has a total GLA of 15,867 m²;
- Molo Mediceo (retail, services and temporary residences) which has a total GLA of 7,350 m²;
- Arsenale (retail, temporary residences and parking) which has a total GLA of 7,771 m².

The fair value of this asset class reached €62.82 million at 31 December 2018, a decrease of 4.90% (-€3.24 million) against 31 December 2017 and of 1.60% (-€1 million) against the first half of 2018. The decline is mainly attributable to the sale of 14 residential units, 9 of which in the first half, in the Mazzini area.

The fair value of the Porta a Mare Project at 31 December 2018 includes the retail properties not destined for sale which will continue to be owned by the IGD Group.

→ Other

The fair value of this class of property amounted to €32.3 million at 31 December 2018, an increase of 71.42% (+€13.5 million) against 31 December 2017.
In the first half of 2018 the property referred to as Lame Negozi 1-2, created by reducing the GLA of the Lame hypermarket in Bologna, was absorbed by the Lame Shopping Mall and, consequently, is now part of the asset class Malls/retail parks.
In the second half of 2018 the 5,400 m² GLA created by downsizing the Fonti del Corallo hypermarket in Livorno, which will be used for health services and two midsize retail areas, joined this asset class as did Arco Campus, a residential/office building for Virtus Pallacanestro Spa of Bologna which at the end of the prior half was part of the asset class "Development projects".
Like-for-like, "Other" showed an increase of 0.65% (€0.11 million) against 31 December 2017 and an increase of 0.41% (€0.07 million) compared to the first half of 2018.
This asset class was valued at 31 December 2018 by the appraisers CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A. and Cushman & Wakefield LLP based on the following percentages of FV:

OTHER	31/12/2018
CBRE	38%
D&P	61%
C&W	1%
TOTAL	**100%**

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

Romania

The Winmarkt properties were valued at 31 December 2018 by the appraisers CBRE Valuation S.p.A. and Duff&Phelps Reag S.p.A. based on the following percentages of FV:

WINMARKT	31/12/2018
CBRE	45%
D&P	55%
TOTALE	**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 31 December 2018 was €154.79 million, a decrease of 2.97% (€4.74million) compared to 31 December 2017 and of 1.55% (-€2.43 million) against the prior half, attributable almost entirely to shopping malls.
The gross initial yield of the malls rose 0.19% at 31 December 2018 against first half 2018 and 0.27% against 31.12.2017, coming in at 6.79% due mainly to the drop in FV.
The discount rate was 0.02% lower than in the first half of 2018 and fell 0.13% against 31.12.2017, coming in at 8.24%.
The gross cap out for the malls reached 7.0%, down -0.22% against 31 December 2017 and 0.11% against first half 2018.
The financial occupancy rate for the Winmarkt malls came to 97.06%, an improvement of 67 bps with respect to the prior year.

The most important figures relating to the real estate portfolios in Italy and Romania are shown below:

DATA AS AT 31/12/2018	N° OF ASSET	GLA (SQM)	GROSS INITIAL YIELD	GROSS CAP OUT	WEIGHTED DISCOUNT RATE	FINANCIAL OCCUPANCY RATE	ANNUAL RENTAL VALUE/SQM	ERV/MQ
Hypermarkets and supermarkets	25	235,418	6.08%	6.27%	6.46%	100%	149	147
Malls Italy*	27	417,730	6.41%	6.72%	7.12%	96.24%	232	243
Total Italy	59	666,835	n.a.	n.a.	n.a	n.a	n.a	n.a
Total Romania	15	94,855	6.80%	7.70%	8.23%	97.11%	102	106
Total IGD's Group	**74**	**761,124**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**

DATA AS AT 31/12/2017	N° OF ASSET	GLA (SQM)	GROSS INITIAL YIELD	GROSS CAP OUT	WEIGHTED DISCOUNT RATE	FINANCIAL OCCUPANCY RATE	ANNUAL RENTAL VALUE/SQM	ERV/MQ
Hypermarkets and supermarkets	25	264,179	6.22%	6.30%	6.75%	100%	150	144
Malls Italy*	23	361,451	6.28%	6.74%	7.03%	95.38%	223	236
Total Italy	54	633,942	n.a.	n.a.	n.a	n.a	n.a	n.a
Total Romania	15	92,628	6.54%	7.92%	8.36%	96.39%	93	126
Total IGD's Group	**69**	**726,570**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**

***Including asset Piazza Mazzini**

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

REAL ESTATE INVESTMENT IGD GROUP	BOOK VALUE 31/12/2018	ACCOUNTING METHOD	MARKET VALUE 31/12/2018	BOOK VALUE 31/12/2017	CHANGE
Hypermarkets and supermarkets	585.63	fair value	585.63	647.20	-61.56
Shopping malls Italy	1,573.79	fair value	1,573.79	1,331.60	242.19
Other	32.32	fair value	32.32	18.85	13.47
Total Italy	**2,191.74**		**2,191.74**	**1,997.65**	**194.09**
Shopping malls Romania	151.89	fair value	151.89	156.83	-4.94
Other Romania	2.90	fair value	2.90	2.70	0.20
Total Romania	**154.79**		**154.79**	**159.53**	**-4.74**
Total IGD Group	**2,346.53**		**2,346.53**	**2,157.18**	**189.35**

DIRECT DEVELOPMENT INITIATIVES	BOOK VALUE 31/12/2018	ACCOUNTING METHOD	MARKET VALUE 31/12/2018	BOOK VALUE 31/12/2017	CHANGE
Projects in advanced construction phase	0.00	fair value	0.00	2.00	-2.00
Plot of land and ancillary costs	2.80	adjusted cost/ fair value	2.80	2.99	-0.19
Direct development initiatives	**2.80**	**adjusted cost/ fair value**	**2.80**	**4.99**	**-2.19**

PORTA A MARE PROJECT	BOOK VALUE 31/12/2018	ACCOUNTING METHOD	MARKET VALUE 31/12/2018	BOOK VALUE 31/12/2017	CHANGE
Porta a Mare Project*	**62.82**	**fair value/ adjusted cost**	**62.82**	**66.06**	**-3.24**

TOTAL	INVESTMENT PROPERTIES, PLOTS OF LAND, DEVELOPMENT INITIATIVES, ASSET HELD FOR TRADING		MARKET VALUE 31/12/2018	BOOK VALUE 31/12/2017	CHANGE
Total	**2,412.15**		**2,412.15**	**2,228.23**	**183.92**

* 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 work in progress and down payments.

The details of the main development projects are shown below:

PORTO GRANDE	TYPE	LOCATION	GLA	COMPLETION DATE	ESTIMATED INVESTMENT	BOOK VALUE AT 31.12.2018 (MN/€)	% HELD	STATUS
Porto Grande	Extension	Porto d'Ascoli (AP)	5.000 smq	II° half 2020	approx. 9,9 Mn/€	2.80	100%	Planning stage completed. All the construction permits and authorisation for pre-letting activities have been issued
					Total	**2.80**		

2.7 APPRAISALS OF THE INDEPENDENT EXPERTS

CBRE VALUATION S.P.A.
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Milan, January, the 07th 2019

I.G.D.
Immobiliare Grande Distribuzione S.p.A.
Via Trattati Comunitari Europei 1957-2007, n.13
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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 31st December 2018. 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
Shopping Gallery	ESP	Ravenna
Hypermarket	ESP	Ravenna
Shopping Gallery	CASILINO	Roma
Hypermarket	CASILINO	Roma
Shopping Gallery	CITTA' DELLE STELLE	Ascoli Piceno
Hypermarket	CITTA' DELLE STELLE	Ascoli Piceno
Shopping Gallery	LA TORRE	Palermo
Hypermarket	LA TORRE	Palermo
Shopping Gallery	TIBURTINO	Guidonia Montecelio
Hypermarket	TIBURTINO	Guidonia Montecelio
Shopping Gallery	PIAZZA MAZZINI	Livorno
Shopping Gallery	CENTROLUNA	Sarzana
Shopping Gallery	LA FAVORITA	Mantova
Altro	PALAZZO ORLANDO	Livorno
Trading	Porte a Mare	Livorno

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 – Global Standards 2017 ("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 criteria of Title V, Chapter IV, Section II, Paragraph 2.4.5, 2.4.6, and 2.5 of the Bank of Italy Regulation dated January, 19th 2015 ["Regolamento sulla gestione collettiva del risparmio"] and in accordance with the Guidelines of Assogestioni and with the joined communication Banca d'Italia – Consob dated July, 29th 2010 relative to the valuation process of the properties of the Common Investment Funds, as well as according to the Decree DM 30/2015 dated March, 5th 2015.

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: La Favorita, Città delle Stelle and La Torre.

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.

CBRE

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 31st December 2018 is:

Euro 731,949,500
(Seven Hundred Thirty-One Million, Nine Hundred Forty-Nine Thousand, Five Hundred Euro/00)

exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.
Ref. 18-64VAL-0365, 18-64VAL-0366,

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 Disclaimer

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 Framework Agreement and the addendum engagement entered into between CBRE and the Client dated 09 May 2017 ("the Instruction"). The Report is confidential to the Client and any other Addressees named herein and the Client and the Addressees may not disclose the Report unless expressly permitted to do so under the Instruction.
Where CBRE has expressly agreed (by way of a reliance letter) that persons other than the Client or the Addressees can rely upon the Report (a "Relying Party" or "Relying Parties") then CBRE shall have no greater liability to any Relying Party than it would have if such party had been named as a joint client under the Instruction.
CBRE's maximum aggregate liability to the Client, Addressees and to any Relying Parties howsoever arising under, in connection with or pursuant to this Report and/or the Instruction together, 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 (as at the valuation date); or
(ii) €10,000,000
Subject to the terms of the Instruction, 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.
If you are neither the Client, an Addressee nor a Relying Party then you are viewing this Report on a non-reliance basis and for informational purposes only. You may not rely on the Report for any purpose whatsoever and CBRE shall not be liable for any loss or damage you may suffer (whether direct, indirect or consequential) as a result of unauthorised use of or reliance on this Report. CBRE gives no undertaking to provide any additional information or correct any inaccuracies in the Report.
None of the information in this Report constitutes advice as to the merits of entering into any form of transaction.
If you do not understand this legal notice then it is recommended that you seek independent legal advice.

CBRE

CBRE

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Milan, January, the 07th 2019

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 31st December 2018.

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
Shopping Gallery	PIAZZA MAZZINI	Livorno	LI
Shopping Gallery	CENTROLUNA	Sarzana	SP
Shopping Gallery	LA FAVORITA	Mantova	MN
Other	PALAZZO ORLANDO	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 – Global Standards 2017 ("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 criteria of Title V, Chapter IV, Section II, Paragraph 2.4.5, 2.4.6, and 2.5 of the Bank of Italy Regulation dated January, 19th 2015 ["Regolamento sulla gestione collettiva del risparmio"] and in accordance with the Guidelines of Assogestioni and with the joined communication Banca d'Italia – Consob dated July, 29th 2010 relative to the valuation process of the properties of the Common Investment Funds, as well as according to the Decree DM 30/2015 dated March, 5th 2015.

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: Favorita, Città delle Stelle and La Torre.

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).

CBRE

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.

CBRE

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 31st December 2018 is:

Euro 669,130,000
(Six Hundred Sixty-Nine Million One Hundred Thirty Thousand Euro/00)
exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.

Rif. 18-64VAL-0365, 18-64VAL-0366

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 Disclaimer

This valuation report (the "Report") has been prepared by CBRE Valuation S.p.A. ("CBRE") exclusively IGD SIIQ S.p.A. (the "Client") in accordance with the Framework Agreement and the addendum engagement entered into between CBRE and the Client dated 09 May 2017 ("the Instruction"). The Report is confidential to the Client and any other Addressees named herein and the Client and the Addressees may not disclose the Report unless expressly permitted to do so under the Instruction.
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CBRE's maximum aggregate liability to the Client, Addressees and to any Relying Parties howsoever arising under, in connection with or pursuant to this Report and/or the Instruction together, 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 (as at the valuation date); or
(ii) €10,000,000
Subject to the terms of the Instruction, 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.
If you are neither the Client, an Addressee nor a Relying Party then you are viewing this Report on a non-reliance basis and for informational purposes only. You may not rely on the Report for any purpose whatsoever and CBRE shall not be liable for any loss or damage you may suffer (whether direct, indirect or consequential) as a result of unauthorised use of or reliance on this Report. CBRE gives no undertaking to provide any additional information or correct any inaccuracies in the Report.
None of the information in this Report constitutes advice as to the merits of entering into any form of transaction.
If you do not understand this legal notice then it is recommended that you seek independent legal advice.

DUFF & PHELPS
Real Estate Advisory Group

Agrate Brianza, 31 December 2018
Ref. n° 21222,03 – 21199,03

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

To the kind attention of Mr Roberto Zoia

Subject: **Determination of the Market Value as of December 31st, 2018 of a real estate portfolio consisting of n. 12 real estate assets intended for commercial use and n.1 real estate asset intended for residential and office mixed use, 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 December 31st, 2018.

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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DUFF & PHELPS
Real Estate Advisory Group

Definitions

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

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

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

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

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

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

Valuation criteria

Valuations Asset by Asset of the entire portfolio have been carried out considering the conditions set out in drafts of leases and rent of business unit and individual "rent roll" provided by the Ownership, reflecting the rental situation as of December 2018.

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;

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

REAG moreover:

- Carried out site inspections on the Properties of Bologna (mixed use real estate property), Gravina di Catania (Shopping Center "Katané"), Ferrara (Darsena City) and Livorno (Fonti del Corallo), 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 information 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;

- 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.

DUFF & PHELPS
Real Estate Advisory Group

Given the above considerations

It is our opinion that, as of December 31st, 2018, the **Market Value** of the subject Properties can reasonably be expressed as follows:

Euro 639.800.000,00
(Euro Six Hundred Thirty Nine million eight hundred thousand/00)

Agrate Brianza, 31 December 2018
Ref. n° 21222,03 - 21199,03

Duff & Phelps REAG S.p.A.

Performed by:
Gianluca Molli
Project Manager

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

Simone Spreafico
Managing Director Advisory & Valuation Dept.

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For translation purposes only – Italian version legally binding

TO:	**IGD SIIQ SPA**
ATTENTION:	**MR. ROBERTO ZOIA**
PROPERTY:	**REAL ESTATE PORTFOLIO**
REPORT DATE:	**10 JANUARY 2019**
VALUATION DATE:	**31 DECEMBER 2018**

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

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-181231-01-ITA*.

1.2 PURPOSE OF VALUATION

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

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

1.3 COMPLIANCE WITH RICS "RED BOOK"

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

1.4 DISCLOSURE OF CONFLICT OF INTEREST

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

1.5 BASIS OF VALUATION

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

MARKET VALUE

VS 3.2 defines the Market Value as follows:

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

MARKET RENT

VS 3.3 defines the Market Rent as follows:

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

1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter Ns Ref: VAL/CLI/ LetteraIntegrIncarico-180504-01-ep dated 11 May 2018 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 IGD SIIQ SPA 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 31 December 2018.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-181231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the valuation dated 30 June 2018.

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-181231-01-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-181231-01-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-181231-01-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-181231-01-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 comparable of Discount Rates (especially considering that the choice of the discount rate to be applied depends on further factors which are not available, as data relating to investment transactions). Once we have estimated Market Value on the basis of the DCF method, the result is compared to the rent to check whether the initial yield would be consistent with those expectations of return that investors require for similar type of investments. Therefore, to support the result of our valuations, we use the Direct Capitalization methodology.

8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio and spilt as per your request, as at 31 December 2018, may fairly be estimated as:

€564,370,000

(Five hundred sixty-four million three hundred seventy thousand Euros)

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

More details are included in the Full Valuation Reports *Ref: IGD-GruppoIGD-CertVal-181231-01-ITA.*

As per your request we report the Value gross of purchaser's costs, which is equal to € 572,965,583.

With regard to the short to medium term real estate market trend, this will highly depend on the protracted uncertainty in the markets due to the "country risk". The increase of the spread between the Italian BTP and the German Bund, the Eurogroup doubts on the Italian government's 2019 budget plan, the potential increase in the interest rates, are all factors that may have a negative effect on the Italian real estate market in the next months. However, as at to date, it is difficult to forecast if and how much these factors will effectively affect the real estate markets.

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.

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:	**IGD SIIQ SPA**
ATTENTION:	**MR. ROBERTO ZOIA**
PROPERTY:	**REAL ESTATE PORTFOLIO (excluding buildable land)**
REPORT DATE:	**10 JANUARY 2019**
VALUATION DATE:	**31 DECEMBER 2018**

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	Imola	BO	Centro Leonardo Gallery
2	Bologna	BO	Centro Lame Gallery
3	Bologna	BO	Il Borgo
4	San Giovanni Teatino	CH	Centro D'Abruzzo
5	Faenza	RA	Le Maioliche
6	Cesena	FC	Lungo Savio
7	San Benedetto del Tronto	AP	Porto Grande
8	Rimini	RN	Fitness Rimini (Fitness Centre)
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	RN	Ipercoop + Magazzino Rimini

More details relating to the Properties are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-181231-01-ITA*.

1.2 PURPOSE OF VALUATION

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

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

1.3 COMPLIANCE WITH RICS "RED BOOK"

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

1.4 DISCLOSURE OF CONFLICT OF INTEREST

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

1.5 BASIS OF VALUATION

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

MARKET VALUE

VS 3.2 defines the Market Value as follows:

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

MARKET RENT

VS 3.3 defines the Market Rent as follows:

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

1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter Ns Ref: VAL/CLI/ LetteraIntegrIncarico-180504-01-ep dated 11 May 2018 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 IGD SIIQ SPA 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 31 December 2018.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGDNoSviluppi-CertVal-181231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the valuation dated 30 June 2018.

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-181231-01-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-181231-01-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-181231-01-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-181231-01-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 comparable 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 31 December 2018, may fairly be estimated as:

€561,610,000

(Five hundred sixty-one million six hundred ten thousand Euros)

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

More details are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-181231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €570,161,932.

With regard to the short to medium term real estate market trend, this will highly depend on the protracted uncertainty in the markets due to the "country risk". The increase of the spread between the Italian BTP and the German Bund, the Eurogroup doubts on the Italian government's 2019 budget plan, the potential increase in the interest rates, are all factors that may have a negative effect on the Italian real estate market in the next months. However, as at to date, it is difficult to forecast if and how much these factors will effectively affect the real estate markets.

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

Milan, 31/12/2018

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

For the attention of Mr. R. Zoia

Subject: Valuation as at 31st December 2018 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,

Following the assignment conferred on 4th May 2017 and the Additional 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 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 current	GLA m^2 Future (if applicable)
Lame	Via Marco Polo, 3 Bologna (BO)	Hypermarket	15.201	-
Centro Leonardo	Viale Amendola, 129 Imola (BO)	Hypermarket	15.862	-
Conè	Via S. Giuseppe, 25 Conegliano (TV)	Hypermarket	9.498	6.734
Fonti Del Corallo	Via Graziani, 6 Loc. Porta a Terra (LI)	Hypermarket	15.371	9.359
Il Maestrale	Strada Statale Adriatica Nord, Senigallia (AN)	Hypermarket	12.501	-
Cecina	Via Pasubio, 33 Cecina (LI)	Supermarket	5.749	-
Civita Castellana	Piazza Marcantoni, Civita Castellana (VT)	Supermarket	3.020	-
Punta di Ferro	Piazzale della Cooperazione, 2 Forlì (FC)	Shopping Gallery	21.222	-
Maremà	Via Ecuador, Commendone – Grosseto (GR)	Shopping Gallery	17.120	-
Conè	Via S. Giuseppe, 25 Conegliano (TV)	Shopping Gallery	12.212	14.976
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, 31st of December 2018:

- 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 Valuation

Our analyses are carried out in accordance with the principles, guidelines and definitions contained in the RICS Professional Standards Global – RICS Valuation Professional Standards, issued June 2017, effective from 1 July 2017, incorporating the IVSC International Valuation Standards.

The subject valuation is carried out in accordance with the following definition of Market Value settled by the International Valuation Standards Committee and referred to in the RICS Professional Standards Global – RICS Valuation Professional Standards, issued June 2017, effective from 1 July 2017 (VPS 4 – Section 4).

Market Value

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

Market Rent

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

4. General Principles

Please note that the "Genaral Principles" on which our Valuation are based, are detailed in the single Valuation Reports; those principles are to be considered valid and applicable to the present the all valuation unless differently stated.

Every required Special Assumption will be detailed in the single Valuation Report of each property in order to guarantee a correct interpretation of the valuation results.

We would bring to your attention that, in the present Valuation Certificate, we refer to IGD SiiQ S.p.A. as the Client.

5. Source 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 2015, 2016, 2017 and for the first 9 months of 2018 (Retail Gallery and Retail Park);
- Turnover figures (net VAT) of the Supermarket and Hypermarket divided per year for the years: 2015, 2016, 2017 and the first nine months of 2018;
- Non- recoverable Landlord costs;
- Summary schedule of all additional income;
- Forecast turnover rent generated in 2019;
- Asset summary identification schedules.

6. 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.

7. Valuation

Please note that the sum of the Net Market Values of each subject property, listed in Section 1 ("Subject Properties"), is €428.890.000, while the sum of the rounded Gross Market Values is equal to €442.152.000 rounded.

Please note that the above reported Gross Market Value is inclusive of the associated acquisition costs detailed in the single Valuation Report.

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

2.8 THE SIIQ REGULATORY ENVIRONMENT AND INFORMATION ON THE COMPANY'S COMPLIANCE

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 Founding Law"**) and is governed by the Ministry of Economics and Finance's decree n. 174 dated 7 September 2007 (**"the Implementing Regulation"**).
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 bylaws 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/SIINQ, in SICAF 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/SIINQ, SICAF and "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 second of the third 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 than 2% of the dividend rights, the so-called **"Float requisite"**. This requisite is not applicable to companies that are already listed.

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 31 December 2018, similar to year-end 2017, 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.

→ Compliance with corporate by-law requirements

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

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

With regard to limits on the maximum financial leverage permitted, it is expressly provided in Art. 4.3 lett. ii) of the Company's bylaws 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 2017, as resolved in previous years, during the AGM held on 1 June 2018 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 €55,170,951.50, stemming from:

- for €36,704,390, distributable income generated by exempt operations which is equal to 70% of the distributable income from these operations;
- for €12,628,022, the reserve for retained earnings from exempt operations arising from the merger by incorporation of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A., which equals 70% of these reserves and subject to mandatory distribution;
- for €5,838,539.50, partial utilization of the reserve for retained earnings from exempt operations.

2.9 ORGANIZATION AND HUMAN RESOURCES

→ Organizational structure

In 2018 the number of the IGD Group's employees was basically stable, going from 130 to 131.

The acquisition of the new shopping centers did not cause changes in the workforce: two of the four properties acquired were already managed by IGD and the other two will continue to be managed by the previous company for the entire year. The workforce of the headquarters' Commercial Division was increased by moving an internal resource subsequent to the acquisition of new assets in April.

The Winmarkt Group's workforce fell slightly due to an increase in turnover while the structure was basically unchanged. With a view to increasing the regional coverage, a third Area Manager was hired.

→ Staff and turnover

The staff of IGD Group ITALIA increased by 6 heads.

IGD GROUP ITALIA 31/12/2018	EXECUTIVES	MIDDLE MANAGERS	JUNIOR MANAGERS	CLERKS	OF WHICH FIXED TERM	TOTAL	PERCENTAGE
MEN	5	13	29	12	(2)	59	45%
WOMEN	1	8	26	37	(4)	72	55%
TOTAL	**6**	**21**	**55**	**49**	**(6)**	**131**	
Percentage	5%	16%	42%	37%		100%	100%
Percentage of total employees					(5%)		

TURNOVER ITALY 2018 (including fixed term resources)	HIRES	RESIGNATIONS	DIFFERENCE
Managers	0	0	0
Middle managers	1	2	-1
Junior managers	0	1	-1
Clerks	5	2	3
TOTAL	**6**	**5**	**1**

The importance attached to job security is demonstrated by the number of indefinite contracts, which came to 95% of the total. The number of fixed term contracts decreased (-1), bringing the total to 6.
As a result of the resignation of 4 employees (two linked to retirement) with indefinite contracts and the conclusion of one fixed term contract, the turnover rate was slightly higher than last year (3.8%).

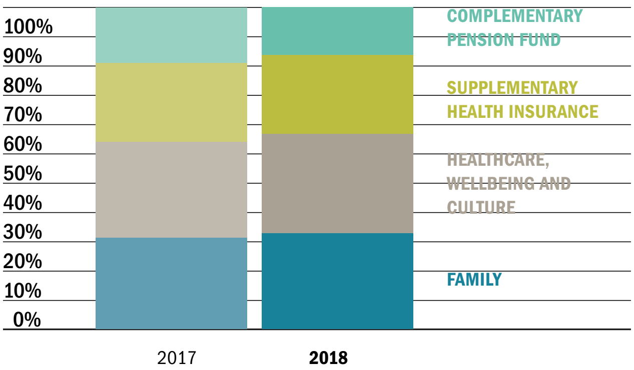
→ Welfare

2018 was the second year of IGD's Corporate Welfare Plan. Included in the Business Plan 2015-2018, this tool refers to the already existing Positive Actions Protocol, as well as a number of new initiatives which increase the benefits and services provided by the company to its employees.
IGD also instituted a Welfare Portal which allows employees to access a series of services made available by the company as part of the Corporate Welfare Plan.
Each permanent employee (with the exception of executives, excluded from the Corporate Welfare System) has a personal budget (the same amount is provided proportionately to full and part time employees) which can be used during the year by using their personal password to access the portal. The benefits offered include:

Daycare	Sports and gyms
Summer camps and after school programs	Travel
	Courses and training
University tuition	Health and wellbeing
Books and school materials	Cultural initiatives and shows
Homecare	Newspapers and magazines
Preschool, primary and secondary school	Health insurance
Purchases and shopping	Medical expenses

By monitoring the Portal, it's possible to continuously assess the employees' level of satisfaction with the tool and find ways to enhance or change the services offered, as well as improve access. Currently the services offered under the headings "Family" and "Health, Wellbeing and Culture" have been the most popular. Satisfying results were recorded at the end of the year: 99% of the employees used their entire budget.

CORPORATE WELFARE SERVICES USED



→ Training

In 2018 the training offered by the IGD Group was focused on mandatory training which involved a large portion of the company's employees, as well as on technical refresher courses designed to develop and strengthen specific skills. The training provided to all employees included:

Safety:

- general training for new hires;
- five-year update for managers;
- five-year update for subordinates;
- periodic updates, in accordance with regulations (specifically T.U. n. 81), for the workers' safety representatives;
- fire safety training and refresher courses.

WINMARKT GROUP ROMANIA 31/12/2018	EXECUTIVES	MIDDLE MANAGERS	JUNIOR MANAGERS	CLERKS	OF WHICH FIXED TERM	TOTAL
MEN	0	2	11	4	17	39%
WOMEN	0	4	4	19	27	61%
TOTAL	**0**	**6**	**15**	**23**	**44**	
Percentage	0%	14%	34%	34%	100%	100%

TURNOVER ROMANIA 2018	HIRES	RESIGNATIONS	DIFFERENCE
Managers	0	0	0
Middle managers	1	2	-1
Junior managers	4	4	0
Clerks	2	3	-1
TOTAL	**7**	**9**	**-2**

In Romania, after years of stability and decreasing turnover, there was a significant increase in 2018 (20%) attributable to an attractive, dynamic economic environment and labor market, with high growth rates including in the construction and real estate sectors. The conversion in 2018 of the only fixed term contract (from 2017) to a permanent contract brings the total of permanent contracts to 100%.

→ Compensation policies and professional development

68 employees, or 53% of the entire workforce, were involved in the yearly performance evaluations and 13 merit based pay raises were granted (19% of the employees considered). In 2018 7 career paths were terminated, 3 of which begun in 2016 and 4 in 2017. Three new career paths were begun and in July job levels were assigned.
In order to promote the growth and development of resources within the Winmarkt Group, in 2018 12 merit based pay raises were granted. With a view to promoting employee loyalty and rewarding seniority, effective 2018 there is also a voluntary indexing system for salaries in Romania, which is in addition to the normal compensation mechanism.

Privacy: during the Corporate Convention all employees, including managers, were provided with training on the new General Data Protection Regulation (GDPR), which took effect on 25 May 2018 in all EU member states. The measures that the company is adopting relative to cyber security were also shared during the convention.

English: the courses, which were offered to 9 staff members, were developed to support roles which call for the daily use of English.

In 2018, 125 employees or 95% of the total were involved in at least one training course. A total of 1,733 hours of training was offered for a total cost of €37,225.
The amount of training hours in 2018 was lower than in the prior year due to fewer training opportunities for almost all, or a large part, of the company's workforce.
Training within the Winmarkt Group focused on:

- commercial/technical /administrative workshops
- training and courses designed to increase the employees' professional knowledge of the company's sector

In light of the quality and type of training provided, in 2018 52% of the company employees participated for a total of 304 hours and a cost of €2,903.
The number of training hours provided was lower: contrary to the past, in 2018 no team building activates were offered to the entire staff (typically part of the annual convention which will be organized in the first half of 2019).

2.10
OUTLOOK

In 2019 the Group expects to continue along its growth path, in line with the targets in the 2019-2021 Business Plan, thanks to higher revenue like-for-like, as well as the full year contribution of the 4 businesses acquired.
The Group also estimates that FFO will grow in a range of between +6% and +7% in 2019.

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

In the future the Group's earnings and financial situation could be influenced by a series of risk factors.
In order to systematically assess and monitor its risks, IGD SiiQ SpA implemented an Enterprise Risk Management (ERM) system which conforms to the highest international standards and the COSO framework (promoted by the Committee of Sponsoring Organizations of the Treadway Commission). This system provides a systematic approach to identifying the primary corporate risks, making it possible to assess the potential negative effects in advance and organize control mechanisms. The ERM model used also makes it possible to test different risk scenarios with a view to assessing the total risk appetite.
The Company monitors the different risks in light of the strategic, operational and financial goals, as well as compliance, using a model based on Key Risk Indicators, which assists management in assessing the level of exposure.
The primary risks that the Group faces and manages are listed below.

1. Strategic risks

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

Risk factors:
- change in growth rates;
- change in consumer volumes and trends;
- regulatory changes which could strongly impact the company's activities,

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

Risk management:
Periodically the Company monitors the Italian economic situation, particularly when defining or updating the Business plan or annual budget. The analyses include a study of Italy's principal macroeconomic indicators (GDP, consumption, family income, inflation, etc.).
While these studies are being conducted, the Company also carries out in depth analyses of the competition and consumer trends, in light with the changes in consumer spending and inflation. When a new shopping center/location is opened the Company, including with the help of specialized professionals, completes economic and geomarketing studies of the catchment area involved in order to have a complete vision of the specific market that the company will be entering and doing business in.
Great attention is also paid to the tenants' results. Management carefully monitors the sales statistics and the indicators that could point to any problems the tenants might be experiencing, paying particular attention to the tenants' sustainability: the steps taken to support the retailers and any operational changes are shared with the Commercial Division and are, at any rate, subject the budget approved by the Board of Directors
Looking at changing consumer trends, the Company also carefully analyses the merchandising mix in order to understand the relationship between services which cannot be replicated, like e-commerce, and the traditional retailers, like restaurants and personal services.
In the prior year controls for this type of risk were also subject to monitoring as part of the Group's enterprise risk management system based on which a sensitivity analysis was conducted relating to possible changes in the assumptions underlying the plan.
With regard to the Romanian market, in light of the positive market environment and the prospects for the next two years, the Company carried out extraordinary maintenance, in addition to work on revised layouts and fit outs in order to introduce new tenants (both national and international), increase the shopping centers' appeal, respond to the actions taken by competitors and meet customers' new needs.

→ 1.2 Loss of asset value

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

Risk management:
The shopping centers are located throughout the country which reduces the exposure to risks connected to regional phenomenon.
The analysis of sales figures, along with the monitoring of commercial dynamics, receivables, renegotiations, traffic volume, support of the independent expert with the appraisal

of the assets, help the management spot signs that changes are taking place in the retail real estate market.
Periodically the Company also runs sensitivity analyses involving the valuations of the portfolio assets in order to constantly monitor the effects that changes in the discount or cap rate, linked to the global economic environment, or revenue could have on the value of the assets. The monitoring of the indicators identified as part of the Enterprise Risk Management initiative supports the assessment of foreseeable changes in the level of this type of risk.

→ 1.3 Country risk

Risk factors:
The risk pertains to investments made in the companies operating in Romania, in relation to the following events:
- changes in the Country's market conditions;
- geopolitical problems in the Country;
- change in the Country's growth rates;
- inflation within the Country;
- change in the Country's consumer trends and volumes;
- third party restitution claims requesting the return of real property;

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

Risk management:
IGD's Romanian portfolio is spread out throughout the country; the 15 assets, an office building and 14 shopping centers, are found in 13 midsize cities. This makes it possible to diversify the risks linked to consumer volatility, while the fact that the centers are centrally located helps to minimize risk of decreased consumption which could affect the outlying shopping areas.
Top Management of the Romanian subsidiaries monitors the country's economic trends constantly, verifying that the principal indicators of economic and political stability (interest rates, the political scenario, implementation of EC subsidies and the local regulatory environment) are stable and that no problems for IGD's business have developed. The Company maintains relationships with the financial and business community, with institutional bodies, as well as local and international chambers of commerce and specialized external consultants, in order to increase the information it has access to and the understanding of the local market.
The management of Winmarkt Management SRL also periodically monitors the performance of local competitors.
Consistent with the commercial strategy adopted in the last few years, in 2018 the Company continued to select highly visible international partners, introducing new retailers and the opening of new retail spaces for retailers with whom the Company already has a contractual relationship.
As part of the Enterprise Risk Management project, the Company implemented a structured risk management program based on risk indicators relative to the local competitive environment.
With regard to third party restitution claims, please note that the statute of limitations for filing such claims has run. The Group, however, stipulated a "Title Insurance" policy to protect against risks linked to this type of claim in order to protect the value of the assets held in Romania.

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

Risk factors:
The risk pertains to the non-retail development initiatives (ex. "Porta a Mare" Project) and relates to the following events:
- delay in/failure to sell non-retail sections;
- delays in starting work;
- possible writedown of the assets;

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

Risk management:
The Company avails itself of independent experts who every six months appraise the fair value of the different "Porta a Mare" initiatives underway (retail, services, residential, temporary residences, parking and garages).
The risk associated with delays in the work scheduled for the Officine section, for which a building permit variance was obtained, is constantly monitored by the Director of Asset Management and Development and the Chairman of Porta Medicea S.r.l. by way of the Company's technical personnel.
In 2018 the Company pre-let a substantial part of the residential units to be constructed.
The ERM model used also calls for periodic monitoring in order to assess the adequacy of the risk management measures in place with respect to the actual level of risk.

→ 1.5 Risk – failure to manage the impact of e-commerce penetration on the business

Risk factors:
- radical changes in the consumer habits of the final costumer which could impact IGD's business linked to the shopping center model

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

Risk management:
In light of the data available year-end 2017, to date the increase in online sales compared to in store sales does not represent a particularly significant risk for the company.
The Marketing Department periodically monitors and analyzes the Company's and the sector's data vis-a-vis the performance of e-commerce: the latest analyses show that the sectors which have been hardest hit by e-commerce up until now are tourism (in relation to the organization of trips) and payment services. These analyses are always shared with the Commercial Division.
The Company participates in working groups of the national association of shopping centers (*CNCC* or *Consiglio Nazionale dei Centri Commerciali*) which discuss the controls that can be implemented in order to limit this risk and any contractual changes that could protect the company.
The corporate strategy focuses on two key aspects: on the one hand, the analysis and continuous fine tuning of the merchandise mix in order to introduce physical activities that cannot be replaced (like restaurants and personal services); on the other, the promotion of the shopping center as a

meeting place with a calendar of events, as well as multi-channel spaces (like lockers and "Click and Collect" services).

As part of the Enterprise Risk Management project, the risk was monitored in order to assess the possible impact that the spread of e-commerce could have on business.

2. Operational risks

→ 2.1 Risk – Inadequate planning and positioning/ merchandise mix/tenant mix

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

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

Risk management:
The commercial planning is carried out by the Commercial Division based on the positioning goals shared with the Company and in accordance with internal procedures. The Company constantly monitors, including through the use of the updated internal sales data, the tenants' sales and the vacancy rates. All of the commercial choices made respect the policy defined by the Commercial Division and any atypical allocation of the space must be approved by the Commercial Division. Toward this end the Commercial Division meets periodically in order to coordinate and check the steps taken in the region.
A tenant mix that meets qualitative standards is defined based on an assessment of the shopping center's location and a survey conducted, including with the support of specialized professionals, of the center's intrinsic characteristics and an evaluation of the region.
The Company also strengthened its ability to process data by creating a specific position within the organization which guarantees a more detailed flow of information and allows for targeted commercial policies on different levels: shopping center, tenants, merchandise. Periodically the Company also conducts surveys of customers and tenants over the phone and in the centers in order to assess the level of customer satisfaction with the services offered and the events organized.

→ 2.2 Credit risk

Risk factors:
- client default;
- default of consortia tenants;
- credit recovery problems.

Risk management:
The tenants are subject to pre-contractual selection based on parameters linked to the business's financial soundness and P&L forecasts.
The analyses of potential clients are done, including with the help of specialized consultants, and focus on understanding potential risks for the Company. Monthly analyses are also done in order to assess the level of risk associated with each tenant and to monitor solvency.
All clients must guarantee their contractual obligations with sureties and/or security deposits. The Company constantly monitors the contractual relationship to ensure that the contractual obligations are being respected and in the event of default the company follows the internal procedures for credit management; in a few instances, involving well-known tenants, remedial measures may be taken. The credit positions of current and new tenants are constantly monitored through the use of a specific program which makes it possible to assess the credit history of each tenant, the level of risk associated with each tenant and the degree of solvency; this analysis is conducted each quarter, but monitored daily in order to constantly manage the measures taken or that need to be taken in terms of debt collection. The Commercial Division also prepares periodic reports on credit collection for the control bodies and processes statistics that are shared with the Legal and Corporate Affairs Division.

With regard to the consortia, the Consortia constantly monitor the contractual relationship to ensure that the contractual obligations are being respected and in the event of default the company follows the internal procedures for credit management. The client deadlines and credit positions are constantly monitored; the Commercial Division also receives periodic reports on tenants' credit positions and if problems arise the solutions to be adopted are decided by IGD SiiQ S.p.A.'s Commercial and Network Management Division.
The operating structure of the Commercial and Network Management Division, divided into the central-northern and central-southern areas, is also such that a continuous regional presence is guaranteed capable of foreseeing possible risk situations and monitoring the consortia's operations.
The ERM model used also calls for periodic monitoring in order to assess the adequacy of the risk management measures in place with respect to the actual level of risk.

→ 2.3 Contract risk

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

Risk management:
The Company conducts preliminary evaluations of potential tenants, referring also to third party credit analyses through the Lince system.
Guarantees in the form of sureties and security deposits,

typically equal to six months' rent, are also requested before the lease is signed.
The Company constantly monitors the relationships with its tenants through constant control of any breaches or violations of the agreements by the retailers and the Commercial Division's regional supervision.
The Commercial Division is constantly in touch with the tenants by telephone, through meetings, including at headquarters, and any critical situations are analyzed to determine the steps that need to be taken. Each tenant is subject to selection based on parameters linked to financial solidity and the economic prospects of the business and credit history.
The Company, furthermore, uses standard rent/lease agreements that may be revised/amended based on the conditions agreed upon with the tenant; if need be the Company may avail itself of outside consultants or the internal legal department in order to define specific contractual clauses.
As part of the Enterprise Risk Management activities, the impact of this risk and the relative controls were also monitored throughout 2018.

→ 2.4 Pre-letting risk

Risk factors:
- chance that the forecast level of vacancy at shopping centers is not reached,

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

Risk management:
The Company controls pre-letting risk through promotional activities and incentive schemes involving current and potential tenants.
Intense public relations activities are carried out with the tenants in order to ensure that the space is let and investments are made in promotional activities and launches.
The surface coverage ratios are constantly monitored over the life of shopping center management.
The commercial team is comprised of highly experienced sector professionals who work to reach the Group's objectives in terms of revenue and filling vacant space.
As part of its daily activities, the Commercial Division monitors the occupancy of the different shopping centers and determines any steps that need to be taken to reach a vacancy rate that is close to zero. The company invests constantly in capex with a view to increasing the quality and appeal of the properties (including by changing layouts), meeting the tenants' needs and/or adapting to changes in market conditions.
The vacancy in shopping centers fell thanks also to the entertainment and activities offered in the centers in order to increase center traffic.

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

Risk factors:
- natural disasters (for example, floods, earthquakes, etc.);
- catastrophic events (for example, fires);
- damages caused by third parties;
- damages incurred by third parties in the course of business or related activities;

which could impact the value of the Group's assets or cash flow.

Risk management:
Given the type of business and its unique portfolio, the Company has taken out All Risk policies with a primary insurance company based on which each shopping center has annual coverage.
Based on the Group's risk management policy vis-à-vis damage to assets, each consortium of tenants and/or owners must stipulate its own All Risk policy with an insurance company.
With regard to third party liability, the insurance covers civil damages for which the Company may be liable in the event an accident should occur during the normal course of business and related activities, including ownership, rental and management of property and moveable assets. The consortia, the Commercial and Network Management Division, the Asset Management and Development Divisions all constantly check the quality and maintenance of the properties in order to understand if further steps must be taken to limit risk.
The Company's policy is to invest significantly in the maintenance and quality of its properties. When renewing the insurance for its buildings, the Company added and/or changed coverage as needed. A dedicated appraiser was also assigned to monitor the appraisals of damages to buildings in order to ensure consistency in any investigations and faster settlement of any claims. The Company also developed a procedure for the updating and monitoring of outstanding claims on a quarterly basis.
In light of the growing attention paid to earthquakes as result of the recent natural disasters that occurred in Italy, the Country is carrying out further studies of the potential risk factors and assessing whether changes should be made to controls and insurance coverage. In the last few years the Company also negotiated further changes to the All Risk policy, increasing the amount insured for a few types of events deemed probable and potentially damaging.

3. Compliance risk

→ 3.1 Liability pursuant to Legislative Decree 231/01

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

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

in Legislative Decree. 231/01 are committed, and which ensures maximum transparency and fairness in the company's business dealings.

When Legislative Decree. 231/01 took effect, the Company also prepared a Code of Conduct applicable to all IGD employees, without exception, who must ensure that they perform their duties in accordance with the standards included in the Code.
Toward this end, pursuant to this decree, the Supervisory Board verifies adoption of the protocols called for and avails itself of a specialized consultant to monitor compliance with the Model.
The Supervisory Board constantly updates and amends the Model to ensure that it complies with the law and that it adequately reflects the Group's organizational and business structure.
As of 2014, following the introduction of new offences relating to corruption, each year top management signs statements attesting to the lack of any conflicts of interest.
The Company updated the market procedures (MAR) approved by the Board of Directors and shared with the Supervisory Board.
The Control and Risk Management Committee used the ERM system to monitor seismic risk constantly in 2017, including with regard to the impact this risk could have on safety and health related liabilities. This topic was also discussed with the Supervisory Board during its meetings.
Lastly, after art. 25 *ter* of Legislative Decree 231/01 was amended to introduce the crime of "incitement to bribery", the Company informed all employees of the amendment and the relative legal implications. After informing the Supervisory Board, the Company also worked to institute a system capable of managing whistleblowing "to protect the individuals who report illicit acts or violations they became aware of in the course of their work, with public or private entities ".

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

Risk factors:
- Sanctions, reprimands and citations for violations of the regulations issued by the stock exchange and regulatory agencies relating to the Company's responsibility as an issuer of financial instruments traded on a regulated market.

Risk management:
The Company pays great attention to the norms and regulations governing listed companies.
More in detail, Corporate & Legal Affairs and Investor Relations work to comply with the norms and regulations issued by the stock exchange and the regulatory agencies, while also organizing the disclosure of any information to the market. This process, which calls for the close collaboration of the internal divisions involved in compiling, checking and disclosing data and information regarding the company's administration, accounts and operations, is done in accordance with internal procedures and under the supervision of the Chief Executive Officer and the Financial Reporting Officer.
The market rules and regulations are constantly monitored in order to understand the possible ramifications for the Company. Toward this end, the Company updated the market procedures in order to comply with the MAR (the Market Abuse Regulation).

→ 3.3 Liability pursuant to Law 262/05

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

Risk management:
The Company, in accordance with Legislative Decree n. 262 dated 28 December 2005, the Uniform Savings Act, adopted administrative and accounting control procedures related to financial disclosures in order to *(I)* ascertain whether or not the current Internal Control System provides reasonable certainty that the information represented in the financial statements is accurate and reliable; *(ii)* implement adequate administrative and accounting procedures to be used in drafting the separate and consolidated financial statements, as well as any other financial disclosures (in accordance with Law 262/2005); *(iii)* ensure that the administrative and accounting procedures are complied with during the period in which the above documents are being drawn up.
The implementation and verification of the Internal Control System pursuant to Legislative Decree 262/05 are carried out by internal resources as instructed by and under the supervision of the Financial Reporting Officer appointed by the Board of Directors in accordance with the law; verifications are carried out by the Internal Auditor.
The administrative-accounting system adopted pursuant to L.262/05 is monitored periodically in order to understand if the risk controls implemented as per risk assessments are effectively applied, as well update the same in light of activities carried out by the Administrative and Corporate and Legal Affairs Divisions.
The Company, therefore, has adopted a specific model to assess administrative – accounting risks associated with financial reporting and updates this model continuously. The Company tests the adequacy and effective application of the administrative – accounting processes each year. The manual for the Financial Reporting Officer was also revised and all the administrative-accounting procedures were updated, specifically the procedures that impact reporting. The observations that emerged during the Testing 262 activities are being analyzed and the Company will work to implement the suggested Remediation Plans in order to continuously improve the administrative – accounting activities.
The Company also completed a project focused on updating and redefining the "control matrix"; this activity involved the revision of key controls, in particular, in order to render the subsequent controls more efficient.

→ 3.4 Tax risk – requirements under the SIIQ regime

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

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

Risk management:
The Company, which was granted SIIQ status beginning in 2008, has since then carefully monitored the associated tax risks; the valuations made regarding the taxation models used are prepared with the assistance of carefully selected specialized professionals and the Head of Administration, Legal and Corporate Affairs constantly monitors any regulatory changes and the internal accounting procedures.
More in detail, the accounts for the taxable and exempt operations are maintained separately; the division also conducts asset and profit tests constantly, every six months and before extraordinary transactions, in order to ensure compliance with the SIIQ regulations.
The results of the tests are shared with management. The information found in financial reports and tax returns are examined and controlled by external tax experts.

→ 3.5 Privacy risk – sanctions connected to violations of regulations protecting data privacy

Risk factors:
- application of sanctions linked to violations of regulations protecting data and privacy.

Risk management:
After the European Privacy Regulation took effect, the Company worked to comply with the new regulation. While transitioning to the new regulation, the Company avails itself of a specialized legal consultant who interfaces with the Administrative – Corporate and Legal Affairs Division, responsible for the management of the IT systems. The management of the ICT data is outsourced to Coop Alleanza 3.0 soc.coop.
The Company, with the support of the legal consultant, monitors possible updates of the regulations and, when changes do take place, takes the steps needed to update corporate procedures, mandates, and company documentation, as well as train company personnel accordingly.

4. Financial risk

→ 4.1 Risks associated with funding and cash management

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

Risk management:
Liquidity risk is managed through careful management of cash flow and is mitigated by the availability of substantial credit lines.
The Finance Division monitors cash flow through the use of quarterly financial forecasts (updated on a rolling basis) and ensures that available liquidity is sufficient to meet the company's business needs, and also establishes the correct ratio between bank borrowings and capital market debt.
With regard to medium/long term debt, the Group finances itself using: *(i)* medium/long term floating rate mortgage and unsecured loans *(ii)* fixed rate bond loans. Medium/long term loans may contain covenants and the Finance Division monitors this aspect constantly including together with company management through the use of the Enterprise Risk Management system in order to understand the impact that any breaches of these covenants could have on strategic, operational, compliance and financial risks.
Financial commitments are covered by funding made available by financial institutions and available credit lines.
This risk is managed prudently in order to avoid, in the event unexpected events should occur, excessive expense which could have a further negative impact on the company's market reputation and financial-economic flexibility.
The Company implemented a tool which makes it possible to i) analyze and measure interest rate risk, ii) understand the methods used to gather data and information relative to executed contracts in order to manage the interest rate risk, iii) develop a single model for risk assessment and management, iv) identify and measure financial risk taking into account:
a) fair value
b) cash flow sensitivity
c) stress tests
d) default risk of financial counterparties
e) VAR estimates.
All the information pertinent to cash management and funding are now managed by a single division and one IT system. The figures found in the Business Plan, relating specifically to Planning and Control, are also integrated with the economic – financial figures of the Finance and Treasury Division.
In 2018, the rating agency Moody's decided to review, and possibly downgrade, IGD's rating. The outlook of the Baa3 rating was subsequently changed from stable to negative.
The specific tools used as part of the ERM process to address this type of risk are monitored periodically.
With regard to credit metrics, in April 2018 the Company completed a capital increase in order to purchase a property portfolio for around €200 million and assumed around €88 million in mortgage loans: these activities had a positive impact on LTV and the Liquidity Profile. As part of the Enterprise Risk Management project, this risk was subject to specific monitoring activities in order to understand the impact on business and the controls in place.

→ 4.2 Interest rate risk

Risk factors:
- volatile interest rates which could impact the financing of operations as well as the use of available liquidity.

The Group's finances itself through short term credit lines, floating rate medium/long term mortgages and unsecured loans, as well as fixed rate bond issues, therefore if interest rates are raised it is exposed to the risk that financial expense could increase and that any refinancing could be more costly.

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

- Gearing Ratio
- Loan To Value
- Interest Cover Ratio
- Average Cost Of Debt
- Average Length Of Long Term Debt
- Mid/Long Term Debt
- Hedging on Long Term Debt plus Bond
- Banking Confidence Available (Committed/Uncommitted)
- Market Value of Unencumbered Assets
- Net Financial Position

To manage this risk, the Group purchases interest rate swaps with which it is able to cover about 92.5% of its interest rate risk on medium/long term loans, including bond loans.
The Finance Division analyzes and measures interest rate risk and liquidity constantly in order to understand possible risk management solutions; furthermore, scouting activities are carried out periodically in order to find ways to reduce financing costs through bank borrowings and the debt capital markets. The transactions completed in the year were done at floating rates and were hedged against interest rate risk accordingly.
Subsequent to the change of Italy's sovereign debt rating by Moody's, the Finance Division is constantly verifying the parameters assessed by the agency with a view to understanding if the step up clauses in a few outstanding bonds might be applied.
The specific tools used as part of the ERM process to address this type of risk are monitored periodically.

→ 4.3 Foreign exchange risk

Risk factors:

- fluctuations in the Romanian currency, RON;

which could result in the portfolio being written down and the default of Romanian retailers whose contracts are in Euro, but anchored to the RON.

Risk management
The Romanian tenants' rents are in Euro but paid in RON; therefore the company is exposed to the risk that changes in exchange rates could make it harder for retailers to meet their contractual obligations.
Currently IGD works to mitigate this risk by working constantly on the optimal merchandising and tenant mix, as well as on the management of the portfolio with a view to sustaining value, including through improvements. With a view to understanding the correct policies to adopt, the Company holds weekly meetings in order to monitor the credit profile of the different shopping centers and tenants and decide which steps should be taken in this regard. The Company monitors the rent as a percentage of the tenant's sales on a monthly basis. The commercial policies are carefully defined and based on in depth research as to the market needs and the habits of the local consumers.
Toward this end the Group is assisted by a team of specialized professional comprised of corporate and local resources in order to understand the correct trade-off between acquired know-how, corporate development and local needs.

2.12
INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to related party and intercompany transactions, there are no transactions which qualify as unusual or atypical, as they fall within the Group's ordinary sphere of operations and take place under arm's-length conditions.
With regard to the rules of corporate governance and the "Procedures for Related Party Transactions", please refer to Section 3.12, "Report on Corporate Governance and Ownership Structure".
Details of related party transactions carried out in 2018 are provided in a section of the notes to the financial statements.

2.13
TREASURY SHARES

IGD had a total of 75,126 treasury shares at 31 December 2018, recognized as a €491,610 reduction in net equity.

2.14
RESEARCH AND DEVELOPMENT

The IGD Group does not perform research and development activities.

2.15
SIGNIFICANT TRANSACTIONS

During the year ended 31 December 2018, no significant non-recurring transactions or atypical/unusual transactions, as defined in CONSOB's notice of 28 July 2006, were carried out with third parties or between companies in the Group.

2.16
COMMENT ON THE PARENT COMPANY'S FINANCIAL AND ECONOMIC PERFORMANCE

The financial statements for the year ending 31 December 2018 were influenced by the acquisition described above of the 4 malls and retail park located in northern Italy (Leonardo Shopping Center in Imola, Lame Shopping Center in Bologna, La Favorita Shopping Center and Retail Park in Mantua and CentroLuna in Sarzana). The financial statements being submitted to the shareholders for approval show a net profit of €41,242,164. Total revenue and operating income amounted to €124.9 million, an increase of €12.3 million, or 10.91%, against the prior year, while operating costs including general expenses were higher than the previous year, but lower as a percentage of revenue, going from 23.8% to 21.9%. These changes are mainly attributable to the above mentioned acquisition. The full year contribution of the rents and business leases of the ESP extension, inaugurated on 1 June 2017, also had a positive impact on revenue.

EBIT, which amounted to €73.3 million, was lower than the €118.4 million posted in the prior year due to the decrease in the real estate portfolio's fair value which was only partially offset by the acquisition of the four businesses.

Financial charges amounted to €31.5 million at 31 December 2018, a decrease of €1.4 million compared to 2017 due mainly to the lower financial charges on the amortized cost of bonds, due to the adoption of the new accounting standard IFRS 9, which increased liabilities for bond loans while reducing their interest expense, and less utilization of short term credit lines.

The net financial position was higher compared to 2017 as a result of the acquisition which was partially offset by the capital increase completed in April 2018.

MONDOVICINO SHOPPING CENTER & RETAIL PARK
CUNEO

Opening 2007
Mall GLA sqm 7,197
Food anchor GLA sqm 12,550

2,377,857 visitors in 2018

Environmental Certifications:
UNI EN ISO 14001

03

REPORT ON **CORPORATE STRUCTURE** AND **OWNERSHIP STRUCTURE**

Glossary

CODE/CORPORATE GOVERNANCE CODE:
the Corporate Governance Code for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
BOARD:
the Issuers' Board of Directors.
ISSUER OR THE COMPANY:
issuer of stock referred to in this Report.
YEAR:
financial year referred to in this Report.
CONSOB REGULATIONS FOR ISSUERS:
the regulations for issuers approved CONSOB in Resolution n. 11971 of 1999, as amended.
CONSOB MARKET REGULATIONS:
market regulations issued by CONSOB pursuant to Resolution n.16191 of 2007, as subsequently amended.
CONSOB REGULATIONS FOR RELATED PARTY TRANSACTIONS:
the Regulations issued by CONSOB pursuant to Resolution n. 17221 of 12 March 2010, as subsequently amended, for related party transactions.
REPORT:
the Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Art. 123-*bis* TUF.
TUF:
"Testo unico delle disposizioni in materia di intermediazione finanziaria" Legislative Decree n. 58 dated 24 February 1998 (as subsequently amended).

3.1
COMPANY PROFILE

The Company has a traditional system of management and control founded on the centrality of the Board of Directors. The financial audit is performed by external auditors, in accordance with the law.
The Company's Corporate Governance model is based on: *(i)* the guiding role of the Board of Directors in matters of corporate strategy, as a whole and through specifically appointed committees with advisory and consulting functions; *(ii)* the transparency of business decisions within the Company and vis-à-vis the market; *(iii)* the definition of a remuneration policy for the directors and the managers with strategic responsibilities which complies with the Code iv) the efficiency and efficacy of the internal control and risk management system; *(v)* the strict governance of potential conflicts of interest; and *(vi)* clear procedures for transactions with related parties and for the treatment of corporate information
The Company's mission is to create value for all its stakeholders: shareholders and financial community, employees, visitors and local community, tenants and suppliers. The Company believes this is possible through sustainable growth.
Again in 2018 the Company prepared a Corporate Sustainability Report which describes the characteristics of the IGD Group, its recent growth, the objectives for future development and the main results achieved in 2018 relating to economic, environmental and social sustainability.
Every year the Company makes the Corporate Sustainability Report, approved by IGD SIIQ Spa's Board of Directors, available to the public on its website at *http://www.gruppoigd.it/en/sustainability/sustainability-report/* .
The Company qualifies as a SME pursuant to art. 1.w-*quater*.1) TUF. More specifically, based on this article, an enterprise qualifies as a SME if at least one of the following requirements is satisfied: *(i)* sales do not exceed €300 million, or *(ii)* the market capitalization is less than €500 million. Companies who exceed these thresholds for three years in a row do not qualify as SMEs. IGD qualifies as a SME as the sales recorded in the years 2018, 2017 and 2016 are below the threshold indicated by Consob, as shown below.

REVENUES				AVERAGE CAPITALIZATION			
2018	2017	2016	2015	2018	2017	2016	2015
124,888,689	112,599,302	76,853,607	75,000,944	725,307,328.57	694,208,144.99	597,345,595.00	640,455,610.92

3.2 INFORMATION ON OWNERSHIP STRUCTURE

(pursuant to Art. 123-*bis*, par. 1, T.U.F) as at 26 February 2019

a) Share capital structure (pursuant Art. 123-*bis*, par. 1, lett. a), TUF)

The share capital approved at the date of this Report totals €749,738,139.26 of which is fully paid-in and subscribed, divided in 110,341,903 ordinary shares without a stated par value (see Table 1).

On 23 April 2018, the capital increase approved during the Extraordinary Shareholders' Meeting held on 12 February 2018 was completed, resulting in the issue of 29,037,340 shares for a total of €149,977,861.10.

Moreover on 19 February 2018 the reverse stock split of IGD ordinary shares at a ratio of 1 new ordinary share for every 10 ordinary shares held, approved during the Extraordinary Shareholders' Meeting held on 12 February 2018.

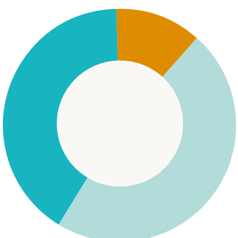
b) Share transfer restrictions (pursuant to art. 123-*bis*, par- 1, letter b), TUF)

There are no restrictions and all shares are freely transferable.

c) Significant interests in share capital (pursuant to Art. 123-*bis*, par. 1, lett. c), TUF)

Based on the declarations received under art. 120 of TUF and other information available to the Company, the shareholders with voting rights holding more than 5% of the company's ordinary share capital are those indicated in Table 1 "Significant interests in share capital" attached to this report.

IGD'S SHAREHOLDERS



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

d) Shares granting special rights (pursuant to Art. 123-*bis*, para. 1, lett. d), TUF)

The shares issued all have the same rights.

e) Employee share ownership: exercise of voting rights (pursuant to Art. 123-*bis*, par. 1, letter e), TUF)

There are no specific mechanisms which provide for employee share ownership.

f) Restrictions on voting rights (pursuant to Art. 123-*bis*, par. 1, lett. f), TUF)

There are no restrictions on voting rights.

g) Shareholder Agreements (pursuant to Art. 123-*bis*, par. 1, lett. g), TUF)

At 26 February 2019 the Company is not party to any shareholder agreements deemed relevant pursuant to Art. 122 of TUF.

h) Provisions relating to change of control clauses (pursuant to Art. 123-*bis*, par.1, lett. h), TUF) and takeover bids (pursuant to Art. 104, par. 1-ter, and 104-*bis*, par. 1)

In the course of their normal business, the Company and group companies may stipulate agreements with financial partners which include clauses which grant each of the parties the right to rescind and/or amend said agreements and/or require repayment of the loan in the event the direct or indirect control of the company contracting party should change.

Without prejudice to the above, the Company:

(i) on 7 May 2014, completed a €150 million private placement of unsecured senior notes, due January 2019, the regulations for which call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;

(ii) on 21 April 2015, made an offer to exchange outstanding bonds *"€144,900,000 4.335 per cent. Notes due 7 May 2017"* and *"€150,000,000 3.875 per cent. Notes due 7 January 2019"* with new senior notes *"€162,000,000 2.65 per cent. Notes due 21 April 2022"*. The regulations for the notes *"162,000,000 2.65 per cent. Notes due 21 April 2022"* call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;

(iii) on 31 May 2016, issued senior fixed rate notes *"€300,000,000 2.500 per cent. Notes due 31 May 2021"* the regulations for which call for a put option that may be exercised by the note holders in the event control of the Company should change;

(iv) on 11 January 2017 issued, through a private placement, an unsecured non-convertible bond loan, for a nominal amount of €100 million, expiring January 2024, the regulations for which call for a put option that may be exercised by the note holders in the event control of the Company should change;

(v) on 16 October 2018 stipulated an agreement for a 3-year EUR 200 million senior unsecured facility with BNP Paribas and a pool of other lenders which contains a mandatory early termination clause in the event control of the Company should change.

With regard to the provisions found in the company bylaws relating to takeover bids, there are no clauses which provide for exceptions to the passivity rule nor application of the neutrality rules.

i) Authority to increase share capital and authorizations to buy back shares (pursuant to Art. 123-*bis*, par. 1, lett. m), TUF)

The Board of Directors, pursuant to Art. 2443 of the Italian Civil Code has the right to, by 12 April 2022, increase share capital against payment, in one or more instalments, by up to 10% of the current share capital, to be subscribed by parties selected by the Board of Directors including qualified investors and/or business partners and/or financial partners in Italy and abroad or shareholders of the Company – excluding pre-emption rights pursuant to Art. 2441, paragraph 4 (2), as long as the issue price corresponds to the shares' market price which must be confirmed in a report issued by the external auditors.
The shareholders, meeting in ordinary session on 1June 2018, granted the Board of Directors the power to buy and sell treasury shares, in accordance with art. 2357, second paragraph, of the Italian Civil Code. For more information about the authorization granted please refer to the report prepared for the ordinary session of the Annual General Meeting held on 1 June 2018 available at *http://www.gruppoigd.it/en/governance/shareholders-meeting/*.
The Company hold no. 65,103 treasury shares at the date of this report.

j) Management and coordination (pursuant to Art. 2497 et seq. Italian Civil Code)

The Company, pursuant to Art. 2497 of the Italian Civil Code, is subject to the management and coordination of shareholder Coop Alleanza 3.0 soc.coop. which controls 40.92% of the Company's share capital.

→ Other information

Indemnity of Directors (pursuant to art. 123-*bis*, para 1, letter i), TUF)

With regard to information relative to any agreements between the Company and the Directors in the event of resignation, dismissal or termination following a takeover bid, please refer to the information found in the Remuneration Report published pursuant to Art. 123-*ter* of TUF and available on the Company's website: *http://www.gruppoigd.it/en/governance/remuneration/*.

Norms applicable to the appointment and replacement of directors, amendments to the corporate by-laws (pursuant to Art. 123-*bis*, par. 1, lett. l),TUF)

The appointment and replacement of the directors, as well as amendments to the corporate by-laws, are conducted and governed in accordance with Title V of the bylaws (Board of Directors) made available on the company's website (*www.gruppoigd.it*). Please refer to the section "Board of Directors" of this report for further information.

3.3 COMPLIANCE

(pursuant to Art. 123-*bis,* par. 2, lett. a), T.U.F)

Since its IPO, on 11 February 2005, the Company has adopted the Corporate Governance Code and has structured its corporate governance, the rules and standards of conduct, in a way that ensures efficient and transparent corporate bodies and control systems in line with the code guidelines.

The Code is available on Borsa Italiana's website at *https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf*.

In line with the best international practices relating to corporate governance and in light of the recommendations found in the Corporate Governance Code approved by Borsa Italiana's Corporate Governance Committee, the Company adopted its own Corporate Governance Regulations which, along with the other documents (corporate bylaws, Decree 231/01 Model for organization, management and control, code of ethics, Regulations for Shareholders' Meetings, Procedures for related party transactions, Regulations for the management of privileged information, the Internal dealing code) – comprise the group of self-governance instruments used by the Company.

In accordance with the law, the Report contains a general description of the corporate governance system adopted by the Company, along with information on the shareholder structure and application of the Corporate Governance Code, as per the "comply or explain" standard set out in the "Guidelines and transitional phase" section found in the Code .

The Company's subsidiaries include two Romanian companies, WinMagazin S.A. and WinMarkt Management S.r.l., which, however, do not have any impact on the current structure of IGD's governance.

→ Corporate governance structure

Insofar as IGD is an Italian company with shares listed on the stock exchange which adheres to the code referred to above, the governance structure is founded on a traditional model comprised of: Shareholders' Meetings, the Board of Directors, Board of Statutory Auditors and External Auditors. Financial audits are carried out by external auditors.

The Shareholders' Meeting is the forum used by the shareholders to express their wishes. The resolutions are made in accordance with the law and the bylaws while the meetings are governed by specific regulations adopted by the Company in order to ensure that the meetings are carried out in an orderly and efficient manner.

The Board of Directors examines and approves the Company's strategic, business and financial plans and defines the nature and level of risk deemed compatible with the Company's strategic objectives, including all the risks deemed material to medium/long-term sustainability.

In accordance with the bylaws, the Board of Directors may take all measures it deems appropriate for implementing and achieving the corporate purpose, except for those that the law or the bylaws reserve for the shareholders.

The Board of Statutory Auditors oversees compliance with the law and the bylaws and ensures that the standards of correct administration are observed and, in particular, that the organizational, administrative and accounting structures are adequate, that they function correctly, that the corporate governance rules provided for in the Code are complied with and that the disclosures made by the Company to its subsidiaries comply with Art. 114, paragraph 2, of the TUF (public disclosures).

The financial audit assignment was granted to the registered audit firm appointed during the Annual General Meeting based on the motivated proposal submitted by the Board of Statutory Auditors.

3.4
BOARD OF DIRECTORS

3.4.1 Appointment and replacement (pursuant to Art. 123-*bis*, para. 1, lett. l), TUF)

The Company is administered by a Board of Directors composed, as per the bylaws, of seven to nineteen members.

During the Annual General Meeting held on 1 June 2018, shareholders decided that the Board of Directors will be comprised of 11, rather than the previous 13, directors to serve for the three-year period ending on the date of the Annual General Meeting called to approve the financial statements for the year ending 31 December 2020.

Pursuant to Articles 16.2 and 16.3 of the bylaws, the directors are elected on the basis of preference lists which comply with the current laws relating to gender equality. In accordance with Art. 16.3 of the bylaws, lists could be submitted by shareholders who, alone or together with others, hold the interest determined in accordance with CONSOB (for 2019 equal to 2.5% of the Company's share capital, pursuant to Consob regulation n. 13 of 24 January 2019). The lists must be filed at the head office at least twenty-five days in advance of the first-call date of the meeting. Shareholders must prove possession of the shares needed to file voting lists by submitting the relative certification by the deadline for the publication of the list (namely at least 21 days prior to the Annual General Meeting). Pursuant to art. 147-ter, paragraph 1-*bis*, TUF, ownership of the minimum amount needed to participate in the filing of a list is based on the number of shares officially held by the shareholder on the day the lists are filed with the Issuer.

The candidates must be numbered sequentially in the lists up to the number of seats to be filled. In accordance with the latest version of Art. 147 *ter,* fourth paragraph, of the TUF, Art. 16.3, last passage, of the bylaws states that every list must include at least two clearly indicated candidates who qualify as independent in accordance with the law. The lists which include three or more candidates must include candidates of both genders, as indicated in the notice of call for the Annual General Meeting, in order to ensure that the composition of the Board of Directors complies with current laws relating to gender equality.

In compliance with the bylaws, the lists must be filed along with the candidates' irrevocable acceptance of office (should they be elected), curriculum vitae, and statements confirming that there are no reasons for ineligibility and/or disqualification and that they meet the requirements set by law.

Art. 16.4 of the bylaws, reflecting the provisions of Art. 147-*ter,* paragraph 3 of the TUF, prohibits any shareholder from submitting or participating in the submission of more than one list. In keeping with the above, Art. 16.7 of the bylaws states that if more than one list is submitted, at least one director must be appointed from the minority list. Thus, if the candidates ranked with the highest quotients come from a single list, the candidate from the minority lists who has earned the highest quotient will be elected in place of the candidate at the bottom of the ranking. Pursuant to art. 16.7-*bis* of the bylaws – as introduced by the amendments approved by the shareholders meeting in ordinary session on 18 April 2013 – if the law relating to gender equality fails to be complied with as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality without prejudice to the minimum number of independent directors required under the law. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the directors of the least represented gender with the majority of votes required by law.

Art. 16.8 of the bylaws, on the subject of filling vacancies on the Board of Directors, combines the co-optation system with the requirement that minority interests be represented and that at least two directors qualify as independent pursuant to Art. 147-ter, par. 3 of the TUF, as well as in accordance with the laws governing gender equality.

→ Succession plan

In light of the particular structure of its shareholder base, as well as the powers granted to the Board of Directors, at the date on which this report was approved, the Company had not adopted a specific succession plan for the executive directors as the Company can promptly activate the Board of Directors in order to adopt the appropriate resolutions.

3.4.2 Composition (pursuant to Art. 123-*bis*, para 2, lett. d) TUF)

The Board of Directors in office from 1 January 2018 to 31 May 2018 was comprised of 13 Directors: Elio Gasperoni (Chairman), Claudio Albertini (CEO), Fernando Pellegrini (vice-Chairman), Leonardo Caporioni, Gilberto Coffari, Aristide Canosani, Milva Carletti, Rossella Saoncella, Elisabetta Gualandri, Andrea Parenti, Matteo Cidonio, Livia Salvini and Luca Dondi Dall'Orologio.

On 1 June 2018, during the ordinary AGM, shareholders appointed the Board of Directors, that will be in office since the Annual General Meeting called to approve the financial statements for the year ending 31 December 2020.

The Board of Directors actually in office is comprised of 11 Directors: Elio Gasperoni (Chairman), Claudio Albertini (CEO), Rossella Saoncella (Vice-Chairman), Gian Maria Menabò, Luca Dondi Dall'Orologio, Sergio Lugaresi, Elisabetta Gualandri, Livia Salvini, Alessia Savino, Eric Jean Véron and Timothy Guy Michele Santini.
During the Shareholders' Meeting held on 1 June 2018 four lists were presented, by: Coop Alleanza 3.0 soc. Coop. (List no. 1), Unicoop Tirreno soc. Coop. (List no. 2), GWM Growth Fund S.A. (List no. 3) and a group of institutional investors (List no. 4). The lists were submitted with all the documentation relating to the personal and professional characteristics of the candidates along with the statements relating to the qualifications of some as independent and irrevocable acceptance of the appointment in the time period provided for under the law.

More in detail, from List no. 1, submitted by the majority shareholder Coop Alleanza 3.0 soc. Coop., were appointed the following members: Elio Gasperoni, Claudio Albertini, Rossella Saoncella, Gian Maria Menabò, Luca Dondi Dall'Orologio, Sergio Lugaresi and Elisabetta Gualandri. This list was voted by 59.66% of the shares represented in AGM.

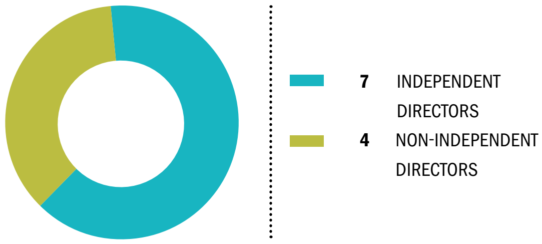
From List no. 2, submitted by the shareholder Unicoop Tirreno soc. Coop., were appointed the Directors Livia Salvini and Alessia Savino. This list was voted by 16.18% of the shares represented in AGM.

From List no. 3, submitted by GWM Growth Fund S.A., were appointed the Directors Eric Jean Véron and Timothy Guy Michele Santini. This list was voted by 17.19% of the shares represented in AGM.

List no. 4, voted by 6.73% of the shares represented in AGM, did not obtain sufficient votes for the appointment of the candidates indicated therein.

In table 2 and 2-*bis* attached to the report, can be found the members of the Board of Directors in office during the year, along with their status as executive or non-executive and/or independent members as per the Corporate Governance Code and the committees formed.

DIRECTORS' INDEPENDENCE



The personal characteristics and professional experience of the single members of the Board of Directors as at the date of the present report, are provided below.

ELIO GASPERONI
Chairman of the Board of Directors

Born in 1953, Mr. Gasperini received a degree in philosophy from the University of Florence's History of Political Doctrine department in 1978. He has several offices and positions including as part of the public administration and local institutions. He is a member of Coop Alleanza 3.0's Board of Directors and Vice Chairman of Coop Alleanza 3.0 soc.coop. and Unipol Banca S.p.A. His presence in IGD enhances and strengthens the dialogue with the local authorities. He also holds the offices indicated in Table 4.

ROSSELLA SAONCELLA
Vice-Chairman

Born in 1954, Ms. Saoncella received a degree in Physics from the University of Bologna in 1977 and in 1978 completed a masters in Business Administration at IFOA. She was General Manager of the Granarolo Group through 2011 and, prior to 1993, an executive of the CONAD Group. Over the past few years she has held administrative offices for municipalities in Emilia Romagna and she has been a Directors at HERA S.p.A.

CLAUDIO ALBERTINI
CEO since May 2009 (Director since 2006)

Mr. Albertini, born in 1958, is registered in the order of chartered accountants and accounting experts in Bologna and in the register of auditors. He has been at the helm of IGD since May 2009, after having served as a member of the Company's Board for three years. For more than twenty years Mr. Albertini was part of the Gruppo Unipol where he ultimately acted as General Manager of Unipol Merchant.

GIAN MARIA MENABÒ
Non-executive Director

Born in 1959, he received a diploma from the Carlo D'Arco Technical Institute in Mantova in 1978. He worked for the PAM group from 1980 al 1992. Subsequently he was in Coop Consumatori Nordest, from 1992 to 2015, where was the head of various divisions and ultimately became Commercial Director, a position which he held from 2003 to 2015. In Coop Alleanza 3.0 Mr. Menabo' is currently Director of Asset Management and Development. He also holds the offices indicated in Table 4.

ERIC JEAN VÉRON
Independent Director

Eric Jean Véron, a French-Dutch citizen born in 1974, is a logistics real estate sector entrepreneur. After working in the banking sector, he joined the American fund ProLogis at the end of the 1990s where he developed different projects in France and Italy. In 2003 he founded the company Vailog, leader in the Italian logistics real estate sector. After having developed an area of more than 2,000,000 square meters for logistics in Europe and China, Vailog was sold to the British fund SEGRO Plc in 2015. Eric Véron is still a minority shareholder and Chief Executive Office of Vailog. He was appointed regional representative of the French citizens abroad, he speaks 5 different languages, he has gained experience and lived in different cities in Europe, America and Asia. He also holds the offices indicated in Table 4.

LIVIA SALVINI
Independent Director

Born in 1957, Ms. Salvini received a law degree the La Sapienza University in Rome in 1982. Professor of Tax Law at LUISS - Guido Carli University in Rome and Avvocato Cassazionista (the highest order of attorneys) as well as a PhD in Tax Law, Ms. Salvini boasts a twenty year academic career and has been part of numerous ministerial and government commissions and studies. She is the author of two monographs on VAT and the relative procedures, assessment and application, as well as numerous studies on tax matters. She also holds the offices listed in Table 4.

LUCA DONDI DALL'OROLOGIO
Independent Director

Born in 1972, Mr. Dall'Orologio received a degree in Political Science (focus on economic policies) from the University of Bologna in 1997. He is an economist with experience in the valuation of investment projects relating, in particular, to the real estate sector and infrastructure. An expert in socio-economic and regional analysis, assessment of demand and application of applied economics, he is currently the Chief Executive Officer of Nomisma S.p.A., where he previously acted as Chief Operating Officer, Head of "Real Estate Systems and Urban Strategies" and Head of the unit "Real Estate Analyses and Valuations", as a result of which he coordinated the activities relating to assessment, monitoring and measuring of real estate investment risk. He is also a member of Nomisma Energia S.r.l.'s BoD and the special valuation unit at Jean Monnet LUM University. He also holds the offices listed in Table 4.

SERGIO LUGARESI
Independent Director

He was born in 1957 in Ravenna, is married and has three children. Mr. Lugaresi received a degree in Economics from the University of Modena in 1982 and a PhD in Economics from the University of Bologna in 1987. Consultant, as of January 2018 is Senior Adviser of Oxera and he has been working with the Italian Banking Association (*Associazione Bancaria Italiana* or *ABI*) on the relationship with the European Central Bank in Frankfurt since July 2013. He became a member of the European Banking Authority's Banking Stakeholder Group in April 2016. He acted as the temporary head of the World Bank in Rome (2014-2017), Senior Vice President, Head of Regulatory Affairs, of the UniCredit Group (2007-2013). Prior to this experience he was Chief Economist at Banca di Roma and the Capitalia Group (1997-2007). Between 1992 and1995 he worked for the International Monetary Fund and is still a member of its "expert panel" for which he occasionally provides technical assistance. He has published a number of papers and books relating to economic and monetary policy, industrial economics, management of credit risk and fiscal policy. He works with the financial daily Sole 24 Ore and the website Lavoce.info.

TIMOTHY GUY MICHELE SANTINI
Independent Director

Born in 1966, he is a Modern Languages graduate and a professional member of The Royal Institution Of Chartered Surveyors in England. He trained at Jones Lang LaSalle in London and worked in the European and Retail Teams, specialising in out-of-town retail. He spent over twenty years with Eurocommercial Properties where he was a senior director, responsible for the Italian activities of the Company. He reported directly to shareholders, analysts and the Board of Management. He set up the Italian offices of Eurocommercial and has bought, managed, refurbished and extended some of Italy's best known shopping centres. Prior to focussing on Italy he was active in the asset management of shopping centres in France and properties in Spain, Belgium and The Netherlands. He currently advises on the Italian retail market and closely monitors retail trends across Europe.

ELISABETTA GUALANDRI
Independent Director

Born in 1955, Ms. Gualandri has a degree in Business Economics from the University of Modena and a masters degree in Financial Economics from University College of North Wales (UK). A lecturer in financial intermediation at the University of Modena and Reggio Emilia, she also collaborates with CEFIN and Softech-ICT centers. Statutory auditor at the Bank of Italy from 2007 through 2012, she is a member of BPER's BoD since 2012. Since 2016 she is a member of Abi Servizi S.p.A.'s BoD. She has been acting as an advisor for the European Commission's program Horizon 2020, Access to Finance Group since 2013. She is also a member of the CTS of the incubator Knowbel in Modena. The topics about which she has written numerous publications, participating also in national and international seminars, include banking regulation, the financial crisis, financing innovative SMEs and startups. She also holds the offices listed in Table 4.

ALESSIA SAVINO
Non-executive Director

Born in 1967, she received a degree in Economics and Banking from Milan's *Università Cattolica*, and subsequently completed a master's program in Management Development at L. Bocconi's Business Management School in Milan. She is currently head of Finance and Real Estate Development at Unicoop Tirreno, where she has been working since February 2017. A finance expert, she has matured experience in both banking and business management as she has worked for two important banking groups and two multinational manufacturing companies. On the corporate side, she acted as General Manager and member of the BoD of the Giorgio Armani Group's financial company for around 15 years; prior to this experience she acted as treasurer of the company Aprilia, today the Piaggio Group. As for banking, she was part of the corporate division's financial sector as head of securities trading for the joint venture of Credito Italiano and Natwest Bank of London, Banca CreditWest and, subsequently head of the division responsible for covering interest rate risk management of the banking group Credito Emiliano in Reggio Emilia. She is also vice chairman and a member of the BoD of Sogefin and is a member of the BoD and the Executive Committee of Simgest, a stock brokerage firm. She also holds the offices listed in Table 4.

In compliance with the Corporate Governance Code, the directors take office only when they believe that they will be able to dedicate the time needed to carry out their duties diligently, including in light of their roles in any Board committees, as well as the workload connected to their professional activities, the number of and time dedicated to other offices held as director or statutory auditor in other companies as per the limits on multiple assignments described below, ensuring that this condition remains throughout their term of office.

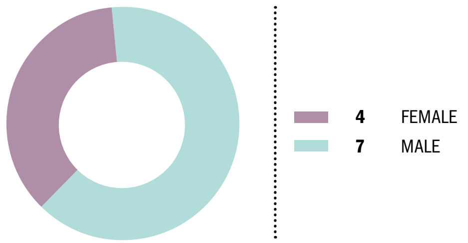
The Directors, aware of the responsibilities inherent in the office held, must be constantly updated on the newest legislative and regulatory developments affecting the Company and its business.

The directors must comply with the Code of Ethics, the Internal Dealing Code and any other provisions with which the Company regulates the directors' conduct; the directors, like the Statutory Auditors, must treat any documents and information to which they might have access in the course of their duties with the maximum confidentiality.

→ Diversity

The Board of Directors is comprised of individuals with different professional and personal profiles, including university professors, independent professionals, entrepreneurs, as well as company executives. The majority of the directors appointed qualify as independent under the Corporate Governance Code and TUF. The composition of the Board of Directors also complies with current law governing gender equality. Toward this end, it's worth pointing out that Coop Alleanza 3.0 (previously Coop Adriatica) e Unicoop Tirreno soc. Coop. voluntarily complied with Law 120/2011 in advance and included the number of candidates of the least represented gender called for in said law in the lists for the Board of Directors and the Board of Statutory Auditors submitted on 19 April 2012.

GENDER QUOTAS IN THE BOARD OF DIRECTORS



In light of the recent renewal of the Board of Directors and the Board of Statutory Auditors, the adoption of a policy relating to the composition of the board will be examined by the corporate bodies during the new term of office.

→ Maximum number of appointments allowed in other companies

In order to regulate the maximum permitted number of appointments in other companies that a director may hold, the Company drafted specific regulations referred to as the "Limits to the maximum number of appointments allowed in other companies" which were approved by the Board of Directors on 13 December 2010, and updated on 26 February 2015 as per the opinion of the Nominations and Compensation Committee. The regulations are available to the public on the Company's website: <u>*http://www.gruppoigd.it/en/governance/board-of-directors/*</u>.
Based on the regulations, the term "maximum number" does not refer solely to the number of offices held, but also attributes a weight to each type of appointment in relation to the nature and size of the company, as well as the position held by IGD's directors in other companies, in light of the fact that more time is dedicated to certain positions than to others. In light of this consideration, IGD's Board of Directors held that the weight to be attributed to the office of Chairman, Executive Director be different, for example, than that of a

non-executive/independent director or member of the Board of Statutory Auditors as well as because of the possible membership in one or more Committees constituted within the Board of Directors. Lastly, the weight attributed each office was also different based on the type and size of the company and two sub-categories were established; Group A and Group B. Group A includes listed companies, financial institutions, banks, insurance companies or other large companies that meet the requirements listed in the Regulations. All the companies which are not part of Group A are automatically considered part of Group B. In light of these considerations, the Board listed the overall weight of the offices held in other companies which can be considered compatible with acting effectively as a director in IGD.
The composition of the Board of Directors at 26 February 2019 was found to be fully compliant with the regulations governing "Limits to the maximum number of appointments"[1].
The principle offices held by directors in companies other than those of the IGD Group can be found in Table 4, attached.

1 Corporate Governance Code: Art. 1.C.3.

→ Induction Program

In 2017 no specific seminars relating to induction were organized for the members of corporate bodies as it was deemed unnecessary. During the Board meetings, however, the Company's management provided the Board of Directors and the Board of Statutory Auditors with extensive updates relating to business trends and the retail real estate market. In 2018, after the appointment of the new Board of Directors, induction sessions were organized for the board members. More in detail, a "Board Members Induction Day" was held on 16 July 2018 during which the Company made a presentation to the new board members. On 30 October 2018, during the preliminary presentation to board members of the strategic guidelines underlying the Business Plan 2019-2021 (approved during the next Board meeting), the Chief Executive Officer provided an overview of the Company's development over the last decade. Moreover, during the Board meetings, however, the Company's management provided the Board of Directors and the Board of Statutory Auditors with extensive updates relating to business trends and the retail real estate market.

3.4.3 Role and functions of the Board of Directors (pursuant to Art. 123-*bis*, par 2, lett. d) TUF)

The Company is administered by a Board of Directors which meets on a regular basis and which is organized in such a way as to guarantee that its duties are carried out efficiently.

The Board of Directors' primary responsibility is to determine and pursue the strategic objectives of the Company and the entire Group, as well as define the nature and level of risk deemed compatible with the Company's strategic objectives, including all the risks deemed material to medium/long-term sustainability.

In order to ensure maximum attendance at the Board meetings, they are held on the dates indicated in a financial calendar which has been disclosed to the market in accordance with Borsa Italiana's instructions. Additional meetings may be called if deemed necessary in order to address certain issues; the Board, at any rate, takes the steps necessary to effectively fulfil its duties.

On 13 December 2018, the Company published the following financial calendar which calls for 4 meetings to be held in 2019, in detail:

- **26 February 2019:** Board of Directors' meeting to examine the separate and consolidated financial statements at 31 December 2018;
- **7 May 2019:** Board of Directors' meeting to examine the Interim Management Statement at 31 March 2019;
- **2 August 2019:** Board of Directors' meeting to examine the Half-year Financial Report at 30 June 2019;
- **7 November 2019:** Board of Directors' meeting to examine the Interim Management Statement at 30 September 2019.

If the company deems it opportune it may convene, in accordance with the bylaws, other board of director meetings in 2019.
Pursuant to Art. 17.3 of the bylaws, the chairman calls and presides over meetings of the Board of Directors; conducts, coordinates and moderates the discussion and related activities; and announces the results of votes. He must ensure that the Board of Directors constantly pursues its primary responsibility, namely achieving the strategic goals of the Company and the entire Group.

Without prejudice to the call prerogatives guaranteed by law, meetings of the Board of Directors are called by the chairman, or the chairman's deputy, whenever this person sees fit or at the request of a majority of the directors. Art. 18 of the bylaws also provides for Board of Directors' meetings to be called by the Board of Statutory Auditors. Meetings are normally called by telegram, fax, or other means as long as this ensures proof of receipt at the domicile of each member of the Board of Directors at least five days in advance of the meeting. In urgent cases, meetings may be called two days in advance. Typically the meetings are called via e-mail.

The power to call the Board of Directors' meetings granted to the Board of Statutory Auditors or by any member thereof complies with Art. 151, second paragraph of TUF.

The Board of Directors meets at the place specified in the notice of meeting, which may be the registered office or anywhere else in Italy.

The Chairman of the Board of Directors works to ensure that the directors and statutory auditors receive the documentation relating to the items on the Agenda in a timely manner and prior to the date on which the meeting is to be held[2].
The documentation relative to the Board meeting agendas was regularly made available to each director on the Company's website; directors may access it on an exclusive basis using a password created by a personalized token. The publication of the documentation is preceded by a notice sent by e-mail from a specific function identified inside the Company. During 2018 the adequate notice period on average was equal to 2 (two) days.

During the meetings, the Chairman of the Board of Directors assured an extensive discussion of the items on the agenda allowing a constructive debate, also thanks to the regular participation of the Company's top management.

Board meetings are presided over by the chairman or, if the chairman is unavailable, by the vice chairman (if appointed) or, if the vice chairman is unavailable, by the most senior director in terms of age.

For each meeting the Board of Directors, at the chairman's proposal, elects a secretary who may or may not be a member and who will sign the minutes of the meeting.

The bylaws require the presence of at least one member of the Board of Statutory Auditors at all sessions of the Board of Directors, to ensure that the auditors are informed of the Company's activities and of the transactions having a significant impact on profitability, assets, liabilities, and financial position carried out by the Company or its subsidiaries, in particular those transactions in which they have an interest on their own or third parties' account; that are influenced by the party in charge of management and coordination; or that have been the subject of resolutions, debate or announcement during the course of the session. If no statutory auditor is present at a meeting of the Board of Directors, or if the procedures adopted in accordance with the preceding section do not guarantee that the auditors are informed on at least a quarterly basis, then according to the bylaws the chairman and/or the chief executive officer must report in writing on his or her activities to the chairman of the Board of Statutory Auditors within three months. This report must be mentioned in the minutes of the first subsequent meeting of the Board of Statutory Auditors.

Typically the Issuer's managers attend the Board of Directors' meetings in order to provide additional information regarding the items on the Agenda. The Chairman of the Board of Directors, including if requested by one or more directors, may request that the Chief Executive Officer invite executives of the Company or Group companies to attend the Board meetings to provide in depth information about the items on the Agenda.
During the year ended 31 December 2018, the Board of Directors held 7 meetings, on 22 February, 21 March, 9 May, 6 June, 3 August, 7 November and 13 December duly attended by the directors and by at least one member of the Board of Statutory Auditors. The absentee rate was quite low and all absences were excused. Each meeting lasted an average of around 2 hours and 45 minutes. Some meetings of the Board of Directors were attended by Company executives and/or external parties, so they could provide specialized input on the topics up for debate.

Following the criteria set forth in Art. 1. C.1 of the Corporate Governance Code, the Board of Directors:

a) examines and approves the strategic, business and financial plans of the company, the company's corporate governance system, as well as that of the strategically important subsidiaries, periodically monitoring implementation; defines the Company's corporate governance system and Group structure;

b) defines the nature and level of risk deemed compatible with the Company's strategic objectives[3] including all the risks deemed material to the long-term sustainability of the Company's business;

c) judges the adequacy of the organizational, administrative, and accounting structure of the Company and its strategic subsidiaries with particular reference to the internal control system and the risk management;

d) in order to encourage the involvement and cooperation of the directors, institutes the board committees and commissions deemed necessary for the proper functioning of the Company, while also defining its active duties and consulting functions;

e) establishes the frequency with which the delegated bodies must report to the Board of Directors on the progress made during the year relating to their assignments and the most significant operations carried out in the period, which will, at any rate, not be more than once a quarter;

f) evaluates general business performance, taking account of the information received from the delegated bodies, and periodically comparing actual results with forecasts;

g) resolves on the operations carried out by the Company and its subsidiaries where such transactions are strategically, economically or financially significant for the Company; toward this end, determines the general criteria to be used to define relevant transactions and ensures

2 Corporate Governance Code: Art 1.C.5.

3 Corporate Governance Code Art. 1.C.1 lett b).

that the strategically significant subsidiaries submit any transactions that could have a significant impact on the Company to the Board of Directors for approval;

h) evaluates, at least once a year, the size, composition and proper functioning of the Board of Directors and its committees, also taking into account professional qualifications, experience, including as a manager, along with the nature of its members and their seniority;

i) in light of the results of the assessment referred to in letter h) above, expressed to the shareholders, prior to the appointment of the new Board of Directors, any opinions about the type of professional that should be part of the Board;

l) provides information in the report on corporate governance: *(i)* on the composition of the Board, indicating the qualifications (executive, non-executive, independent), offices held within the Board (for example, Chairman or Chief Executive Officer), the main professional characteristics, as well as how long the office has been held; *(ii)* on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member; *(iii)* on the ways the assessment in letter h) above was carried out *(iv)* on the timeliness and completeness of the information provided before the Board, providing indications if the information was provided in a timely enough manner – and, at any rate, in accordance with the Company's bylaws;

m) after the appointment of an independent director and, subsequently when circumstances materialize which could impact the latter's independent status and, at any rate once a year, evaluates – based on the information received form the interested party or, at any rate, available to the Company - the independent status of its non-executive members[4]: this independence is evaluated on the basis of the criteria indicated in the Corporate Governance Code and any other facts which could impact each instance; the Board of Directors will advise the market as to the results of its evaluations (upon appointment, in a press release and, subsequently, in the Corporate Governance Report). In these documents the Board of Directors: *(i)* indicates if parameters other than those indicated in the Corporate Governance Code were used, including with regard to a single director; and *(ii)* describes the quantitative and/or qualitative criteria used to assess the significance of the relationships being evaluated[5];

n) each year, based on the information received from the Directors, records notes in the Report on Corporate Governance, the assignments held by Directors in other companies as directors or statutory auditors in financial, banking, insurance or large companies, listed on regulated markets (in Italy or abroad);

o) expresses an opinion with regard to the criteria to be used to determine the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of Company director, taking into account the position held in any Board committees. Toward this end, on the basis of a specific procedure[6], looks at the workload connected with each directorship (executive director, non-executive or independent), including in relation to the type and size of the company in which the offices are held, as well as whether the latter are part of the Group[7];

p) determines, based on the opinion of the Nominations and Remuneration Committee, who is to be appointed to act as a Company executive, as well as a member of the Board of Directors, Board of Statutory Auditors, Chief Executive Officers and General Manager of the strategically relevant subsidiaries; based on the opinion of the Nominations and Remuneration Committee, determines compensation;

q) promotes initiatives designed to facilitate active and informed shareholder participation, as well as the exercise of shareholder rights, guaranteeing that they are provided with timely and complete information;

r) ensures that the Decree 231/2001 Organizational, Management and Control Model is updated and complied with, while completing a risk map of the potential criminal violations with the support of the Supervisory Board;

s) appoints, subject to the opinion of the Board of Statutory Auditors, a Financial Reporting Officer in accordance with Law 262/2005;

t) may call upon an independent Director to act as lead independent director, a point of reference and coordinator for all positions and activities of the non-executive, and in particular, independent directors[8];

u) in the event the shareholders, in light of organizational needs, authorize that an exception be made to the non-compete clauses referred to in Art. 2390 of the Italian Civil Code, evaluates on the merits of each situation and reports its findings to the first Shareholders' Meeting. Toward this end, upon appointment each Director will inform the Board of any activities carried out which compete with those of the Issuer and any relevant changes;

v) in order to ensure the correct handling of corporate information, updates, based on the proposal of the Chief Executive Officer of the Chairman of the Board of Directors, the Procedures for the management, handling and disclo-

4 Corporate Governance Code Art. 3.P.2
5 Corporate Governance Code Art.3.C.4.
6 Toward this end the Company has established limits for multiple assignments approved by the Board of Directors on 13 December 2010.
7 Corporate Governance Code Art. 1.C.3
8 Corporate Governance Code Art. 2.C.4.

sure of confidential information and documents, with regard particularly to price sensitive information[9];

z) evaluates whether a succession plan for the executive directors should be adopted or not, subject to the opinion of the Nominations and Remuneration Committee[10].

As part of the Company's internal control and risk management, the Board of Directors, subject to the opinion of the Control and Risk Committee:

- defines the guidelines for the internal control and risk management system so that the principal risks that the Company and its subsidiaries face are correctly identified, as well adequately assessed, managed and monitored, while also determining the extent to which the risks are compatible with the strategic goals identified;
- evaluates, at least once a year, the adequacy and efficacy of the internal control and risk management system with respect to the business and the inherent risk profile;
- approves, at least once a year, the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;
- describes the main features of the internal control and risk management system in the report on corporate governance, along with the methods used to coordinate the different parties involved, and expresses an opinion as to its adequacy;
- evaluates, after having consulted with the Board of Statutory Auditors, the opinion issued by the external auditors upon completion of the financial audit;
- appoints and replaces, based on the proposal of the Director in charge of the Internal Control and Risk Management System, as well as after having consulted with the Board of Statutory Auditors, the Head of Internal Audit.

The functions of the Board of Directors, as described above, comply with the applicable recommendations found in the Corporate Governance Code.

Pursuant to the Corporate Governance Code, during the meeting held on 26 February 2019 the Board of Directors used the reports provided by the Director in charge of Internal Control System, the Control and Risk Committee (formerly Internal Control Committee), the Supervisory Board, and the Internal Audit, as well as the Report prepared by the Financial Reporting Officer regarding the preparation of the accounting ledgers, to evaluate the adequacy of the Company's and its subsidiaries organizational, administrative and general accounting structures, particularly with regard to the internal control system and the management of any conflicts of interest[11]. In this regard, it should be noted that all the subsidiaries are considered strategic (see section 2.1 of the Report on Operations at 31 December 2018) as the Group's businesses are run by the subsidiaries.

9 Corporate Governance Code Art. 1.C.1 lett j)
10 Corporate Governance Code Art. 5.C.2.
11 Corporate Governance Code Art. 1.

The Board of Directors, in accordance with the bylaws and the current norms and regulations and based on the information provided by the Chief Executive Officer and the Board of Statutory Auditors, evaluated the company's performance, its outlook and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries at least quarterly.

In 2018, the Board of Directors, also met specifically to: *(i)* examine and grant advance approval of any transactions undertaken by the Company and its subsidiaries of significant strategic, economic, capital or financial transactions. The significant strategic, economic, capital or financial transactions are those falling within the category of operations empowered to the Board under the bylaws, with particular attention for those in which one or more directors held an interest directly or on behalf of third parties; *(ii)* assess and express an opinion (in this instance positive) about the size, composition and proper functioning of the Board of Directors and its committees.

In accordance with the Corporate Governance Code and in light of the recent recommendations of the Corporate Governance Committee, in 2018 IGD's Board of Directors continued with the Board Review process, begun in 2007, and assessed the size, composition and functioning of the Board and the Board committees.

For the year ended on 31 December 2018, IGD hired the consulting company Egon Zehnder to help with this self-assessment process.

Please note that the consulting company Egon Zehnder does not carry out any other activities for IGD or its subsidiaries.

The evaluation process was carried out on the basis of:

- discussions with each Director, in January and February 2019, after having completed a questionnaire prepared for this purpose using methods deemed adequate for a Board in the first year of its term;
- analysis of the comments and observations received and the preparation of a summary report which was presented to the Board. When the replies were positive, but did not add any particular value, the topic was not addressed in the report.
- discussions of the Board on the main results and suggestions for possible improvements during the next two years of the Board's mandate.

The Board Review results were presented during the Board of Directors' meeting held on 26 February 2019.

The discussions with each director and based on the questionnaire focused primarily on the following topics:

1. Size and composition of the Board of Directors
2. Independence, integration and training
3. Board of Director meetings and decisional processes
4. The role of the Chairman of the Board of Directors
5. Relationships between Directors and Management
6. Information and presentations
7. Strategy and objectives

8. Risk management and compensation policies
9. Structure, people and succession plans
10. Board of Directors committees
11. The Board of Statutory Auditors
12. Board dynamics, synthesis and benchmarking

For each area we discussed the strong points and areas in need of improvement.

Based on the comments gathered and the subsequent analysis, we find that during the first year of its mandate IGD's Board complied with the Corporate Governance Code and the recent recommendations of the Corporate Governance Committee (December 2018).

Appreciation was expressed (and deemed areas of excellence) for the adequate size and composition, the valid combination of expertise, varied and well structured, along with the diversity which was renewed following the arrival of competent and credible international third parties or independent members who are also experts on Italy, who contributed further knowledge of the real estate business to the Board. Appreciation was also expressed for the Board's positive and open environment, the presence and attendance of the directors, the direct, open, detailed discussions between the independent and non-independent members, as well as the contribution of the independent directors. The work done by the Chief Executive Officer and management was also appreciated, as were the information provided, the presentations made and the role of the Chairman. The dynamic is productive and the discussions open. The Board also demonstrated the capacity to reflect on its practices, to innovate, discuss strategies and change. The Directors appreciate the organization and functioning of the Committees, the contribution of the Board to strategy, risk management and renew the commitment to and satisfaction with the work done.

The results of the board review and Egon Zehnder's assessment are positive with respect to the size, composition and functioning of the Board of Directors..

The Directors also identified a few areas that could be worked on by the Board in the future, namely:

- preparation of a comprehensive and structured Succession Plan for the key resources, including with a view to motivation and retention;

- continuous discussion of alternative strategies for the medium/long-term with respect, specifically, to key business and sector issues (diversification, asset rotation…) which includes the examination of alternative scenarios for the long-term role of the majority shareholder in order to define an increasingly clear strategic direction and create greater value for shareholders;

- further improvement in the distribution of the information provided prior to the board meetings in order to ensure an even more efficient flow of information and further enhance the value of the content;

- continue with the induction of the board members, including informally, which fosters the integration of the Directors with the Board team.

Please note that at the date of this Report, the Company's shareholders had not authorized general or preventive exceptions to the non-compete clauses provided for in Art. 2390 of the Italian Civil Code[12].

12 Corporate Governance Code Art. 1.C.4.

3.4.4 Executive Directors

→ Chief Executive Officer

The bylaws[13] state that the Board of Directors may delegate its powers, within the confines of Art. 2381 of the Italian Civil Code and determining the limits of such authority, to an executive committee comprised of some of its members and/or one or more members given the title of chief executive officer or executive directors.

During the meeting held on 6 June 2018, following the Annual General Meeting during which the Board was renewed, Claudio Albertini was confirmed Chief Executive Officer and granted the following powers:

- to develop and propose – as agreed with the Chairman – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;

- to develop and propose the strategies and financial policies of the Company and the group in relation to the growth, profitability and risk objectives determined by the Board of Directors, with responsibility for their implementation; to ensure that objectives are pursued in accordance with the guidelines set by the Board of Directors;

- to optimize the instruments and procedures of financial management and manage relations with the financial system;

- to develop and propose strategies for organizational development and policies for hiring, managing and training human resources;

13 Art. 23 of the bylaws

- to recommend group accounting standards and operating principles to the Board of Directors and ensure that the financial statements (separate, administrative and consolidated) are properly formulated; to ensure compliance with group directives and with administrative, legal, and tax regulations and laws;
- to coordinate the drafting of the business plans, annual budget and the relative reporting;
- to monitor and coordinate any related activities: general services, any legal problems and fiscal implications;
- to assume responsibility for the prompt and correct implementation of work on property carried out directly by the Company, in compliance with the plans, budgets, and timeframes approved by the Board of Directors;
- to assume responsibility for operational supervision of the progress of turn-key contracts acquired from third parties;
- to assume responsibility for the proper maintenance of real estate assets according to rental contracts between the Company and third parties and the budgets approved by the Board of Directors and in compliance with current laws;
- to assume responsibility for preparing the annual plan of work and the respective budget forecasts, with regard to both new construction and maintenance, subject to the approval of the Board of Directors;
- to interface, as agreed upon with the Chairman, with the shareholder cooperatives, regarding any integration of the respective investment plans.
- to define, together with the Chairman, the optimal size of the administrative bodies and select the Directors and Statutory Auditors, as well as the Chairman, Vice Chairman and/or Chief Executive Officer of subsidiaries and affiliates so that the Chairman may submit them to the Nominations and Remuneration Committee;
- to oversee the appointment of the main managerial positions within the Group;
- to define, together with the Chairman, the proposals for the compensation of the Company's and Group's top management to be submitted to the Nominations and Remuneration Committee;
- to ensure that the Company's organizational, administrative and accounting functions are adequate in light of the size of the business.

Pursuant to the Corporate Governance Code, the Company's Chief Executive Officer is primarily responsible for the business operations. In this regard, please note that the Chief Executive Officer does not act as a director for another Issuer that is not part of the same Group of which a director of the Company is Chief Executive Officer (interlocking directorate).

→ Chairman and Vice-Chairman of the Board of Directors

In compliance with the bylaws[14] the Board of Directors appoints from among its members a Chairman, if the shareholders have not done so, and a Vice-Chairman. If the Chairman is absent, the chairmanship is assumed by the Vice-Chairman and if the Vice-Chairman is absent the chairmanship is assumed by the Chief Executive Officer.

The chairman of the Board of Directors has signing authority for the Company and shall represent it as its Legal Representative[15] before any legal or administrative authority and vis-à-vis third parties; if the chairman is absent or unavailable, this authority is held by the Vice Chairman (if appointed), or by the most senior director in terms of age if the vice chairman is also absent or unavailable. Unless otherwise resolved, legal representation is also held by each Executive Director appointed in accordance with the bylaws. During the meeting held on 6 June 2018, the Board of Directors appointed Elio Gasperoni, as Chairman of the Board granting him the following duties:

- to develop and propose – as agreed with the Chief Executive Officer and as per his proposal – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to interface with the shareholder cooperatives regarding any update of the respective investment plans in the Shopping Centers segment;
- to act as the director in charge of Internal Control and Risk Management; in this role, working with, to the extent necessary, the Chief Executive Officer, he: *(i)* works to identify the main business risks of the Company and its subsidiaries and submits them periodically to the Board of Directors for examination; *(ii)* executes the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying the overall adequacy, efficacy and efficiency; *(iii)* reports periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures; *(iv)* adapts this system to any change in operating conditions, the law or regulations; *(v)* may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results; *(vi)* inform the Board of any problems encountered while carrying out the activities referred to so that the Board of Directors may adopt the necessary measures; *(vii)* submits proposals to the Board of Directors as to who to appoint Head of Internal Audit, any termina-

14 Art. 17 of the bylaws
15 Art. 24.1 of the bylaws

tions, and compensation and provides the Board of Directors with proposals as to how to ensure that the Head of Internal Audit has access to the resources needed to fulfill his duties.

The purpose of attributing the role of Director in Charge of Control and Risk Management to the Chairman, who following this assignment is considered as executive director, is to separate the management of control functions from operations, consistent with what was done last term.

During the meeting held on 6 June 2018, the Board of Directors appointed Rossella Saoncella as Vice-Chairman, granting him the powers assigned to the Chairman to be exercised if the latter is absent or unavailable.

→ Executive Committee (pursuant to Art. 123-*bis*, para. 2, lett. d), TUF)

The Company did not appoint an Executive Committee.

→ Reporting to the Board of Directors

In accordance with Article 23.2 of the bylaws and Art. 150 of TUF, the Board of Directors and the Board of Statutory Auditors must be informed at least once a quarter, when the Board meetings are held, on general performance, the business outlook, and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries. The reports will be provided at the time of the Board's approval of the periodic financial reports (Financial Statement, Half-year Financial Report, and Interim Management Statements). Each director may request that the deputized parties provide the Board with information regarding the Company's management. For the purposes of fostering organized reporting, the Company has adopted a set of specific Guidelines which define the rules to be followed for complying with the reporting obligations. The main purpose of these guidelines is to provide corporate governance tools that are concrete examples of the recommendations found in the Corporate Governance Code. The guidelines, in particular, ensure the transparency of the Company's management, make it possible for each director to be involved in the management in a more knowledgeable way thanks to the efficient flow of information between the deputized parties and the Board as per the Corporate Governance Code which stress the centrality of the Board's role while also seeking to reinforce the internal control functions.

The guidelines also contain information about the supervisory activities of the Board of Statutory Auditors pursuant to Art. 149 (TUF).

3.4.5 Other executive directors[16]

The Board of Directors appointed the Chief Executive Officer Claudio Albertini an Executive Director. During the meeting held on 6 June 2018 the Board of Directors appointed Mr. Gasperoni Chairman and confirmed his assignment as the Director in Charge of the Internal Control and Risk Management System. While not assigned any other mandates, the latter is now considered an Executive Director in light of the powers granted as a result of this assignment alone as per the Corporate Governance Code[17].

16 Corporate Governance Code: Art. 2.C.1.

17 More specifically, the comment to Art. 7 of the Corporate Governance Code provides that "[I]'the Chief Executive Officer may act as the Director in Charge of the Internal Control and Risk Management System as may, alternatively, an executive director or a director with no other powers deemed particularly suitable for the role who will become an executive director as a result of the assignment".

3.4.6 Independent directors

The Company's Board of Directors evaluated compliance with the requirements for independent, non-executive directors provided for in the Corporate Governance Code and TUF upon appointment and subsequently on an annual basis. The outcome of this evaluation was disclosed to the market. After having examined the information provided and statements made by the directors, during the meeting held on 26 February 2019 the Board of Directors confirmed that the independent directors Luca Dondi Dall'Orologia, Elisabetta Gualandri, Sergio Lugaresi, Livia Salvini, Rossella Saoncella, Timothy Guy Michele Santini and Eric Jean Véron. During the meeting on 26 February 2019 the independent directors were still qualified as such[18] pursuant to and in accordance with TUF, Consob Market Regulations and the Corporate Governance Code.

In accordance with the Corporate Governance Code, on 11 February 2019 the Board of Statutory Auditors verified that the criteria and procedures for assessing the independence of its directors were correctly applied by the Board[19].

As the current Board of Directors is comprised of 11 members, the independent directors represent 64% (7 out of 11) of the total number of directors and 82% (9 out of 11) of the total number of non-executive directors.
The independent directors met on 8 February 2019 to discuss the topics of greatest interest with respect to the functioning of the Board of Directors and the company's operation.

18 Corporate Governance Code: Art. 3.C.4.

19 Corporate Governance Code: Art. 3.C.5.

3.4.7 Lead Independent Director

In light of the separation of the offices of Chairman and Chief Executive Officer and the fact that the office of Chairman is not held by a person that controls the Company, the independent directors deemed it unnecessary to appoint a Lead Independent Director.

3.5 TREATMENT OF CORPORATE INFORMATION

→ Procedure for the management of relevant and price sensitive information

In accordance with Corporate Governance Code recommendations, particularly with regard to price sensitive information pursuant to Art. 114, para. 1 TUF, in December 2006, the Company adopted an internal procedure for the secure, confidential management and disclosure of price sensitive information and documents. Furthermore, in accordance with Art. 115-*bis* TUF, the Company established a registry of the persons who have access to price sensitive information already in June 2006.

After the EU Regulation 596/2014 (**"MAR"**) took effect the Company adopted a Procedure for the Management, Handling and Public Disclosure of Confidential and Price Sensitive Information and the Registry of Insiders.

On 3 August 2018, the Company updated this procedure (the **"Procedure for the Management of Relevant and Price Sensitive Information of IGD SIIQ S.p.A."** or the **"Procedure"**) in order to comply with the guidelines for the management of price sensitive information adopted by Consob in October 2017.

All directors, statutory auditors, executives and employees of the Company and/or its subsidiaries, as well as others who act in the name of or on behalf of the Company and/or its subsidiaries, who have access to the Company's confidential or price sensitive information in the course of their duties, are bound by the Procedure.

The Chief Executive Officer will determine whether or not information is privileged and/or price sensitive and, toward this end, may avail himself of company structures as needed, of the Corporate and Legal Affairs Division, as well as Investor Relations. When deemed opportune or necessary the Chief Executive Officer may request that this assessment be made by the Board of Directors.

If the Chief Executive Officer, with the support of the relative internal divisions, finds that information is relevant, he will add a new section to the Relevant Information List which will list the parties who have access to this information. The Chief Executive Officer, with the support of the relative internal divisions, will monitor any changes in the relevant information in order to understand whether or when this information may become price sensitive.

The Company discloses price sensitive information to the public as quickly as possible in a way which guarantees quick, equal, simultaneous access to the information throughout the European Union, as well as a complete, accurate and timely analysis of the information, by issuing a press release.

The Company may delay, under its own responsibility, public disclosure of the price sensitive information as long as the conditions called for in MAR are satisfied. The decision to delay disclosure is made by the Chief Executive Officer who works to guarantee that the price sensitive information is treated with the maximum confidentiality and that all necessary information is included in the Registry of Insiders, along with the timely registration of the individuals who have access to price sensitive information (the **"Insider List"**), maintained by the Company in accordance with the law.

The Insider List is divided into two distinct sections: one defined "occasional" which includes parties identified on a case by case basis who may have access to specific information; one defined "permanent" which includes those parties who always have access to price sensitive information.

→ Internal dealing

In accordance with Art. 114, paragraph 7 of TUF and with the implementation provisions found in Arts. 152-*sexies* et seq. of the "Consob Issuer Regulations", effective as of January 2007 the Board of Directors adopted a procedure governing mandatory notification and conduct on the subject of transactions carried out by relevant persons and parties closely related to such persons on the Company's shares or on related financial instruments (**"Internal Dealing Procedure"**).
The Internal Dealing Procedure has been updated in 2016 and lastly in 2018, in order to comply with the new rules introduced by MAR and the amendments to Consob Issuer Regulations.

The Internal Dealing Procedure is available at *http://www.gruppoigd.it/en/governance/internal-dealing/*.

3.6 BOARD COMMITTEES

(pursuant to Art. 123-*bis,* par. 2, lett. d), TUF)

The Board of Directors, in compliance with Code recommendations, formed the Chairman's Committee, the Control and Risk Committee, the Nominations and Compensation Committee and the Committee for Related Party Transactions. As the Company is subject to the management and coordination of Coop Alleanza 3.0 soc. Coop., pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 16, paragraph 4 of the Consob Market Regulations, based on which the committees formed pursuant to the Corporate Governance Code must comprise only independent directors as defined in these provisions.
The members of the previously mentioned committees were recently elected when the Board of Directors was renewed during the AGM of 1 June 2018.

For more information on the Committee for Related Party Transactions please refer to paragraph 12 "Directors' interests and related party transactions" of this report.

3.7 NOMINATIONS AND COMPENSATION COMMITTEE

In 2012 pursuant to the Corporate Governance Code[20], the Board of Directors resolved to combine the Remuneration Committee and the Nominations Committee, and the functions attributed to them, in a single committee for organizational purposes.
The establishment of a single committee named "Compensation and the Nominations Committee" has been decided for organizational purposes within the Board as well as because of the strong correlation between the competencies of the former Company's Compensation Committee and those of the Nominations Committee pursuant to the Corporate Governance Code. The Company verified also that the members of the Compensation Committee possess the same requirements relative to independence, professionalism and experience as the members of the Nominations Committee.

→ Composition and role of the Nominations and Compensation Committee (pursuant to Art. 123-*bis*, par 2, lett. d) TUF)

NOMINATIONS AND COMPENSATION COMMITTEE

Rossella Saoncella	Chairman (Independent)
Livia Salvini	(Independent)
Timothy Guy Michele Santini	(Independent)

During the year, the Nominations and Compensation Committee of IGD was comprised of:

(i) From 1 January to 31 May 2018 of Directors Andrea Parenti, as Chairman, Milva Carletti and Elisabetta Gualandri;
(ii) From 6 June to 31 December 2018, of Directors Rossella Saoncella, as Chairman, Livia Salvini and Timothy Guy Michele Santini.

In detail, the current Nominations and Remuneration Committee in office was appointed by the Board of Directors on 6 June 2018, following the renewal of the Board by the AGM of 1 June 2018. The Board of Directors, after having seen the *curricula* of the Nominations and Compensation Committee members verified that all directors possess at least one of the requirements, in terms of knowledge and experience in finance and with remuneration policies.
The meetings of the Nominations and Compensation Committee may be attended by the Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer.

No director may attend a meeting of the Nominations and Compensation Committee during which his/her compensation is being discussed.

In 2018 the Committee met 6 (six) times, on 12 February, 6 April, 2 May, 6 June, 6 November and 10 December. 100% of the committee members attended the meetings. The Chairman of the Board of Statutory Auditors attended 5 (five) out 6 (six) of the meetings.

Each meeting in 2018 lasted approximately 45 minutes and proper minutes were taken during each meeting.

→ Functions of the Nominations and Compensation Committee

The Nominations and Compensation Committee: *(i)* submits proposals regarding the optimal composition of the Board of Directors, Company management and selection of directors, statutory auditors and management for subsidiaries held to be of strategic importance in order to guarantee an adequate level of separation between directors and management; *(ii)* provides advice and recommendations relating to remuneration in order to ensure that the compensation of the Company's directors, the Managers with Strategic Responsibilities and directors of subsidiaries are determined in such a way as to retain and motivate the individuals with the professional characteristics needed to successfully manage the Company and its subsidiaries.

The Committee also proposes candidates to the Board in the event it's necessary to substitute the independent directors

The Nominations and Compensation Committee may also be called upon to provide the Board of Directors with an opinion

20 More specifically, the comment to art. 4 of the Corporate Governance Code provides that "the Board may combine or distribute the functions assigned to the Board committees included in the Code as deemed more opportune, in compliance with the rules applicable to each committee. For example, one Nominations and Compensation Committee which complies with the requisites for both committees may be formed".

about the periodic self-assessment, the optimal size and composition of the Board and to express opinions regarding the characteristics of the professionals that could improve the functioning of the Board, as well as the maximum number of assignments as director and statutory auditor in other companies, as well as any allowable exceptions to the non-compete clauses.

The Nominations and Compensation Committee will periodically assess the adequacy, the coherence and the implementation of the compensation policy availing itself, with regard to the Managers with Strategic Responsibilities, of the information provided by the Chief Executive Officer.

The Committee may also be called upon to express an opinion about the type of administrative body to be formed (single party or board), the number of members and the candidates to be presented for director, statutory auditor, chairman, vice chairman and general manager (and/or chief executive officer) of the subsidiaries or affiliates.
The Company will provide the Nominations and Compensation Committee with the financial resources needed to fulfil its duties.
Detailed information about the functions of the "Nominations and Compensation Committee" can be found in the Remuneration Report, published pursuant to Art. 123-*ter* of TUF, available on the website *http://www.gruppoigd.it/en/governance/remuneration/*.

3.8
DIRECTORS' REMUNERATION

This information can be found in the Remuneration Report, to which you are invited to refer, published in accordance with art. 123-*ter* of TUF, available on the Company's website *http://www.gruppoigd.it/en/governance/remuneration/*.

3.9
CHAIRMAN'S COMMITTEE

Following renewal of the board, during the meeting held on 6 June 2018 the Board of Directors deemed that, in light of the ownership structure and the Company's governance, it was no longer necessary to institute a Chairman's Committee.

During the previous mandate, ended with the approval of the financial statements at 31 December 2017, the Chairman's Committee was comprised of Elio Gasperoni (Chairman), Fernando Pellegrini (Vice-Chairman) and Claudio Albertini (Chief Executive Officer). The Chairman's Committee assisted in determining the development policies, along with the strategic and operational guidelines, to be submitted to the Board of Directors and oversaw the correct implementation of same.

3.10 CONTROL AND RISK COMMITTEE

The Control and Risk Committee was formed by the Board of Directors in accordance with the Corporate Governance Code[21].

→ Composition and role of the Control and Risk Committee (pursuant to art. 123-*bis*, par. 2, lett. d), TUF)

CONTROL AND RISK COMMITTEE

Elisabetta Gualandri	Chairman (Independent)
Luca Dondi Dall'Orologio	(Independent)
Sergio Lugaresi	(Independent)

During the year, the Control and Risk Committee of IGD was comprised of:

(i) From 1 January to 31 May 2018, Directors Elisabetta Gualandri, as Chairman, Livia Salvini and Rossella Saoncella;

(ii) From 6 June to 31 December 2018, Directors Elisabetta Gualandri, as Chairman, Luca Dondi Dall'Orologio and Sergio Lugaresi.

In detail, the current Control and Risk Committee was appointed by the Board of Directors of 6 June 2018, following the renewal of the board by the AGM of 1 June 2018.

As the Company is subject to the management and coordination of Coop Alleanza 3.0 soc. Coop., pursuant to Art. 2497 and following of the Italian Civil Code, it is subject to Art. 16, paragraph 1 d) of the Consob Market Regulations and the principle 7.P.4 of the Code, which provide that companies subject to the management and coordination of another company must have a Control and Risk Committee comprised of only independent directors.

Upon appointment, the Board of Directors examined the curricula of the independent director candidates verifying that they met at least one of the requirements in terms of experience in accounting and finance having worked at least three years as: *(i)* managers in administration, finance and control departments of joint stock companies, or *(ii)* professional activities or as confirmed university professors in law, economics or finance, or *(iii)* managers of public bodies or public administrations active in the banking, financial and insurance sectors.

The Chairman of the Board of Directors attends the meetings of the Control and Risk Committee in his quality as Director in Charge of the Internal Control and Risk Management System, as does the Chairman of the Board of Statutory Auditors or another statutory auditor appointed by him, though the other statutory auditors may attend. The Vice Chairman of the Board of Directors and the Chief Executive Officer are also invited to attend Committee meetings.

In 2018 the Committee met 8 (eight) times on 22 January, 21 February, 2 May, 16 July, 2 August, 1 October, 7 November and 5 December. All the members attended 100% of the meetings. In 2016 the Chairman of the Risk and Control Committee, in compliance with Governance Code Art. 4. C.1.d, and following approval of the Company's new Rules for Corporate Governance, provided the Board of Directors with information on the content and outcomes of the previously held meetings.

The Chairman of the Board of Statutory Auditors Anna Maria Allievi, attended 100% of the Committee meetings.

Each meeting lasted approximately one hour and twenty minutes were taken during each meeting.

→ Functions of the Control and Risk Committee

The Control and Risk Committee provides the Board of Directors with a preliminary opinion regarding the execution of the following:

- definition of the guidelines for the Company's internal control and risk management system so that the risks faced by the Company and its subsidiaries are correctly identified, assessed, managed and monitored, while also determining the extent to which these risks are compatible with the correct management of the business and the strategic objectives identified;
- yearly evaluation as to the adequacy of the internal control and risk management system with respect to the type of business and risk profile, as well its efficacy;

21 Corporate Governance Code Art 7

- approval, at least yearly, of the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the director, Head of the Internal Control and Risk Management System;
- describes the main features of the internal control and risk management system in the report on corporate governance, along with the methods used to coordinate the different parties involved, and expresses an opinion as to its adequacy;
- evaluation, after having consulted with the Board of Statutory Auditors, of the findings of the external auditors in the letter of recommendations and the report on the main issues that emerged during the financial audit;
- appointment and suspension, as proposed by the Director in Charge of Control and Risk Management System and after having consulted with the Board of Statutory Auditors, of the Head of Internal Audit.

The Control and Risk Committee, in addition to assisting the Board of Directors on the matters above, also:

a) assesses, along with the Financial Reporting Officer and after having consulted with the external auditors and the Board of Statutory Auditors, the appropriateness of the accounting standards adopted and, if Groups are involved, their uniformity with a view to the preparation of the consolidated financial statements;

b) expresses opinions on specific aspects concerning the identification of business risks;

c) examines the periodic reports in which the internal control and risk management system is evaluated, along with any particularly relevant reports prepared by internal audit;

d) monitors the independence, adequacy, efficacy and efficiency of the internal audit function;

e) may ask internal audit to carry out controls of specific operating units, while, at the same time, advising the Chairman of the Board of Statutory Auditors;

f) reports to the Board of Directors at least every six months, when the annual and interim reports are approved, on the work performed and the adequacy of the internal control and risk management system;

g) supports the evaluations and decisions made by the Board of Directors relating to the management of risks linked to any detrimental events that the Board of Directors has been made aware of.

The functions attributed to the Control and Risk Committee are not exhaustive and may be increased.

The Board of Directors ensures that the Control and Risk Committee, including as per the Committee's recommendations, receives adequate support in carrying out its duties.

During the meetings held in 2018 the Committee was involved primarily in the following activities:

a. assessment, along with the Financial Reporting Officer, of the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;

b. examination of the controls conducted by Internal Audit based on the audit plan approved, as well as on specific areas required by the Committee, such as, for example: fair value measurement of the real estate assets, finance and treasury, asset/liability cycles, accounts receivable (Italy and Romania), management of contractual guarantees as well as analysis of counterparty risk, as well as the examination of the updated company procedures such as, for example, IGD SIIQ S.p.A.'s Procedure for the Management of Relevant and Price Sensitive Information, the Internal Dealing Procedure and the Privacy Policy;

c. examination of the progress made on the Enterprise Risk Management project in 2018 and analysis of the methods generally used by the Company as part of this project;

d. providing the Board of Directors with a favorable opinion of the audit plan for 2019 prepared by the Head of Internal Audit and based on the risk prioritization process that is part of risk management.

The Company guarantees that the Control and Risk Committee will have the financial resources needed to fulfil its duties.

3.11 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control System consists in the set of rules, procedures and organizational structures designed to ensure that the business is run correctly and in line with the objectives agreed upon, through the proper identification, assessment and control of the primary risks facing the company with a view to creating medium/long term value for shareholders. This internal control system helps ensure the safeguarding of the company's assets, the efficiency and efficacy of the company's operations, compliance with laws, regulations, bylaws and internal procedures, as well as the reliability of financial information. As the objective of the internal control system is, therefore, to guarantee the reliability, accuracy, dependability and the timeliness of the financial information, the system is considered an integral part of and not separate from the general risk management system adopted by the Company.

This system is part of the Company's overall organizational and corporate governance structure and reflects the reference models, as well as national and international best practices, also in light of the changing rules.

More in detail, the planning, implementation and monitoring of the internal control and risk management system defined by IGD are modeled after the CoSo Framework; with a view to continuous improvement, the Company develops and updates the system components constantly.

When planning the internal control and risk management system, the level of risk deemed compatible with the Company's strategic goals is considered, including with a view to the sustainability of the Company's operations over the long-term.

The components of the system are summarized below:

a) **Control environment**

The control environment refers to the organizational context in which the strategies and objectives are defined, the ways in which business activities are structured and the ways in which risks are identified and managed. This includes many elements, including the Company's ethics, expertise and development of personnel, the style with which operations are managed and the methods used to grant special mandates, powers and responsibilities. In line with the framework standards, the control environment includes the following five sub-elements:

i) Commitment to integrity and ethical conduct

The Company has defined and shared its Code of Ethics with employees and staff members. This Code is an official document that contains all the standards underlying the Company's activity. The top management and the supervisory and control bodies which make up the internal control and risk management system, help to ensure compliance with the conduct set out in the Code. The Company is committed to preserving economic, environmental and social sustainability for its stakeholders and issues the corporate sustainability report.

ii) Exercise of the supervisory responsibilities

The group of individuals which comprise the Company's internal control and risk management system guarantee that the supervisory activities will be carried out in compliance with the law and regulations. More in detail, the different duties (which will be explained more in detail below) are assigned to the Board of Directors, the Director in Charge of the Internal Control and Risk Management System, the Risk and Control Committee, the Board of Statutory Auditors, the Supervisory Board, the Financial Reporting Officer and the Head of Internal Audit.

iii) Definition of the internal control and risk management system's structures, reporting lines and responsibilities

In 2016 the Company updated its "Corporate Governance Regulations" in order to implement the changes to the Corporate Governance Code introduced in July 2015, which strive, among other things, to identify the roles and the responsibilities that should be part of the risk management and internal control system and the main relationships for the exchange of information and the reporting lines needed to for the coordination of their work.

The internal control and risk management system involves, to the extent of their expertise:

i) the Board of Directors;

ii) the Director charged with creating and managing an effective internal control and risk management system;

iii) the Control and Risk Committee, as the voice of the Board of Directors, formed in accordance with the Corporate Governance Code which must support, after having received adequate information, the evaluations and decisions made by the Board of Directors relating to the internal control and risk management system, as well as the decisions relating to the approval of the periodic financial reports;

iv) the Head of Internal Audit, charged with verifying that the internal control and risk management system is functional and adequate and with coordinating the Enterprise Risk Management (ERM) process;

v) the Financial Reporting Officer who, by law, is charged with establishing adequate administrative and accounting procedures for the preparation of financial documents and reports;

vi) the Board of Statutory Auditors, including in its role as Committee for Internal Control and Financial Audit, which monitors the efficacy of the internal control and risk management system;

vii) the Supervisory Board, formed pursuant to Legislative Decree 231/01, which supervises compliance with the Code of Ethics and verifies the efficacy and adequacy of the Legislative Decree 231/01 Organizational, Management and Control Model.

The list of the relevant parties also includes: *(i)* Group Management which is responsible for first level internal controls and risk management; *(ii)* the divisions involved in second level controls with specific duties and responsibilities relative to the control of different areas/types of risk.

The ICRM system, in line with the regulations and related best practices, can be broken down in the following levels:

- **First level:** monitored by the single operating lines, consistent with the controls made by those who carry out certain activities and the relative supervisors; it also ensures that operations are being carried out correctly;
- **Second level:** assigned to structures other than the operating lines, participates in the definition of methods to be used to measure, identify, assess and control risk (risk management); verifies compliance with laws and regulations (Compliance);
- **Third level:** assigned to Internal Audit which assesses the functioning of the entire internal control and risk management system, as well as the detection of unusual performances, procedural and regulatory violations.

The Board of Directors ensures that the assessments and decisions made relating to the Issuer's risk exposure, the internal control system, the approval of the annual and half-year reports, as well as the relations between the Company and the external auditors are supported by an adequate exchange of information.

The Board of Directors, as part of its strategic supervision, defines the guidelines for the control systems in line with the Company's business risk previously determined by the Board[22].

The Board, by law, must also periodically verify the adequacy of the control systems. Unforeseen events, however, may require further investigation in order to verify the efficacy of the controls in relation to particular situations[23] and the Board, therefore, is also responsible for the adoption of an adequate system in light of the business's characteristics.

Toward this end an efficient organization of the workflow is key to ensuring that any questions relating to internal control, in general, and risk management, in particular, are discussed with the Board after having been adequately briefed by the Control and Risk Committee.

iv) Commitment to attract, develop and retain competent resources
The Company promotes research and development activities in order to enhance the talent and professional expertise of its resources. The human resources management systems adopted foster the enhancement of professional know-how and incentivize the achievement of goals through specific bonus schemes and the development of employee training programs.

v) Promotion of reliability
The Company promotes and enhances reliability on all levels and in the broadest sense of the term which encompasses all aspects of organizational conduct, procedural management, IT, as well as internal and external communications.

b) Risk assessment

Risk assessment is viewed as an integral part of the system. Toward this end, in order to most effectively serve its control and risk management needs, as well as its complexity, its status as a listed company and business dynamics, IGD developed an integrated model for risk management which is in line with renowned international Enterprise Risk Management (ERM) standards. As per these standards, risk assessment is carried out in line with a) above and is based on four sub-elements:

i) Definition of appropriate objectives
The Company verifies that the planning, implementation and monitoring of the internal control and risk management system are in line with the Company's strategic, financial, operational and compliance goals.

ii) Identification and assessment of risks
The risk management system adopted is constantly updated and developed by management in order to ensure that it is adequate in light of changes in the organizational structure or business.

Process risk management is assigned to Management which is responsible for risk assessment and definition of risk management tools. Toward this end, Management is responsible for the monitoring of risk based on an assessment as to the adequacy of the risk management

22 Comment - Art. 7 Corporate Governance Code

23 Comment - Art. 7 Corporate Governance Code

controls in place, pointing out areas in need of attention and for which action plans should be adopted, without prejudice to the functions assigned to the Board of Directors and the Risk and Control Committee.
The methods used as part of the Group's ERM system call for the following:

- analysis of the risks identified, the organization of the risk management personnel and the risk control measures used, assessment of the risk identified by the management of Group companies;
- identification of the "risk indicators", which make it possible to identify and assess the impact that the risks under examination could have on the company's performance;
- assessment of the level of risk coverage based on the control mechanisms used;
- prioritization of the risks and the steps to be taken, as well as risk tolerance analysis in accordance with the instructions received from the Group's top management and through an evaluation of the overall exposure and the potential risks impact on the strategic goals;
- the use of quantitative analysis which focuses on understanding the impact of different risk scenarios on the Plan targets and supports the assessment of risk exposure and appetite as effectively as possible.

The Enterprise Risk Management procedures are updated based on the findings of specific risk assessments made by other control bodies (internal audit, system used to control accounting-administrative procedures pursuant to Law 262/05).

iii) Identification and assessment of fraud risk

The Company pays particular attention to potential areas of exposure to the risk of fraud when planning, implementing and monitoring the internal control and risk management system. The ERM model identifies and assesses in the Risk Map an area of risk referred to as "Fraud committed by Company personnel or its stakeholders that could impact its assets and its reputation". The controls defined relating, in particular, to administrative and accounting operations, financial and treasury management, as well as property and retail management, also take into account aspects relating to fraud risk.

The assessments of this sort of risk take into account not only the results of the controls made by system personnel, but also the recommendations and action plans emerged as a result of internal audits and any observations made by the external auditors shared with the Company. With a view to continuously improving the system, the Company will continue to work on preventing fraud and the instruments used in this regard.

iv) Identification and analysis of significant changes

As part of the internal control and risk management system, the risks analyzed and assessed are periodically verified and updated in light of strategies, the organizational model and the business operations. The Company, therefore, periodically updates the tools used to identify and assess risk (ERM system, Decree 231/01 Model for organization, management and control, system used to control accounting-administrative procedures pursuant to Law 262/05) to ensure that they fit the Company's organizational and business characteristics, as well as the corporate strategy.

Toward this end, after the EU privacy regulation n. 2016/679 took effect, the Company worked to comply with the new regulation and identified, using its ERM model and Risk Map, an area of risk referred to as *"Privacy risk – sanctions connected to violations of regulations protecting data privacy"*. Controls call for *(i)* monitoring of the relative regulations, *(ii)* updating of company procedures, mandates and related company documentation, and *(iii)* training of company personnel.

c) Control activities

Control activities are defined in accordance with regulations, policies, guidelines and procedures that ensure that the risk management strategies adopted are executed correctly. In line with the framework standards and pursuant to the observations made in b) above, the control activities include the following three sub-elements:

i) Selection and development of control activities

The control activities defined by IGD are based on the definition and deployment of a series of controls designed to mitigate risks of various types, including organizational, procedural, operational or relating to third party interests. The selection of the control activities is rooted in the risk identification and mapping carried out in accordance with the ERM model, the Decree 231/01 Model for organization, management and control and the administrative-accounting control system. As part of these assessment activities, the Company assesses the adequacy of the existing controls with respect to the level of risk identified and determines the steps that need to be taken to strengthen controls, in line with the control objectives defined and shared with top management. Implementation is periodically monitored by the system personnel based on his/her duties and responsibilities.

ii) Selection and development of general controls for technology

Based on the Company's organizational model, a few support services are outsourced relating, for example, to the management of IT and infrastructures. More in detail, IGD stipulated a contract for services with Coop Alleanza 3.0 Soc. Coop based on which the latter manages the IT systems. The Financial Reporting Officer, in particular, analyzed the IT systems managed in outsourcing. The purpose of this analysis was to assess "IT General Controls" in order to identify any lack of alignment with respect to the current Internal Control System and the Internal Control objectives outlined in the COSO and CobiT reports and define the steps to be taken in order to improve the situation which are monitored by the Financial Reporting Officer.

iii) Deployment of controls through policies and procedures

IGD, in line with the control objectives defined, as well as the best market practices and the methods adopted, defined a series of policies and procedures that govern conduct, as well as organizational and management practices (internal regulations and procedures). They form an integral part of internal regulations and procedures, along with the market procedures, administrative-accounting controls, the model for organization, management and control, as well as the procedures called for under the law.

d) Information and communication

Information is needed at all corporate levels in order to identify, assess and carry out the risk management solutions decided upon, as well as the control activities called for with respect to the pre-determined objectives. The correct functioning of the ICRM system is based on an active sharing of the duties between the company divisions involved. An efficient ICRM system strives to:

- eliminate the methodological/organizational overlaps between the different control functions;
- share the assessment methods used by the different control functions;
- improve the communication between the control functions and corporate bodies;
- reduce the risk of "partial" or "misaligned" information;
- capitalize on the information and assessments made by the different control functions.

In line with the framework standards and pursuant to the observations made in c) above, the information and communication activities are defined based on the following three sub-elements:

i) Use of relevant information
In order to provide the control activities with concrete support, the Company gathers and assesses relevant information. While the system is being monitored, information is gathered through interviews of management and based on self-assessment initiatives. The Company has also defined a set of Key Risk Indicators that are updated periodically in order to understand elements that could prove useful to understanding potential risks. Similarly, reporting lines and ways to manage information flows are determined by the Legislative Decree 231/01 Supervisory Board, Internal Audit and the Financial Reporting Officer. The management, control bodies and the Board of Directors are provided periodically with reports on the progress of the work being done and updates about any changes relative to the levels of the risks identified.

ii) External communications
The Company promotes transparent and thorough external communications policies. Toward this end the internal control and risk management system, as well as the corporate events of potential interest to all stakeholders, are made public through the institutional channels adopted by the Company, namely periodic financial reporting, the Report on Corporate Governance and Ownership Structure, the corporate website *www.gruppoigd.it* and all the disclosures made available to the public by the Investor Relations department.

iii) Internal communications
Internal communications must ensure that all appropriate company staff members are aware of the control and governance rules and that management is updated constantly including with regard to any new provisions relating to the control and risk management system, as well as changes to internal rules. The internal communications system includes the training programs developed in order to provide management with an understanding of the procedures and controls defined by the Company. Information channels are in place through which top management and the control bodies are provided with useful information in order to improve the system or report any lack of compliance with the controls.

e) Monitoring

Information is needed at all corporate levels in order to identify, assess and carry out the decisions made relative to the treatment of risk, as well as deploy the control activities defined in order to reach the goals defined. In line with the framework standards and pursuant to the observations made in d) above, the risk assessment activities include the following two sub-elements:

i) Continuous and periodic evaluations
In line with the procedures used to identify, assess, manage and monitor the risks defined by the system adopted, each system player is called upon periodically to report on the functioning of the system and its ability to contain risk within the defined limits as per the guidelines defined by the relative control bodies.

ii) Evaluations and communication of any deficiencies
The periodic evaluation of the internal control and risk management system makes it possible to single out the areas in need of improvement in order to align the system with the relative control bodies' expectations and the level of risk that the Company can tolerate. The players and the bodies that are part of the internal control and risk management system are involved in the evaluation process and the communication of any deficiencies.

→ Main features of the existing internal control and risk management systems in relation to the financial reporting process

With regard to the internal controls implemented in relation to the financial reporting process, in prior years IGD has undertaken to comply with Law 262/05 by updating the accounting and administrative control models and has also executed the controls necessary to support the Financial Reporting Officer's certification process.
The above mentioned accounting and administrative control system represents the set of rules, procedures and internal tools used by the Company to ensure the reliability, accuracy, and timeliness of financial reporting.
The methods used by the Financial Reporting Officer in the development of the accounting and administrative control system are those described in specific guidelines drafted in this regard which are in line with the recommendations found in the COSO Report, the model referred to in the guidelines issued by ANDAF for the Financial Reporting Officer.

a) Phases of the Internal Control and Risk Management System implemented in relation to IGD's financial reporting process

As part of the financial reporting process, in order to understand the principal risks to which IGD and the Group are exposed, the Financial Reporting Officer works with the parties involved in the Company's and the Group's Enterprise Risk Management system (the working group initially dedicated to the launch of the ERM system) in order to identify and assess business risks.
The activities listed above are described in greater detail below.

Identification of risks associated with financial reporting
During this phase the scope of the analysis is determined relative to the Group companies, the processes of the single companies, as well as the administrative-accounting risks and controls to be investigated further.

The Company constantly evaluates the scope of the analysis and makes the necessary changes and additions, including with regard to the companies operating in Romania. Risks are, therefore, identified for each individual administrative-accounting process.

Assessment of the risks associated with financial reporting
This activity calls for the assessment of financial reporting risk for both entities and processes, as well as for single transactions. Existing controls and the ability to effectively mitigate the risks inherent to administrative-accounting processes are checked.

Based on the approach used, both the risks relating to non-intentional errors and fraud are taken into account and controls are put into place to ensure that these risks are monitored, including as part of control protocols implemented in the context of other components of the overall internal control system.

The approach used also takes into account the manual and IT systems controls supporting the administrative-accounting procedures, namely the automatic IT controls for applications, general controls covering systems access, control of systems development and changes and, lastly, the adequacy of the IT structures. The control system, both on entity and general IT structural levels, is subject to analysis in order to understand how to deploy initiatives to strengthen it.

The analysis of procedures, risks and controls established based on the Financial Reporting Officer's work plan includes the updating of the model used to control accounting and administrative risk with constant risk assessment review pursuant to Law 262/05 and the introductions of new procedures as a result of the scoping reviews. The Financial Reporting Officer constantly monitors the adequacy of the controls identified, and carrying out, when necessary, corrective measures.

Identification of the controls to be used with respect to the risks found
Based on the work carried out to identify procedures, risks and controls, the Company plans the improvements needed to introduce and/or change controls, both general and for single processes. The administrative-accounting procedures are then updated accordingly. IGD's administrative-accounting procedures are defined and deployed in accordance with the organizational structure and corporate processes in place, both in Italy and in Romania. A specific analysis was done of the control system and the accounting IT systems in order to assess the adequacy of the controls with respect to the standards included in the Company's framework.

The Company evaluates the need for and plans updates in order to ensure that the administrative-accounting procedures are in line with the Group's organization and functioning.

Evaluation of the controls used to monitor the risks found
The administrative-accounting procedures are monitored constantly; toward this end, specific testing activities are planned and carried out in order to ensure that the controls called for in the administrative-accounting procedures, as well as any corrective measures, are carried out correctly by the corporate divisions. These evaluations are carried out with respect to both the Italian and Romanian companies.

Furthermore, in accordance with Consob Recommendation n. DIE/0061944 dated 18/7/2013 relating to the fair value of real estate assets held by listed real estate companies, IGD's Board of Directors approved a specific corporate procedure: "Fair Value Measurement of Real Estate Assets".

b) Roles and corporate bodies involved

The internal control and risk management system is based on the clear definition of the roles involved in the different phases of the planning, deployment, monitoring and updating of the system over time. These include the Board of Directors, the Risk and Control Committee, the Board of Statutory Auditors, Director charged with creating and managing an effective internal control and risk management system, the Supervisory Board, the Financial Reporting Officer, Internal Audit, and Company management.

Based on the current internal control and risk management system, the Financial Reporting Officer must report to the Board Directors and participate in the coordination of the control activities.

* * *

During the year, based on the evaluation of the Control and Risk Committee and the Director in Charge of Internal Control and Risk Management, the work done by the Financial Reporting Officer and the Internal Audit report, the Board evaluated the adequacy, efficacy and functioning of the internal control and risk management system.

3.11.01 Director in Charge of the Internal Control and Risk Management System

The company called upon the Chairman of the Board of Directors to act as the Director in Charge of the Internal Control and Risk Management System who, following this assignment, is considered an executive director. Previously, the executive director in charge of the internal control system had been the Chief Executive Officer.
In particular the director in charge of internal control and risk management has the following duties:

a) identification – working with the Chief Executive Officer to the extent necessary - of the main business risks of the Company and its subsidiaries, and periodically submitting same to the Board of Directors for examination;

b) execution of the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying their overall adequacy, efficacy and efficiency;

c) report periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures;

d) adapt this system to any change in operating conditions, the law or regulations;

e) may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures in the execution of corporate transactions, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results;

f) inform the Board of Directors in a timely manner of any problems and critical areas encountered while carrying out the activities referred to or of which he was made aware, so that the Board of Directors may adopt the necessary measures;

g) submits proposals to the Board of Directors as to who to appoint Head of Internal Audit, any terminations, and compensation and provides the Board of Directors with proposals as to how to ensure that the Head of Internal Audit has access to the resources needed to fulfill his duties.

3.11.02 Head of Internal Audit

In 2016 the Board of Directors, based on the proposal of the Director in Charge of the Internal Control and Risk Management System and the favorable opinion of the Board of Statutory Auditors, resolved to appoint Francesco Pastore, of Grant Thornton Consultants srl, to act as Head of Internal Audit in outsourcing for the three-year period 2016-2017-2018.

More in detail, the Head of Internal Audit:

a) verifies, continuously, as well as when specific needs arise and in accordance with international standards, the functioning and adequacy of the internal control and risk management system, based on an audit plan, prepared by the Head of Internal Audit and approved by the Board of Directors based on a structured analysis and prioritization of the main risks;

b) is not responsible for any operational areas and reports directly to the Board of Directors;

c) has direct access to all the information needed to carry out the assignment;

d) prepares periodic reports containing adequate information regarding the activities, how risk management is carried out, as well as the status of the plans defined. The periodic reports contain an evaluation as to the adequacy of the internal control and risk management system;

e) prepares reports about important events in a timely manner;

f) provides the above reports to the Chairman of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as the Director in Charge of the Internal Control and Risk Management System (i.e. the Chairman of the Board of Directors);

g) verifies, as part of the audit plan, the reliability of the IT accounting systems.

The Head of Internal Audit coordinates the ERM process, ensuring that the Director in Charge of the Internal Control and Risk Management System, the Control and Risk Committee and, when requested, the Board of Directors, are provided with progress reports.

3.11.03 Decree 231/2001 Organizational Model

In 2006 the Board of Directors approved adoption of the **Organizational Model,** as subsequently amended, which further strengthened the internal control system. The last update, made in 2018, resulted in the introduction of a section relating to whistleblowing pursuant to Law n. 179/2017 which calls for the creation of one or more communication channels through which top management and subordinates may anonymously report illicit behavior.

The Organizational Model seeks to ensure that the system complies with Decree 231/2001 based on which companies were made administratively responsible in criminal proceedings for certain types of crimes committed by top managers and subordinates.

The Organizational Model includes the following procedures and functions:

a. mapping of the activities at risk based on the information gathered regarding IGD's activities and organizational structure;

b. the Code of Ethics, which contains the general principles of diligence, honesty and fairness guiding professional performance and inspiring conduct at the workplace;

c. preventive procedures for the areas at risk involving, specifically, the general principles of internal control;

d. the disciplinary system which enforces the Model's rules;

e. the Supervisory Board which is charged with monitoring the effectiveness, adequacy and compliance with the Model.

The Supervisory Board may act independently and must ensure that the Model is constantly updated.

The Supervisory Board also provides the Board of Directors with information regarding the changes that need to be made to the Model in order to comply with norms and regulations and to reflect the business operations.

The Supervisory Board reports to the Chairman of the Board of Directors and the Board of Statutory Auditors on a periodic basis and to the Board of Directors every six months.

The Supervisory Board has hired a consulting company which provides the support necessary for the management and analysis of the information generated pursuant to Art. 6, par. 2, lett. d) of Legislative Decree 231/2001, as well as for the execution of specific audits deemed necessary based on the information gathered.

For 2018, the Supervisory Board of IGD was comprised of:

(i) from 1 January to 31 May 2018 Fabio Carpanelli (Chairman), Riccardo Sabadini and Alessandra De Martino;

(ii) from 6 June to 31 December 2018, Gilberto Coffari (Chairman), Paolo Maestri and Alessandra De Martino.

The Supervisory Board will be in office until the approval of the financial statements at 31 December 2020 by the AGM. The members of the Supervisory Board aren't from inside the Company and they have the specific expertise needed to fulfill the duties assigned.
In 2018 the Supervisory Board met 6 (six) times on 25 January, 20 April, 28 June, 26 July, 28 September and 25 October at the presence of all the members for all the meetings (100%).
Each meeting lasted approximately 1.5 hours and proper minutes were taken during each meeting.
The Model is also available on the company's website *http://www.gruppoigd.it/en/governance/business-ethics/organizational-model/*.

3.11.04 External Auditors

The activities related to financial audit are carried out by a company selected by the shareholders from among those listed in Consob's specific roll and based on the motivated opinion of the Board of Statutory Auditors.

On 18 April 2013 the shareholders, on the basis of a detailed analysis of the motivated opinion submitted by the Board of Statutory Auditors, granted the company PricewaterhouseCoopers S.p.A. the financial audit assignment for the period 2013-2021.

The fees paid the external auditors for the financial audit of IGD's separate and consolidated financial statements at 31 December 2018 can be found in the notes to the separate and consolidated financial statements.

3.11.05 Financial Reporting Officer

In compliance with art. 154-*bis* of TUF and Article 23.5 of the bylaws, the Board of Directors must appoint a Financial Reporting Officer, subject to the unbinding opinion of the Board of Statutory Auditors, who has matured at least five years of experience in a) administrative or control activities and who has had a supervisory role in companies or entities with assets of not less than €10 million, or b) professional activities, including as part of audit functions, strictly connected to business activities and functions that the officer is called up to perform.

In 2018 the Financial Reporting Officer was Grazia Margherita Piolanti who was appointed in July 2007. On 13 December 2018, the Board of Directors, after having received a favorable opinion from the Board of Statutory Auditors and in light of Grazia Margherita Piolanti's imminent retirement effective 31 December 2018, appointed Carlo Barban to act as the new Financial Reporting Office effective 1 January 2019, with the same duties, as well as adequate powers and means.

The Financial Reporting Officer has access to adequate administrative and accounting procedures in order to draft the separate and, where provided for, the consolidated financial statements, as well as all other financial documents.

The Board of Directors must ensure that the Financial Reporting Officer is granted the organizational and operational power and means needed to carry out the duties assigned herein.
The Financial Reporting Officer must provide a written declaration which accompanies the announcements made by the Company to the market, as well as the interim and financial reports, attesting that the information contained reflects the underlying records, ledgers and accounting entries.

The Financial Reporting Officer, along with the executive officer (s) must provide a report on the separate and consolidated (if prepared) yearly financial statements and on the half year report attesting that the administrative and accounting procedures used to prepare the separate and financial statements are adequate in light of the characteristics of the Company's business.
The Financial Reporting Officer must also attest that the separate and consolidated financial statements:

a) are drawn up in accordance with the international accounting standards recognized by the European Union pursuant to the European Parliament and European Council Regulation n. 1606/2002 of 19 July 2002;

b) correspond to the ledgers and accounting entries;

c) provide fair and truthful disclosures of the company's income statement, balance sheet and financial positions and the companies included in the scope of consolidation.

Lastly, the Financial Reporting Officer, along with the deputized bodies, must attest that the directors' report accurately depicts the operating performance and results of both the Company and the businesses included in the scope of consolidation, as well as the principle risks and uncertainties to which they are exposed.

3.11.06 Coordination of the Internal Control and Risk Management System personnel

In order to facilitate coordination of the control activities, the Company deemed it useful and opportune to outline the methods of operation as described below.

The Chairman of the Board of Statutory Auditors will call a meeting with the Chairman of the Control and Risk Committee with the frequency agreed upon and at least once a year to discuss the results of their respective control activities, to evaluate planning and the possible coordination of their respective activities. Toward this end, the Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

Other parties may be invited to attend the meetings which, in addition to periodically, may be called anytime there is a specific need and may include, in addition to the respective committees and bodies, including not as a group, the Director in Charge of the Internal Control and Risk Management System, the Head of Internal Audit, the Financial Reporting Officer, the external audit firm and the Chairman of the Supervisory Board.

The meeting relative to 2018 was held on 22 February 2019 and was attended by the entire Control and Risk Committee, the Chairman of the Board of Statutory Auditors, Internal Audit, the Chairman of the Supervisory Board, a partner of the external audit firm, the Director in Charge of the Internal Control and Risk Management System, the Chief Executive Officer and the Financial Reporting Officer.

The Chairman of the Control and Risk Committee and the Director in Charge of the Internal Control and Risk Management System meet with the Head of Internal Audit:

(i) to examine the yearly work plan in advance and suggest any changes that might need to be made with regard to the control activities scheduled by the Committee;

(ii) to receive and discuss the results of the activities carried out by the Head of Internal Audit, suggesting any other initiatives that might be called for.

The Chairman of the Supervisory Board meets with the Head of Internal Audit to examine the yearly work plan relating to the control activities called for by the Supervisory Board.

Other meetings may be held in addition to the meetings referred to above with the parties listed in this report who are involved in control functions and may be called by the respective Chairmen of the bodies referred to, including together.

3.12
DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With regard to the transactions with related parties, as of 1 January 2011 the Company has applied the **"Procedure for Related Party Transactions"** approved on 11 November 2010 by the Board of Directors, as subsequently amended, after having received a favorable opinion from the Committee for Related Party Transactions. The Company's Board of Statutory Auditors also assessed the compliance of this procedure with the principles found in Consob's Regulations for Related Party Transactions.

The purpose of the "Procedure for Related Party Transactions" is to define the rules governing the approval and execution of related party transactions entered into by the Company, directly or through its subsidiaries, in order to ensure the transparency, as well as the substantive and procedural fairness of the transaction.

The term "Related Party" is defined explicitly in the "Procedure for Related Party Transactions", in line with the definition found in Annex I of the Consob's Regulations for Related Party Transactions. In order to maintain consistency in the financial statements, the Company decided to apply the Procedure to the subsidiaries of the company which exercises a significant influence over IGD, pursuant to Art. 4, par. 2, of the Regulations.

Related party transactions are transactions in which there is a transfer of resources, services or obligations between one or more related parties, regardless of whether a price is charged.

The Regulations distinguish between:

Material related party transactions (including cumulatively): one in which at least one of the following Consob materiality ratios has a value of 5% or more:

(i) transaction materiality ratio: this is the ratio between the amount of the transaction and the higher of the amount of equity IGD's capitalization;

(ii) assets materiality ratio: the ratio between the total assets of the entity involved in the transactions and IGD's total assets;

(iii) liabilities materiality ratio: the ratio between acquired entity's total liabilities and IGD's total assets.

Less material related party transactions, which includes all the other transactions.

The Regulations establish the criteria to be used in approving the material and less material transactions:

- the Committee for Related Party Transactions and the body involved in the approval of the related party transaction must be provided with complete and adequate information in a timely manner prior to approval;

- the Committee for Related Party Transactions may, at the expense of the Company, avail itself of independent experts;

- a statement attesting to the fact that the related party transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct must be included in the minutes, when recorded.

- the Board of Directors and the Board of Statutory Auditors must be informed as to the status of the transactions at least on a quarterly basis.

Furthermore, pursuant to and in accordance with the Regulations, the Procedures for Related Party Transactions also includes a list of the transactions which are not governed by the Consob's Regulations for Related Party Transactions (with the exception of certain disclosure requirements) and which include:

1. immaterial transactions (below the amount indicated in the Company's "Procedure for Related Party Transactions");

2. resolutions relating to remuneration of directors holding particular offices (Chairman, Chief Executive Officer, committee members) and under certain conditions (i.e. if the company's compensation policy calls for the involvement of the Compensation Committee);

3. compensation packages based on financial instruments approved by the shareholders pursuant to Art. 114-*bis* of TUF;

4. routine transactions concluded in accordance with market equivalent or standard conditions (i.e. service contracts);

5. transactions with or between subsidiaries and associate companies (when the transaction does not correspond to a material interest of other related parties, without prejudice to any periodic accounting information provided).

The Company formed the Committee for Related Party Transactions in accordance with Art. 2391-*bis* of the Italian Civil Code and Art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions.

→ Composition and functions of the Committee for Related Party Transactions

COMMITTEE FOR RELATED PARTY TRANSACTIONS

Luca Dondi Dall'Orologio	Chairman (Independent)
Livia Salvini	(Independent)
Eric Jean Véron	(Independent)

During the year, the Committee for Related Party Transactions was comprised as follows:

(I) from 1 January 2018 to 31 May 2018, of directors Rossella Saoncella (Chairman), Andrea Parenti and Matteo Cidonio;

(II) from 6 June 2018 to 31 December 2018, of directors Luca Dondi Dall'Orologio, Livia Salvini and Eric Jean Véron. During the meeting held on 26 July 2018, the Committee for Related Party Transactions appointed Luca Dondi Dall'Orologio to act as committee chairman.

The Committee for Related Party Transactions currently in office was appointed during the Board of Directors' meeting held on 6 June 2018, which took place after the shareholders renewed the corporate bodies during the AGM held on 1 June 2018.

The Committee's functions are governed by the Procedures for Related Party Transactions approved by the Board of Directors on 11 November 2010, as subsequently amended as part of the three-year review conducted in 2013 and 2016, and summarized below.

The Committee for Related Party Transactions met 5 (five) times in 2018, on 26 July, 12 October, 22 October, 30 October and 6 November. The chairman attended 100% of the meetings and other members 80%. The Chairman of the Board of Statutory Auditors attended 4 (four) out of the 5 (five) meetings.
The meetings lasted an average of around 45 (forty-five) minutes. Proper minutes were taken during each meeting.

The Committee for Related Party Transactions with regard to

- less material transactions, will issue a non-binding opinion regarding the company's interest in completing the transaction, its fairness and procedural correctness;

- material transactions, without prejudice to the transactions subject to a Board of Directors' resolution, will issue a binding opinion. Furthermore, the Committee for Related Party Transactions, or who on its behalf, will be involved in the preliminary phases and in the negotiations by receiving the complete information in a timely manner. The Committee for Related Party Transactions is also entitled to request information and share comments with the parties involved in the negotiations of this type of transaction. Once the preliminary phases are terminated, the Committee must issue, in a timely manner, a favorable, binding opinion attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct. In order to formulate its opinion, if deemed necessary and opportune, the Committee for Related Party Transactions may avail itself of one or more independent experts of its choosing. The experts chosen by the Committee must be recognized professionals, experts in the subject matter involved and proven to be without any conflict of interest with regard to the transaction. In the event the Committee is not in favor of the transaction, and if so provided in the bylaws, the Board may, at any rate, proceed with the transaction as long as it is approved by the shareholders. In this instance and whenever the Board of Directors intends to submit a material transaction to the shareholders for approval despite the negative opinion issued by the Committee for Related Party Transactions, the transaction may not be completed in the event a majority of non-related shareholders vote against the transaction, as long as said shareholders represent at least 10% of the share capital with voting rights (the so-called "whitewash").

In accordance with Consob's recommendation (Bulletin n. DEM/10078683 of 24 September 2010) that the procedure for related party transactions be renewed every three years, in 2016 the Board, taking into account the experience matured by the Company in the three year period 2014 - 2016 in the application of this type of procedure, as well as the opinion of the Committee for Related Party Transactions, resolved in favor of the Procedure for Related Party Transactions adopted by the Company on 11 November 2010 deeming it effective in ensuring the transparency and the substantive and procedural fairness of the transactions with related parties.

The procedure described above can be found on the Company's website *http://eng.gruppoigd.it/Governance/Committees/Committee-for-related-party-transactions*.

3.13
APPOINTMENT OF THE STATUTORY AUDITORS

Pursuant to Art. 26.2 of the Bylaws, members of the Board of Statutory Auditors are elected on the basis of preference lists that must be filed at the registered office along with declarations in which each candidate states that he/she is not in violation of the limits for multiple assignments provided for under the law, as well as detailed information about each candidate's personal and professional background, at least twenty-five days in advance of the shareholders' meeting called for this purpose. The lists may be submitted by the shareholders or groups of shareholders holding the interest specified by Consob (for 2019 equal to 2.5% of the Company's share capital as specified in Consob Resolution n. 13 of 24 January 2019).
The appointment and substitution of the standing and alternate auditors pursuant to Art. 26.9 must be done in such a way as to guarantee that the composition of the Board of Statutory Auditors complies with the current law relating to gender equality.

Toward this end, please note that the provisions relating to the composition of the administrative and control bodies, contained in the above mentioned Law 120/2011, specify that after the first mandate subsequent to said law taking effect at least one third of the directors and statutory auditors should be of the least represented gender.

Pursuant to Art. 26 of the Bylaws, members of the Board of Statutory auditors are elected as follows:

- from the list obtaining the highest number of votes, two standing auditors and two alternate auditors will be taken in the order in which they appear on the list;
- the third standing auditor and the third alternate auditor are drawn from the list with the second highest number of votes, in the order in which they appear.
- In the event the composition of the Board of Statutory Auditors fails to comply with the law relating to gender equality as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the missing standing and alternate statutory auditors of the least represented gender with the majority of votes required by law.

In the event of a tie between lists, a new ballot is held between these lists on which all shareholders present at the meeting shall vote. The candidates on the list winning a simple majority of votes are elected in such a way, however, as to ensure that the composition of the Board of Statutory Auditors complies with the current law relating to equal gender opportunities.

The first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.
Candidates for statutory auditor must meet the requirements set by law. For the purposes of judging the qualifications of those with at least three years' experience in: (a) professional activities or as confirmed university professors in law, economics, finance or technical-scientific subjects closely related to the Company's business; or (b) management roles at public bodies or public administrations in sectors closely related to the Company's business, the following rules apply:

- all subjects per letter a) above that are associated with the real estate business or other sectors pertaining to real estate are considered to be closely related to the Company's business;
- sectors pertaining to real estate are those in which the parent companies operate, or those that may be controlled by or associated with companies operating in the real estate business.

Those whose situations are incompatible with the title and/or who do not satisfy the requirements of integrity and qualification established by law, and those who are standing auditors at more than five companies listed on official Italian markets, may not be elected as statutory auditors and, if elected, lose office. Positions held at parent companies, subsidiaries, or affiliates do not apply.

With regard to the Chairman of the Board of Statutory Auditors, pursuant to Art. 148, par. 2 *bis*, TUF, the former was appointed by the Shareholders' Meeting from the minority list of candidates, in accordance with Articles 26.4 and 26.5 of the bylaws and the current norms and regulations based on which the first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.

3.14 COMPOSITION AND ROLE OF THE BOARD OF STATUTORY AUDITORS

(pursuant to Art. 123-*bis,* paragraph 2 (d) of TUF)

During the year, the Board of Statutory Auditors was comprised as follows:

(I) from 1 January 2018 to 31 May 2018, of Anna Maria Allievi (Chairman), Roberto Chiusoli and Pasquina Corsi, (Standing Auditors) and Pieluigi Brandolini, Isabella Landi and Andrea Bonechi (Alternate Auditors) ;

(II) from 1 June 2018 to 31 December 2018, of Anna Maria Allievi (Chairman), Daniela Preite and Roberto Chiusoli (Standing Auditors) and Pierluigi Brandolini, Laura Macrì and Paolo Prandi (Alternate Auditors).

The current Board of Statutory Auditors was appointed during the Annual General Meeting held on 1 June 2018 and will remain in office through the date of the Shareholders' Meeting convened to approve the annual report 2020.

Daniela Preite and Roberto Chiusoli, Standing Auditors, as well as Pierluigi Brandolini and Laura Macrì, Alternate Auditors, were on the list n. 1 submitted by the majority shareholder Coop Alleanza 3.0 for which 75.84% of the shares represented at the AGM voted.

The Chairman of the Board of Statutory Auditors Anna Maria Allievi and the Alternate Auditor Paolo Prandi were on the list n. 4 submitted by the minority shareholders, namely a group of asset management companies (which hold 2.66% of the share capital) for which 18.27% of the shares represented at the AGM voted.

The personal characteristics and professional background of the single members of the Board of Statutory Auditors are described below.

ANNA MARIA ALLIEVI
Chairman of the Board of Statutory Auditors

Born in 1965, Ms. Allievi has a degree in Business Economics from Milan's Cattolica University and is registered with Milan's Role of Chartered Public Accountants since 1996 and is a registered Accounting Expert since 1999. She has been part of the Role of Chartered Public Accountants' commissions and working groups since 2006 and, beginning in 2014, has written several articles for the magazine "Il Revisore legale". She is Chairman of the Board of Statutory Auditors for Credito Emiliano S.p.A., a standing auditor for CIR S.p.A. and other premier companies like SERAM S.p.A.. and public entities. She has acted as counsel for several studies after having matured significant experience as a Senior Manager in Deloitte & Touche S.p.A. where she developed specific expertise in Advisory and Quality Control and ultimately assisted clients' BoDs in implementing strategic improvements. She also holds the assignments listed in Table 5.

DANIELA PREITE
Standing Auditor

Born in 1969 in Ruffano (LE), Mr. Preite received a degree, with honors, in economics and banking from the University of Salerno and received a PhD in business economics from the University of Bari. He is an affiliate professor at SDA Bocconi School of Management and Professor of business economics at the University of Salento. Mr. Preite is Vice Chairman of Coop Lombardia, member of the Scuola Coop's BoD, as well as a statutory auditor at *Insieme Salute e di Cassa Mutualistica Interaziendale.* He is the author of numerous domestic and international publications on management issues. Topics of discussion and research at conventions in Italy and abroad include: Accounting and Financial Statements, Planning and Control, General Management, Performance, Accountability and Sustainability, Affiliate companies, Corporate Governance. He also holds the offices listed in Table 5.

ROBERTO CHIUSOLI
Standing Auditor

Born in 1964, Mr. Chiusoli received a degree in business economics from the University of Bologna. He is a Chartered Public Accountant, registered with Bologna's Role of Chartered Public Accountants and Accounting Experts since 1992, and a Certified Auditor. From 1989 through 1991, he worked in the tax division of a firm that provided legal and tax advisory services. From 1991 to 1996, he worked with Uniaudit S.p.a. auditing and certifying financial statements and ultimately was the head of tax audit. In the same sector, he worked with the financial audit firm Reconta Ernst & Young on the audit and certification of financial statements. As of 16 September 1996 Mr. Chiusoli is part of Legacoop Bologna where he is head of the tax assistance bureau. He is the coordinator of the fiscal services for Legacoop Emilia - Romagna. He is a member of the control bodies of several joint stock companies. He also holds the assignments listed in Table 5.

In 2018 the Board of Statutory Auditors met 9 (nine) times on 30 January, 21 February, 9 May, 1 June, 6 June, 2 August, 6 November, 5 December and 13 December with an overall attendance equal to 93%. With regards to the Board of

Statutory Auditors in office as of 1 June 2018, the Chairman Anna Maria Allievi and the auditor Daniela Preite attended 100% of the meeting (attending 6 out of 6 meetings), while the auditor Roberto Chiusoli attended 83% of the meetings (5 out of 6 meetings).

Each meeting lasted an average of 1 hour and 30 minutes. A few meetings were also held with, in particular, Company management, representatives of the external audit company, as well as the Control and Risk Committee.
The Board of Statutory Auditors verified that its members still qualify as independent as defined in the Corporate Governance Code and in TUF during the meeting held on 11 February 2019, and notified the Board of Directors of the outcome. With regard to auditor Roberto Chiusoli, the Board of Statutory Auditors, taking into account declarations made by Mr. Chiusoli when accepting the assignment, found that the experience matured over the more than nine years of service strengthened, and did not weaken, his independence. The Board of Statutory Auditors, therefore, found that there were no situations that could compromise or impede this independence or the ability to autonomously judge management's operations. The Board of Statutory Auditors concluded that the fact that Chiusioli has been acting as a statutory auditor for more than nine year does not compromise his independence.

The Board of Statutory Auditors supervises the work of the external auditors.
Furthermore, shareholders grant the assignment to the external auditors on the basis of the motivated opinion submitted by the Board of Statutory Auditors.
Pursuant to Art. 19 of Legislative Decree n. 39/2010, the Board of Statutory Auditors also acts as the Committee for Internal Control and Financial Audit.

The statutory auditors, including individually, may carry out inspections and controls, as well as request that the Directors provide them with information about subsidiaries, about the status of corporate transactions or specific issues, or refer these requests directly to the subsidiaries' administrative and control bodies. The statutory auditors may ask the Head of Internal Audit to carry out audits of specific operating divisions or corporate transactions.

The Board of Statutory Auditors reports on its supervisory activities and any findings to the Annual General Meeting called to approve the full year financial statements in accordance with Art. 2364, paragraph 2, of the Italian Civil Code.

The statutory auditors may also submit proposals to the Annual General Meeting relating to the full year financial statements and their approval, as well as to other matters that they are responsible for.

The Board of Statutory Auditors (at least two statutory auditors), after having notified the Chairman of the Board of Directors, can call the Shareholders' Meetings, meetings of the Board of Directors and, if instituted, the Executive Committee.

The Board of Statutory Auditors, the external auditors, the Control and Risk Committee, as well as all the other entities involved in the supervision of the control systems, will exchange information about the execution of their assignments in a timely manner.

The Board of Statutory Auditors is, at any rate, invited to be proactive and not only reactive in its supervision. The Statutory Auditors should advise the Board of Directors as to the results of its controls so that the latter might implement any corrective measures needed.

The Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

The members of the Board of Statutory Auditors in office during the year, and any qualifications as independent as per current regulations, are listed in tables 3 and 3-*bis* attached to this report.

→ Diversity

The Board of Statutory Auditors is comprised of individuals with different professional and personal profiles; the composition of the Board of Statutory Auditors also complies with current law governing gender equality.
Toward this end, we remind that as of the shareholders' meeting held on 19 April 2012, Coop Alleanza 3.0 soc. coop. (formerly Coop Adriatica) and Unicoop Tirreno presented their lists for the renewal of the Company's Board of Directors and control body which included candidates of the least represented gender as a result of voluntary and early compliance with the regulations introduced in Law 120/2011.

In light of the recent renewal of the Board of Directors and the Board of Statutory Auditors, the adoption of a policy relating to the composition of these boards will be examined by the corporate bodies during the new term of office.

3.15 RELATIONS WITH SHAREHOLDERS

The Board of Directors appointed an Investor Relations Manager, Claudia Contarini, and set up a dedicated corporate unit: the IR Manager is part of the Planning, Control and IR Division (of which Raffaele Nardi is in charge), which reports directly to the Chief Executive Officer. There is a specific section on the Company's website (*http://www.gruppoigd.it/en/investor-relations/*) which contains updated information about the Company's stock (performance, dividend, ownership structure, etc.), annual and periodic financial reports, press releases, presentations made by management to the financial community, the financial calendar and the corporate events calendar. Other information of potential interest to shareholders, including information relating to Shareholders' Meetings and the Company's governance system, can be found in the Governance section of the Company's website (*http://www.gruppoigd.it/Governance*).
All the relevant information is published and updated in real time in two languages (Italian and English) on the Company's website. The Company also uses other means to provide timely and easy access to information. Thanks to the use of a mailing list system, interested parties may register on the website ***http://www.gruppoigd.it/***, and receive press releases, newsletters and financial reports immediately after they have been released to the market. In collaboration with the brokers that cover the Company's stock, road shows, meetings and conference calls (scheduled just after the annual and periodic financial results are published or with the business plan is presented) are organized which provide an opportunity for institutional investors to meet with top management. The presentations made to the financial community are published on the Company's website.
In order to guarantee that the Shareholders' Meetings are conducted in an orderly fashion, during the Shareholders' Meeting held on 26 March 2003, shareholders approved the current Regulations for Shareholder Meetings, subsequently updated, which are available on the corporate website at *http://www.gruppoigd.it/en/governance/shareholders-meeting/*.

3.16 SHAREHOLDERS' MEETINGS

(ex Art. 123-*bis,* comma 2, lettera c) TUF)

Pursuant to Art. 10.3 of the bylaws, the protocol for shareholders' meetings is formalized in a set of Regulations, approved by the shareholders in ordinary session.
In accordance with the law, the Shareholders' Meetings are convened as per the notice published on the Company's website and in at least one national daily newspaper.

Under Art. 125-*bis* TUF the notice of call must be published at least 30 days prior to the day in which the Shareholders' Meeting is to be held. The timeframe is different when the Shareholders' Meetings are called to *(i)* appoint members of the corporate bodies (i.e. 40 days prior to the day in which the Shareholders' Meeting is to be held); *(ii)* resolve on takeover bids (i.e. 15 days prior to the day in which the Shareholders' Meeting is to be held); and *(iii)* resolve on reducing share capital and appoint and remove a liquidator (i.e. 21 days prior to the day in which the Shareholders' Meeting is to be held).

Pursuant to Art. 12.2 of the bylaws, in order to attend and vote at the Shareholders' Meetings, shareholders must provide the Company with the certification issued by a licensed intermediary indicating the shareholdings recorded as of the seventh trading day prior to the date set for the Shareholders' Meeting in first call (the record date). Under Art. 83-*sexies,* art.2, TUF, any movements in the shareholdings subsequent to this period will not be considered for the purposes of voting rights.

Pursuant to Art. 13 of the bylaws, those in possession of voting rights may be represented via a written proxy submitted in accordance with the law. The proxy may also be made by submitting a request with an electronic signature as well as by accessing a specific section on the Company's website and via certified e-mail submitted in accordance with the procedures indicated in the notice of call.

For each Shareholders' Meeting the Company may also designate, as indicated in the notice of call, a party to whom those entitled to do so may grant a proxy with voting instructions relative to all or a few of the items on the agenda in accordance with the law.

Shareholders may submit questions relating to the items on the agenda prior to the Shareholders' Meeting. The questions received prior to the Shareholders' Meeting will be answered, at the latest, during the meeting itself. The deadline for submitting questions to the Company prior to the Shareholders' Meeting is indicated in the notice of call. This deadline cannot be less than three days prior to the date of the Shareholders' Meeting or five days if it is indicated in the notice of call that the Company will answer the questions received prior to the Shareholders' Meeting. In this case the answer will be provided at least two days prior to the Shareholders' Meeting including via a specific section of the Company's website. No answer is required when the information requested is available in a specific Q&A section of the Company's website.

The current Regulations for Shareholder Meetings are designed to guarantee that the Shareholders' Meetings are conducted in an orderly fashion and in full respect of the rights of each shareholder to request clarifications in relation to certain issues being discussed, to express opinions and submit proposals.

3.17 ADDITIONAL CORPORATE GOVERNANCE PRACTICES

(pursuant to Art. 123-*bis*, par. 2, lett. a) TUF)

The Company adopted the Decree 231 Organizational Model as described in more detail in paragraph 3.11.03, to which you should refer.

3.18 SUBSEQUENT CHANGES

No changes took place in the corporate governance structure following the end of the year.

3.19 COMMENTS ON THE LETTER DATED 21 DECEMBER 2018 RECEIVED FROM THE CHAIRMAN OF THE ITALIAN CORPORATE GOVERNANCE COMMITTEE

On 27 December 2018 the Company shared the letter received from the Chairman of the Italian Corporate Governance Committee with the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors, while on 11 February 2019 the letter was shared with the entire Board of Directors and Board of Statutory Auditors.

Subsequently the content of the letter was discussed during both a meeting of the independent directors held on 8 February 2019 and the Board of Directors meeting held on 26 February 2019 convened to approve the draft financial statements at 31 December 2018.

ATTACHMENTS

Table 1: information on the Ownership Structure

SHARE CAPITAL STRUCTURE	N. OF SHARES	% OF SHARE CAPITAL	LISTED (INDICATE WHICH MARKETS) / NOT LISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	110,341,903	100%	Listed on the electronic stock market (MTA) organized and managed by Borsa Italiana S.p.A. – STAR segment	-

SIGNIFICANT INTEREST IN SHARE CAPITAL BASED ON COMMUNICATIONS EX ART. 120 AND OTHER INFORMATION AVAILABLE TO THE COMPANY

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
Coop Alleanza 3.0	Coop Alleanza 3.0	40.92%	40.92%
Unicoop Tirreno	Unicoop Tirreno	12.03%	12.03%

Table 2: Structure of the Board of Directors and Committees until 31 May 2018

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		NOMINATIONS AND COMPENSATION COMMITTEE		POSSIBLE EXECUTIVE COMMITTEE	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non exec.	Indep. as per the code	Indep. under TUF	N. of other appointments ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman •	Elio Gasperoni	1953	15/4/2015	19/4/2017	Approval of financial statements at 31/12/2017	M	x				9	3/3						
Vice-Chairman	Fernando Pellegrini	1964	26/3/2003	15/4/2015	Approval of financial statements at 31/12/2017	M		x			1	2/3						
Chief Executive Officer ◊	Claudio Albertini	1958	28/4/2006	15/4/2015	Approval of financial statements at 31/12/2017	M	x				1	3/3						
Director	Aristide Canosani	1935	26/3/2003	15/4/2015	Approval of financial statements at 31/12/2017	M		x			_	3/3						
Director	Leonardo Caporioni	1964	28/4/2006	15/4/2015	Approval of financial statements at 31/12/2017	M		x			10	2/3						
Director	Gilberto Coffari	1946	6/11/2000	15/4/2015	Approval of financial statements at 31/12/2017	M		x			1	3/3						
Director	Luca Dondi Dall'Orologio	1972	14/4/2016	3/3/2016	Approval of financial statements at 31/12/2017	(***)			x	x	2	3/3						
Director	Elisabetta Gualandri	1955	19/4/2012	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	3	3/3	3/3	P	3/3	M		
Director	Milva Carletti	1963	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	_	2/3			3/3	M		
Director	Rossella Saoncella	1954	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	_	3/3	3/3	M			-	P
Director	Andrea Parenti	1957	23/4/2009	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	21	3/3			3/3	P	-	M
Director	Livia Salvini	1957	19/4/2012	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	3	2/3	3/3	M				
Director	Matteo Cidonio	1970	4/8/2017	4/8/2017	Approval of financial statement at 31/12/2017	(****)			x	x	10	1/3					-	M

N. of meetings held during the year under review (unitl 31 May 2018): 3 — **Control and Risk Committee: 3** — **Nominations and Compensations Committee: 3** — **Related Pary Transactions Committee: 0**

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 147-ter TUF):
2.5% of the share capital

NOTES:

Symbols listed below must be entered in the "Office" column:

- • This symbol indicates the administrator in charge of the internal control and risk management system
- ◊ This symbol indicates the main responsible of the Issuer management (Chief Executive Officer or CEO)
- ° This symbol indicates the Lead Independent Director (LID)

* By date of first appointment of each director we refer to the date in which the director has been appointed for the first time (ever) on the Issuer' BoD

** This column indicates whether the director was elected from a Majority list "M"; a minority list "m"; and list presented by the BoD

*** This column reports the number of appointments held by the person concerned as director or statutory auditor in other companies listed on regulated markets, in Italy or abroad, or in financial, banking, insurance or other large companies.
In the corporate governance report the offices are extensively indicated

(*) Attendance at the BoD and Board committee meetings is indicated in this column (indicate the number of meetings attended out of the total number of meetings held; i.e. 6/8; 8/8 etc.)

(**) The director's role in the Board committees is indicated in this column: "C": chairman; "M": member

(***) Coopted by the Board of Directors on 3/3/2016 and subsequently confirmed during the Ordinary Shareholders' Meeting held on e 14/04/2016

(****) Coopted by the Board of Directors on 4/8/2017 in substitution of the resigned director Matthew David Lentz

Table 2 *bis* "Structure of the Board of Directors and Committees as at 31December 2018"

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		NOMINATIONS AND COM-PENSATION COMMITTEE		POSSIBLE EXECUTIVE COMMITTEE	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non exec.	Indep. as per the code	Indep. under TUF	N. of other appoint-ments ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman •	Elio Gasperoni	1953	15/4/2015	6/6/2018	Approval of financial state-ments at 31/12/2020	M	x				9	4/4						
Vice-Chairman	Rossella Saoncella	1954	15/4/2015	6/6/2018	Approval of financial state-ments at 31/12/2020	M			x	x	-	4/4			3/3	P		
Chief Executive Officer ◊	Albertini Claudio	1958	28/4/2006	6/6/2018	Approval of financial state-ments at 31/12/2020	M	x				-	4/4						
Director	Gian Maria Menabò	1959	1/6/2018	1/6/2018	Approval of financial state-ments at 31/12/2020	M		x			6	3/4						
Director	Eric Jean Véron	1974	1/6/2018	1/6/2018	Approval of financial state-ments at 31/12/2020	m			x	x	10	4/4					4/5	M
Director	Salvini Livia	1957	19/4/2012	1/6/2018	Approval of financial state-ments at 31/12/2020	m			x	x	3	3/4			3/3	M	4/5	M
Director	Luca Dondi Dall'Orologio	1972	3/3/2016	1/6/2018	Approval of financial state-ments at 31/12/2020	M			x	x	2	4/4	5/5	M			5/5	P
Director	Sergio Lugaresi	1957	1/6/2018	1/6/2018	Approval of financial state-ments at 31/12/2020	M			x	x	-	3/4	5/5	M				
Director	Timothy Guy Michele Santini	1966	1/6/2018	1/6/2018	Approval of financial state-ments at 31/12/2020	m			x	x	-	4/4			3/3	M		
Director	Elisabetta Gualandri	1955	19/4/2012	1/6/2018	Approval of financial state-ments at 31/12/2020	M			x	x	3	3/4	5/5	P				
Director	Alessia Savino	1967	1/6/2018	1/6/2018	Approval of financial state-ments at 31/12/2020	m		x			2	4/4						

N. of meetings held during the year under review (from 1 June 2018): 4 | **Control and Risk Committee: 5** | **Nominations and Com-pensations Committee: 3** | **Related Pary Transactions Committee: 5**

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 147-ter TUF):
2.5% of the share capital

NOTES:

Symbols listed below must be entered in the "Office" column:

- • This symbol indicates the administrator in charge of the internal control and risk management system
- ◊ This symbol indicates the administrator in charge of the internal control and risk management system
- ° This symbol indicates the Lead Independent Director (LID)
- * By date of first appointment of each director we refer to the date in which the director has been appointed for the first time (ever) on the Issuer' BoD
- ** This column indicates whether the director was elected from a Majority list "M"; a minority list "m"; and list presented by the BoD
- *** This column reports the number of appointments held by the person concerned as director or statutory auditor in other companies listed on regulated markets, in Italy or abroad, or in financial, banking, insurance or other large companies.
  In the corporate governance report the offices are extensively indicated
- (*) Attendance at the BoD and Board committee meetings is indicated in this column (indicate the number of meetings attended out of the total number of meetings held; i.e. 6/8; 8/8 etc.)
- (**) The director's role in the Board committees is indicated in this column: "C": chairman; "M": member

Table 3: Structure of the Board of Statutory Auditors until 31May 2018

BOARD OF STATUTORY AUDITORS

Office	Member	Year of birth	Date of first appointment*	In office since	In office until	List **	Independent as per the code	Attendance to the Board of Statutory Auditors' meetings ***	N. of other appointments ****
Chairman	Allievi Anna Maria	1965	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	m	X	3/3	13
Standing Auditor	Chiusoli Roberto	1964	28 April 2006	15 April 2015	Approval of financial statements at 31/12/2017	M	X	2/3	22
Standing Auditor	Corsi Pasquina	1957	19 April 2012	15 April 2015	Approval of financial statements at 31/12/2017	M	X	3/3	4
Alternate Auditor	Brandolini Pierluigi	1970	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	M			
Alternate Auditor	Landi Isabella	1964	28 April 2006	15 April 2015	Approval of financial statements at 31/12/2017	M			
Alternate Auditor	Bonechi Andrea	1968	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	m			

N. of meetings held during the year under review (until 31 May 2018): 3

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 148 TUF): 2.5% of the share capital

NOTES:

* By date of first appointment of each auditor we refer to the date in which the auditor has been appointed for the first time (ever) on the Issuer' Board of Statutory Auditors

** This column indicates whether the auditor was elected from a Majority list "M"; a minority list "m"

*** This column reports the % of meetings of the BoD and its committees attended by the directors (no. Attendances/no. meetings in which he could attend; i.e. 6/8; 8/8 etc.)

**** This column reports the number of appointments held by the person concerned as director or statutory auditor pursuant to art. 148 bis of TUF and its implementing provisions contained in the Consob Issuer Regulations. The full list of offices is published by CONSOB on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuer Regulations

Table 3 *bis*: Structure of the Board of Statutory Auditors as at 31 December 2018

BOARD OF STATUTORY AUDITORS

Office	Member	Year of birth	Date of first appointment*	In office since	In office until	List **	Independent as per the code	Attendance at the Board of Statutory Auditors' meetings ***	N. of other appointments ****
Chairman	Allievi Anna Maria	1965	15 April 2015	1 June 2018	Approval of financial statements at 31/12/2020	m	X	6/6	11
Standing Auditor	Daniela Preite	1696	1 June 2018	1 June 2018	Approval of financial statements at 31/12/2020	M	X	6/6	4
Standing Auditor	Roberto Chiusoli	1964	28 April 2006	1 June 2018	Approval of financial statements at 31/12/2020	M	X	5/6	22
Alternate Auditor	Pierluigi Brandolini	1970	15 April 2015	1 June 2018	Approval of financial statements at 31/12/2020	M			
Alternate Auditor	Laura Macri	1970	1 June 2018	1 June 2018	Approval of financial statements at 31/12/2020	M			
Alternate Auditor	Paolo Prandi	1961	1 June 2018	1 June 2018	Approval of financial statements at 31/12/2020	m			

N. of meetings held during the year under review (from 1 June 2018): 6

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 148 TUF): 2.5% of the share capital

NOTES:

* By date of first appointment of each auditor we refer to the date in which the auditor has been appointed for the first time (ever) on the Issuer' Board of Statutory Auditors

** This column indicates whether the auditor was elected from a Majority list "M"; a minority list "m"

*** This column reports the % of meetings of the BoD and its committees attended by the directors (no. Attendances/no. meetings in which he could attend; i.e. 6/8; 8/8 etc.)

**** This column reports the number of appointments held by the person concerned as director or statutory auditor pursuant to art. 148 bis of TUF and its implementing provisions contained in the Consob Issuer Regulations. The full list of offices is published by CONSOB on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuer Regulations

Table 4: Offices held by the directors as at 31 December 2018

DIRECTOR	OFFICE HELD IN OTHER COMPANIES
ELIO GASPERONI **Chairman**	Director FEDERAZIONE COOP ERATIVE PROVINCIA DI RAVENNA S.C.P.A.
	Vice Chairman of BoD. COOP ALLEANZA 3.0 S.C.
	Vice Chairman of BoD. UNIPOL BANCA S.P.A.
	Chairman of BoD Mer.Co.Ra. S.R.L.
	Director PARFINCO S.P.A.
	Chairman of BoD PHARMACOOP S.P.A.
	Director ROBINTUR S.P.A.
	Director EATALYWORLD S.R.L.
	Director 3 ESSE S.R.L.
ROSSELLA SAONCELLA **Vice Chairman**	/
CLAUDIO ALBERTINI **Chief Executive Officer**	/
GIAN MARIA MENABO' **Director**	Chairman of BoD Emiliana S.R.L.
	Chief Executive Officer Immobiliare Nordest S.P.A.
	Vice Chairman INRES S.C.
	Director GIGA S.R.L.
	Chairman of BoD Silos S.P.A.
	Director Sedicoop S.R.L. con Socio Unico
ERIC JEAN VÉRON **Director**	Chief Executive Officer Vailog S.R.L.
	Chief Executive Officer Vailog ER 1 S.R.L. con Socio Unico
	Chief Executive Officer Vailog ER 2 S.R.L.
	Chief Executive Officer Vailog ER 3 S.R.L.
	Chief Executive Officer Bonsol S.R.L.
	Chief Executive Officer Impianti FTV S.R.L.
	Chief Executive Officer Valpar B.V.
	Sole Manager Vailog Colleferro S.R.L.
	Chief Executive Officer IFP S.R.L.
	Sole Manager Norev B.V.
LIVIA SALVINI **Director**	Director IL SOLE 24 ORE S.P.A.
	Standing Auditor ATLANTIA S.P.A.
	Chairman of the Board of Statutory Auditors COOPFOND S.P.A.
LUCA DONDI DALL'OROLOGIO **Director**	Chief Executive Officer NOMISMA - SOCIETA' DI STUDI ECONOMICI S.P.A.
	Director NE - NOMISMA ENERGIA S.R.L.
SERGIO LUGARESI **Director**	/
TIMOTHY GUY MICHELE SANTINI **Director**	/
ELISABETTA GUALANDRI **Director**	Director ABISERVIZI S.P.A.
	Director Mat3D S.R.L.
	Director BPER BANCA S.P.A.
ALESSIA SAVINO **Director**	Vice Chairman of BoD SO.GE.FIN. S.R.L.
	Member of the Executive Committee SIMGEST S.P.A.

Table 5: Offices held by the statutory auditors as at 31 December 2018

AUDITORS	OFFICE HELD	COMPANY
ANNA MARIA ALLIEVI Chairman of the Board of Statutory Auditors	Chairman of the Board of Statutory Auditors	CREDEM S.P.A.
	Standing Auditor	CIR S.P.A.
	Standing Auditor	SERAM S.P.A.
	Chairman of the Board of Statutory Auditors	CEM S.P.A.
	Chairman of the Board of Statutory Auditors	Aemme Linea Ambiente S.R.L.
	Standing Auditor	ASM S.R.L.
	Chairman of the Board of Statutory Auditors	Cernusco Verde S.R.L.
	Standing Auditor	ATINOM S.P.A. in liquidazione
	Chairman of the BoD	Coop Le Sfere S.C. A R.L.
	Chairman of the Board of Statutory Auditors	Confservizi Cispel Lombardia
	Standing Auditor	A2A Rinnovabili S.P.A.
DANIELA PREITE Standing Auditor	Vice Chairman of the BoD	Coop Lombardia S.C.
	Director	Scuola Coop - Istituto nazionale di formazione delle cooperative di consumatori
	Standing Auditor	Insieme Salute
	Standing Auditor	Cassa mutualistica interaziendale
ROBERTO CHIUSOLI Standing Auditor	Standing Auditor	UNIPOL GRUPPO S.P.A.
	Standing Auditor	Compagnia Assicuratrice LINEAR S.P.A.
	Chairman of the Board of Statutory Auditors	GRANAROLO S.P.A.
	Chairman of the Board of Statutory Auditors	GRUPPO UNA S.P.A.
	Standing Auditor	SACMI IMOLA S.C.
	Chairman of the Board of Statutory Auditors	CAMST S.C. A R.L.
	Chairman of the Board of Statutory Auditors	CEFLA S.C.
	Standing Auditor	SIAT S.P.A.
	Supervisory Board Member	CONSORZIO INTEGRA S.C.
	Chairman of the Board of Statutory Auditors	ROBINTUR S.P.A.
	Chairman of the Board of Statutory Auditors	UNIPOL INVESTMENT S.P.A.
	Chairman of the Board of Statutory Auditors	Casa di Cura Villa Donatello S.P.A.
	Standing Auditor	CONSORZIO CASTELLO
	Chairman of the Board of Statutory Auditors	UNIPOL FINANCE S.R.L.
	Standing Auditor	DE' TOSCHI S.P.A.
	Chairman of the Board of Statutory Auditors	SACMI SERVICE S.P.A.
	Chairman of the Board of Statutory Auditors	SINERGO S.P.A.
	Chairman of the Board of Statutory Auditors	FONDAZIONE UNIPOLIS
	Chairman of the Board of Statutory Auditors	UNIPOLPART I S.P.A.
	Chairman of the Board of Statutory Auditors	FINCCC S.P.A.
	Standing Auditor	ALFAEVOLUTION TECHNOLOGY S.P.A.
	Chairman of the Board of Statutory Auditors	UnipolSai Servizi Consortili

PUNTADIFERRO
FORLÌ

Opening 2011

Mall GLA sq.m. 21,223

Food anchor sq.m. 12,625

3,755,398 visitors in 2018

04

IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31/12/2018

4.1 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (in thousands of Euros)	Note	31/12/2018 (A)	31/12/2017 (B)	CHANGES (A-B)
Revenue:	1	**151,760**	**138,915**	**12,845**
- from third parties		109,105	96,637	12,468
- from related parties		42,655	42,278	377
Other revenue:	2.1	**6,309**	**6,176**	**133**
- other income		3,869	4,008	(139)
- from related parties		2,440	2,168	272
Revenue from property sales	2.2	**4,445**	**5,116**	**(671)**
Total revenue and operating income		**162,514**	**150,207**	**12,307**
Change in inventory	6	(4,365)	(4,633)	268
Total revenue and change in inventory		**158,149**	**145,574**	**12,575**
Realization costs	6	564	591	(27)
Service costs	3	23,889	23,377	512
- third parties		20,684	20,617	67
- related parties		3,205	2,760	445
Cost of labour	4	9,810	9,881	(71)
Other operating costs	5	10,372	9,911	461
Total operating costs		**44,635**	**43,760**	**875**
(Depreciation, amortization and provisions)		(1,104)	(1,360)	256
(Impairment losses)/Reversals on work in progress and inventories		(234)	(3,670)	3,436
(Writedowns)/Recovery receivables		(884)	(1,172)	288
Change in fair value - increases / (decreases)		(42,902)	27,556	(70,458)
Net revalution acquisition		12,857	0	12,857
Total depreciation, amortization, provisions, impairment and change in fair value	7	**(32,267)**	**21,354**	**(53,621)**
EBIT		**81,247**	**123,168**	**(41,921)**
Income/(loss) from equity investments and property sales	8	**(85)**	**(45)**	**(40)**
Income/(loss) from equity investments and property sales		(85)	(45)	(40)
Financial income:		**92**	**143**	**(51)**
- third parties		89	140	(51)
- related parties		3	3	0
Financial charges:		**32,590**	**34,536**	**(1,946)**
- third parties		32,554	34,522	(1,968)
- related parties		36	14	22
Net financial income (expense)	9	**(32,498)**	**(34,393)**	**1,895**
PRE-TAX PROFIT		**48,664**	**88,730**	**(40,066)**
Income taxes	10	2,276	2,276	0
NET PROFIT FOR THE PERIOD		**46,388**	**86,454**	**(40,066)**

4.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Amounts in thousands of Euro)	31/12/2018	31/12/2017
NET PROFIT FOR THE PERIOD	**46,388**	**86,454**
Recalculation of defined benefit plans	262	228
Total other components of comprehensive income that will not be reclassified to profit/ (loss), net of tax effects	**262**	**228**
Effects of hedge derivatives on net equity	3,181	7,897
Tax effects of hedge derivatives on net equity	(684)	(1,819)
Other effects on income statement components	(10)	(181)
Total other components of comprehensive income that will be reclassified to profit/ (loss)	**2,487**	**5,897**
Total comprehensive profit/ (loss) for the period	**49,137**	**92,579**
Non-controlling interests in (profit)/loss for the period	0	0
Profit/(loss) for the period attributable to the Parent Company	**49,137**	**92,579**

4.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euros)	Note	31/12/2018 (A)	31/12/2017 (B)	CHANGES (A-B)
NON-CURRENT ASSETS				
Intangible assets				
Intangible assets with finite useful lives	12	34	35	(1)
Goodwill	13	12,662	12,662	0
		12,696	**12,697**	**(1)**
Property, plant, and equipment				
Investment property	14	2,346,527	2,157,176	189,351
Buildings	15	7,887	8,131	(244)
Plant and machinery	16	213	260	(47)
Equipment and other assets	16	968	1,016	(48)
Leasehold improvements	16	547	797	(250)
Assets under construction and down payments	17	36,563	40,466	(3,903)
		2,392,705	**2,207,846**	**184,859**
Other non-current assets				
Deferred tax assets	18	-	-	0
Sundry receivables and other non-current assets	19	111	90	21
Equity investments	20	277	254	23
Non-current financial assets	21	243	343	(100)
		631	**687**	**(56)**
TOTAL NON-CURRENT ASSETS (A)		**2,406,032**	**2,221,230**	**184,802**
CURRENT ASSETS:				
Work in progress inventory and advances	22	33,213	37,623	(4,410)
Trade and other receivables	23	12,916	11,415	1,501
Related party trade and other receivables	24	2,024	2,054	(30)
Other current assets	25	5,438	3,343	2,095
Related party financial receivables and other current financial assets	26	96	96	0
Financial receivables and other current financial assets	26	-	42	(42)
Cash and cash equivalents	27	2,472	2,509	(37)
TOTAL CURRENT ASSETS (B)		**56,159**	**57,082**	**(923)**
TOTAL ASSETS (A + B)		**2,462,191**	**2,278,312**	**183,879**
NET EQUITY:				
Share capital		749,738	599,760	149,978
Treasury shares		(492)	(159)	(333)
Share premium reserve		31,504	29,971	1,533
Other reserves		410,601	384,673	25,928
Group profit		60,987	101,190	(40,203)
Total Group net equity	28	**1,252,338**	**1,115,753**	**136,585**
Portion pertaining to minorities		-	-	0
TOTAL NET EQUITY (C)		**1,252,338**	**1,115,753**	**136,585**
NON-CURRENT LIABILITIES:				
Derivatives - liabilities	42	17,364	20,397	(3,033)
Non-current financial liabilities	29	884,197	965,539	(81,342)
Provision for employee severance indemnities	30	2,567	2,574	(7)
Deferred tax liabilities	18	26,340	24,777	1,563
Provisions for risks and future charges	31	5,597	5,326	271
Sundry payables and other non-current liabilities	32	7,850	9,291	(1,441)
Related party sundry payables and other non-current liabilities	32	11,892	11,891	1
TOTAL NON-CURRENT LIABILITIES (D)		**955,807**	**1,039,795**	**(83,988)**
CURRENT LIABILITIES:				
Current financial liabilities	33	226,475	97,097	129,378
Trade and other payables	35	14,301	13,838	463
Related party trade and other payables	36	736	459	277
Current tax liabilities	37	2,373	2,400	(27)
Other current liabilities	38	10,161	8,956	1,205
Related party other current liabilities	38	-	14	(14)
TOTAL CURRENT LIABILITIES (E)		**254,046**	**122,764**	**131,282**
TOTAL LIABILITIES (F=D+E)		**1,209,853**	**1,162,559**	**47,294**
TOTAL NET EQUITY AND LIABILITIES (C + F)		**2,462,191**	**2,278,312**	**183,879**

4.4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	GROUP PROFIT	GROUP NET EQUITY	NON-CONTROLLING INTERESTS CAPITAL AND RESERVES	TOTAL NET EQUITY
Balance at 01/01/2017	**599,760**	**29,971**	**349,246**	**81,724**	**1,060,701**	**8,725**	**1,069,426**
Profit for the year	0	0	0	86,454	86,454	0	86,454
Cash flow hedge derivative assessment	0	0	6,078	0	6,078	0	6,078
Other comprehensive income (losses)	0	0	47	0	47	0	47
Total comprehensive profit (losses)	**0**	**0**	**6,125**	**86,454**	**92,579**	**0**	**92,579**
Purchase of treasury shares	0	0	(159)	0	(159)		(159)
Reserve reclassification due to merger	0	0	23,979	(23,979)	0	0	0
Purchase of shares held by minorities	0	0	0	(781)	(781)	(8,725)	(9,506)
Allocation of 2016 profit							
Dividends paid	0	0	(14,731)	(21,856)	(36,587)	0	(36,587)
To legal reserve	0	0			0	0	0
To other reserve	0	0	20,372	(20,372)	0	0	0
Balance at 31/12/2017	**599,760**	**29,971**	**384,832**	**101,190**	**1,115,753**	**0**	**1,115,753**

(Amounts in thousands of Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	GROUP PROFIT	GROUP NET EQUITY	NON-CONTROLLING INTERESTS CAPITAL AND RESERVES	TOTAL NET EQUITY
Balance at 01/01/2018	**599,760**	**29,971**	**384,832**	**101,190**	**1,115,753**	**0**	**1,115,753**
FTA IFRS 9	0	0	(4,354)	0	(4,354)	0	(4,354)
Balance at 01/01/2018 post IFRS 9	**599,760**	**29,971**	**380,478**	**101,190**	**1,111,399**	**0**	**1,111,399**
Profit for the year	0	0	0	46,388	46,388	0	46,388
Cash flow hedge derivative assessment	0	0	2,497	0	2,497	0	2,497
Other comprehensive income (losses)	0	0	252	0	252	0	252
Total comprehensive profit (losses)	**0**	**0**	**2,749**	**46,388**	**49,137**	**0**	**49,137**
Capital increase	149,978	0	0	0	149,978	0	149,978
Sale of unexercised rights	0	1,533	0	0	1,533	0	1,533
Capital increase costs	0	0	(4,172)	0	(4,172)	0	(4,172)
(Purchase)/sale of treasury shares	0	0	(366)	0	(366)	0	(366)
Allocation of 2017 profit							
Dividends paid	0	0	0	(55,171)	(55,171)	0	(55,171)
To legale reserve	0	0	0	0	0	0	0
To other reserve	0	0	31,420	(31,420)	0	0	0
Balance at 31/12/2018	**749,738**	**31,504**	**410,109**	**60,987**	**1,252,338**	**0**	**1,252,338**

4.5 CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of Euro)	31/12/2018	31/12/2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Pre-tax profit	**48,664**	**88,730**
Adjustments to reconcile net profit with cash flow generated (absorbed) by operating activities:		
Non-cash items	32,590	34,536
Depreciation, amortization and provisions	1,104	1,360
Writedown of receivables	884	1,172
(Impairment losses)/reversals on work in progress	234	3,670
Changes in fair value - increases / (decreases)	42,902	(27,556)
Net (Revalution) of the acquisition of 4 business divisions	(12,857)	0
Gains/losses from disposals - equity investments	85	45
CASH FLOW FROM OPERATING ACTIVITIES	**113,606**	**101,957**
Paid financial charges	(30,040)	(31,017)
Income tax	(1,429)	(1,319)
CASH FLOW FROM OPERATING ACTIVITIES NET OF TAX	**82,137**	**69,621**
Change in inventory	4,176	4,633
Net change in current assets and liabilities w. third parties	(4,160)	7,369
Net change in non-current assets and liabilities w. third parties	(1,188)	(3,203)
CASH FLOW FROM OPERATING ACTIVITIES	**80,965**	**78,420**
(Investments) in non-current assets	(20,279)	(32,558)
Disposals of non-current assets	36	153
(Investment) in 4 business divisions net of cash and cash equivalents acquired	(104,640)	0
(Investments) in equity interests	0	(9,507)
CASH FLOW FROM INVESTING ACTIVITIES	**(124,883)**	**(41,912)**
Change in non-current financial assets	(8)	0
Change in financial receivables and other current financial assets	42	(42)
Disposal of treasury shares	126	0
(Purchase) treasury shares	(492)	(159)
Capital increase net of costs	147,339	0
Distribution of dividends	(55,171)	(36,587)
Change in current debt	(7,271)	(69,457)
Change in non-current debt	(40,674)	69,244
CASH FLOW FROM FINANCING ACTIVITIES	**43,891**	**(37,001)**
Exchange rate differences on cash and cash equivalents	(10)	(82)
NET INCREASE (DECREASE) IN CASH BALANCE	**(37)**	**(575)**
CASH BALANCE AT BEGINNING OF THE PERIOD	**2,509**	**3,084**
CASH BALANCE AT END OF THE PERIOD	**2,472**	**2,509**

(*) See the "Business combination" section for details of the acquisition of four businesses.

4.6
NOTES TO THE FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2018 were approved and authorized for publication by the Board of Directors on 26 February 2019.

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 2018 consolidated financial statements have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term “IFRS” encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), that as of the reporting date had been endorsed following the procedure specified in Regulation (EC) 1606/2002. The IFRS have been applied consistently to all reporting periods presented.

Reporting formats

The items in the statement of financial position have been classified as current or non-current, and those in the income statement by type.

The statement of comprehensive income shows the net profit or loss along with income and charges that by express requirement of IFRS are recognized directly in equity.

The statement of changes in equity presents comprehensive income and charges, transactions with shareholders and other changes in shareholders’ equity.

The statement of cash flows is prepared using the indirect method, adjusting the pre-tax profit for non-cash items.

The financial statements, tables and explanatory notes are expressed in thousands of euro (€/000 or €K), unless otherwise specified.

Changes in accounting standards

a) New accounting standards

The accounting standards used to prepare the consolidated financial statements are the same as those employed in the Group’s annual financial statements for the year ended 31 December 2017, with the exception of the following new standards and interpretations applicable from 1 January 2018.

- On 28 May 2014 the IASB published “IFRS 15 Revenue from Contracts with Customers,” which along with further clarifications published on 12 April 2016, will supersede IAS 18 Revenue and IAS 11 Construction Contracts, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a new model of revenue recognition that will apply to all contracts with customers except those governed by other IAS/IFRS such as leases, insurance contracts and financial instruments. Its adoption has had no effect on the consolidated financial statements;

- On 24 July 2014 the IASB published the final version of IFRS 9 Financial Instruments: Recognition and Measurement. This document presents the results of the IASB’s project to replace IAS 39. The new standard is effective for financial periods beginning on or after 1 January 2018.
  It introduces new criteria for the classification and measurement of financial assets and liabilities. For financial assets, IFRS 9 uses a single approach based on how an entity manages its financial instruments and the contrac-

tual cash flow characteristics of the financial assets themselves to determine how those assets are measured, replacing the many different rules in IAS 39. For financial liabilities, the main modification concerns the treatment of value fair changes of financial liabilities designated as at fair value through profit or loss, where such changes are caused by a variation in the issuer's creditworthiness. Finally, the standard introduces a new model of hedge accounting that revises the requirements of IAS 39, which were sometimes considered overly strict and not representative of a company's risk management strategies. The most important changes are as follows:

- expanded range of items that qualify for hedge accounting, including the risk components of non-financial items;
- changes in the way forward contracts and options are accounted for when they are in a hedge accounting relationship, in order to reduce profit/loss volatility;
- overhaul of the effectiveness test, replacing the current form based on the 80-125% threshold with the principle that an "economic relationship" must exist between the hedged item and hedging instrument; in addition, retrospective assessment of hedge effectiveness is no longer required.

Adoption of this standard has led to an 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 effective interest rate (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. The application of IFRS 9 has affected the value of certain financial liabilities (bond loans) that the company has renegotiated in recent years. Specifically, the impact at 1 January 2018 was to *(i)* increase the value of the €162 million bond loan maturing on 21 April 2022 by around €4.4 million; *(ii)* produce an equity reserve of the same amount; and *(iii)* decrease financial charges by around €4.4 million across the duration of that bond loan. In 2018 there was a positive impact on the income statement of approximately €960K.

• On 8 December 2016 the IASB published its "Annual Improvements to IFRSs: 2014-2016 Cycle," which amends some existing standards as part of the annual improvement process. The main improvements concern:

  - IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. This change is effective from 1 January 2018 and eliminates the short-term exemptions in paragraphs E3-E7 of Appendix E of IFRS 1, as they have now served their intended purpose.
  - IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the standard. The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements, except those in paragraphs B10-B16, apply to all of an entity's interests that are classified as held for sale, held for distribution, or discontinued operations in accordance with IFRS 5. This is effective from 1 January 2018.

  Adoption of these amendments has not affected the Group's consolidated financial statements.

• On 8 December 2016 the IASB published an amendment to IAS 40 Transfers of Investment Property. The changes clarify the conditions for transferring a property to or from investment property. Specifically, an entity shall reclassify a property to, or from, investment property only when there is evidence of a change in use. A change in use must relate to a specific event that has already occurred and cannot, therefore, be limited to a change in management's intentions. The modifications are effective from 1 January 2018. Adoption of these amendments has not affected the Group's consolidated financial statements.

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

The table below reports the international accounting standards, or amendments to existing standards, that have been approved by the European Union but were not yet mandatory for financial periods beginning on 1 January 2018. The Group has not opted for early adoption.

SUBJECT	CONTENT
IFRS 16 Leases	On 13 January 2016 the IASB published IFRS 16 Leases, which supersedes IAS 17 Leasing and its interpretations. IFRS 16 eliminates the distinction between operating and finance leases in the lessee's financial statements; for all leases with a term of more than 12 months, the lessee is required to recognize a right-of-use asset and a liability representing its obligation to make lease payments. For the lessor, the distinction between operating and finance leases remains intact. IFRS 16 enhances disclosures for both lessors and lessees. It is effective from 1 January 2019. Early adoption is permitted, subject to early adoption of IFRS 15. For the IGD Group, the new standard will mainly affect the accounting of operating leases. It is effective from 1 January 2019. The Group will use the simplified model for first-time adoption of IFRS 16, recognizing a right-of-use asset of an amount equal to the lease liability adjusted by any deferred or accrued income relating to the lease recognized in the statement of financial position immediately prior to the date of first application. The right-of-use asset will be recognized as investment property under property, plant and equipment; in accordance with IFRS 16 and IAS 40, its fair value will be appraised by independent experts at the close of every financial period. Changes in fair value will be recognized in a separate equity reserve during the transition to the new standard, and subsequently under "Fair value changes" in the income statement. At the reporting date, the Group has €78,770K in non-cancellable operating lease commitments. These commitments refer to rent for the malls at Centro Nova, Centro Piave and Fonti del Corallo shopping centers. The Group expects to recognize a right-of-use asset to be classified under investment property of €65.87 million at 1 January 2019 and a lease liability of €62.36 million. The difference between the right-of-use asset and the lease liability, deriving from the measurement of assets on the basis of expected cash flows, will be recognized in a separate equity reserve amounting to €2.67 million net of the tax effect. In accordance with IAS 40, at the close of every financial period the Group will adjust the right-of-use assets to their fair value as determined by independent appraisal. Cash flow from operating activities will increase by €10,127K in 2019, while cash flow from financing activities will decrease by €8,292K due to the repayment of principal under the lease arrangement.
Amendments to IFRS 9: Prepayment Features with Negative Compensation	The amendments to IFRS 9 are effective from 1 January 2019. They are not expected to influence the Group's income statement or statement of financial position.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	The amendments to IAS 28 are effective from 1 January 2019. They are not expected to influence the Group's income statement or statement of financial position.
IFRIC 23 Uncertainty over Income Tax Treatments	On 7 June 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments, with guidance on accounting for current and/or deferred tax assets and liabilities when there is uncertainty as to the application of tax laws. IFRIC 23 is effective for tax periods beginning on or after 1 January 2019. It is not expected to influence the Group's income statement or statement of financial position.

c) Accounting standards not yet endorsed by the European Union

As of the date these accounts were approved, the European Union had not yet completed the endorsement process necessary for adopting the following accounting standards and amendments:

ACCOUNTING STANDARD	EU ENDORSED	EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019
IFRS 17 Insurance Contracts	NO	1 JANUARY 2021
Annual Improvements to IFRS Standards 2015-2017 Cycle	NO	1 JANUARY 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	NO	1 JANUARY 2019
Amendments to References to the Conceptual Framework in IFRS Standards	NO	1 JANUARY 2020
Amendment to IFRS 3 Business Combinations	NO	1 JANUARY 2020
Amendments to IAS 1 and IAS 8: Definition of Material	NO	1 JANUARY 2020

→ 2.2 Consolidation

a) Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 31 December 2018, prepared by the boards of directors of the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies. The scope of consolidation has not changed since 31 December 2017. 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	749,738,139.26	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	100%	IGD Management S.r.l.	100.00%	Construction and marketing
WIN MAGAZIN S.A.	Bucharest	Romania	113,715.30	RON	100%	IGD Management S.r.l. 99.9% IGD SIIQ S.p.A. 0.1%	100.00%	Facility management
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
WINMARKT MANAGEMENT S.R.L.	Bucharest	Romania	1,001,000	RON	100%	Win Magazin S.A.	100.00%	Agency and facility management services
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	TYPE OF CONTROL	% HELD	REGISTERED OFFICE
OWNER CONSORTIUM OF SC LEONARDO	Direct	52.00%	VIA AMENDOLA 129, IMOLA (BO)
OWNER CONSORTIUM OF SC I BRICCHI	Direct	72.25%	VIA PRATO BOSCHIERO, ISOLA D'ASTI (LOC MOLINI)
OWNER CONSORTIUM OF CENTROLAME	Direct	66.43%	VIA MARCO POLO 3, BOLOGNA (BO)
CONSORTIUM OF SC KATANÈ	Direct	53%	VIA QUASIMODO, GRAVINA DI CATANIA LOC SAN PAOLO
CONSORTIUM OF SC CONÈ	Direct	65.78%	VIA SAN GIUSEPPE SNC, QUARTIERE DELLO SPORT CONEGLIANO (TV)
CONSORTIUM OF SC LA TORRE-PALERMO	Direct	55.04%	VIA TORRE INGASTONE, PALERMO LOC BORGONUOVO
OWNER CONSORTIUM OF SC GRAN RONDÒ	Direct	48.69%	VIA G. LA PIRA N. 18, CREMA (CR)
OWNER CONSORTIUM OF SC FONTI DEL CORALLO	Direct	68.00%	VIA GINO GRAZIANI 6, LIVORNO
OWNER CONSORTIUM OF SC CENTROSARCA	Indirect	62.50%	VIA MILANESE, SESTO SAN GIOVANNI (MI)
CONSORTIUM PORTA A MARE MAZZINI	Direct	80.90%	VIA G. D'ALESIO, 2 LIVORNO
CONSORTIUM OF RP CLODÌ	Direct	70.35%	S.S. ROMEA N. 510/B CHIOGGIA (VE)
CONSORTIUM OF SC LE MAIOLICHE	Direct	70.52%	VIA BISAURA N.13, FAENZA (RA)
CONSORTIUM ESP	Direct	64.59%	VIA MARCO BUSSATO 74, RAVENNA (RA)
OWNER CONSORTIUM OF SC PUNTADIFERRO	Direct	62.34%	PIAZZALE DELLA COOPERAZIONE 4, FORLI' (FC)
OWNER CONSORTIUM OF COMMERCIAL AREA COMMENDONE	Direct	52.60%	VIA ECUADOR SNC, GROSSETO

b) Consolidation methods

The consolidated financial statements include the financial statements of the parent company, IGD SIIQ S.p.A., and its direct and indirect subsidiaries at 31 December 2018. The subsidiaries' accounts are prepared each year using the same accounting standards as the parent. The main consolidation methods used to prepare the consolidated financial statements are as follows:

- subsidiaries are consolidated from the date control is effectively transferred to the Group, and cease to be consolidated from the date control is transferred outside the Group; control exists when the Group has the power, directly or indirectly, to influence a company's financial and managerial policies in such a way as to obtain benefits from its operations;
- subsidiaries are consolidated on a line-by-line basis, aggregating all financial statement items in full, regardless of the interest held. Only for the determination of net equity and net profit (loss) is the minority interest, if any, shown separately in the statement of financial position and the income statement;
- the carrying value of equity investments is eliminated against the assumption of their assets and liabilities;
- all intercompany assets, liabilities, income and losses, including unrealized profits deriving from transactions between Group companies, are completely eliminated;
- the financial statements of all IGD SIIQ Group companies that use a functional currency other than that used in the consolidated statements are translated into euros as follows:
  - the assets and liabilities of each statement of financial position submitted are translated at the exchange rates in force on the reporting date;
  - the revenue and costs of each income statement are converted at the average exchange rates for the period;
  - all exchange gains and losses arising from this process are shown in the translation reserve under net equity.
- equity investments in joint ventures and associates are consolidated using the equity method. As such, the investment is initially carried at cost, which is then adjusted upward or downward to reflect changes in net equity after purchase. The adjustments are taken to the income statement in proportion to the Group's share of the company's profit or loss.

→ 2.3 Intangible assets

Intangible assets are recognized at cost when it is likely that use of the asset will generate future economic benefits and when its cost can be reliably determined. Intangible assets acquired through business combinations are recognized at the market value defined as of the acquisition date, if that value can be reliably determined.
After their initial recognition, intangible assets are carried at cost. The useful life of intangible assets can be either finite or indefinite. Intangible assets with indefinite useful lives are not amortized but are subject to impairment testing each year, or more frequently, whenever there is any indication of impairment. Further to such testing, if the recoverable value of an asset is less than its book value, the latter is reduced to recoverable value. This reduction constitutes an impairment loss, which is immediately posted to the income statement. An asset's recoverable value is the higher of its net sale value or value in use. Value in use is the present value of expected cash flows generated by the asset. In order to assess losses in value, assets are aggregated to the lowest cash generating unit, i.e. the lowest level for which independent cash flows can be separately identified. In the case of an indicator implying recovery of the value lost, the asset's recoverable value is re-determined and the book value is increased to that new value. However, the increase in book value can never exceed the net book value that the fixed asset would have had if no impairment had occurred.

→ 2.4 Business combinations and goodwill

Business combinations are accounted for using the purchase method. This requires the recognition at market value of the identifiable assets (including intangible assets previously not recognized) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the entity acquired. Transaction costs are recognized as soon as they are incurred.
Goodwill acquired in a business combination, which in the separate financial statements is incorporated into the value of the investment acquired, is calculated as the excess of the total consideration transferred, minority interests in net equity and the fair value of any previously held interest in the company over the acquisition-date fair value of the net assets acquired and the liabilities assumed. If the acquisition-date fair value of the net assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, minority interests in net equity and the fair value of any previously held interest in the acquiree, the excess is recognized immediately as income arising from the transaction.
Minority interests in net equity, as of the acquisition date, can be measured at fair value or as a pro-quota proportion of the value of the net assets recognized for the acquiree. This choice is made on a case-by-case basis.
Any contingent consideration provided for in the acquisition agreement is measured at its acquisition-date fair value, and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Subsequent changes in fair value that qualify as adjustments arising during the measurement period are included in goodwill retrospectively. Such changes are those caused by additional information, obtained during the measurement period (not to exceed one year from the business combination), regarding facts and circumstances that existed on the acquisition date.
In the case of business combinations achieved in stages, the interest previously held by the Group is remeasured at fair value as of the date control is acquired, and any resulting gain or loss is recognized in the income statement. Any amounts deriving from the previously held interest and reported in other comprehensive income or losses are reclassified to profit or loss as if the interest had been sold.
If the initial values of a business combination are incomplete at the end of the financial period in which it occurred, in the consolidated financial statements the Group uses provisional amounts for those elements that cannot be measured in full. The provisional amounts are adjusted during the measurement period to take account of new information on facts and circumstances existing on the acquisition date which, if known, would have affected the acquisition-date value of the assets and liabilities recognized.
Business combinations occurring before 1 January 2010 are reported according to the previous version of IFRS 3.
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the acquirer's individual cash generating units or to the groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IFRS 8 - Segment Reporting;
- when goodwill is part of a cash generating unit or group of cash generating units and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill transferred under these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

If the disposal concerns a subsidiary, the difference between the sale price and net assets plus accumulated translation differences and goodwill is recognized in profit or loss.
After first-time recognition, goodwill is decreased by accumulated impairment losses, determined as described below.
The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment. If the amount recoverable by the cash generating unit is lower than the carrying value attributed, then an impairment loss is recognized. Impairment losses on goodwill cannot be reversed in subsequent years. The Company tests goodwill for impairment at 31 December of each year.

→ 2.5 Investment property and assets under construction

Investment property is real estate held in order to earn rent while appreciating in value over time.
Investment property is initially recognized at cost, including transaction expenses (as well as borrowing costs, where applicable), and is subsequently measured at fair value with changes reported in the income statement.
Any work on the properties is added to their carrying value only if it is likely to produce future economic benefits and if the cost can be reliably determined. Other maintenance and repair costs are recognized in the income statement when incurred.
The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure.
The market value of properties includes the value of their plant and machinery, as well as goodwill acquired.
Investment property is derecognized on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses from the withdrawal or disposal of investment property are recognized to profit or loss in the period in which the withdrawal or disposal takes place.

Assets under construction, consisting of deposits and advance payments, are valued at cost. For land and accessory works on which investment property will be developed, once the building permits are obtained and/or the urban planning agreements signed, and once the procedure for obtaining administrative permits is completed and construction is underway, fair value can be reliably determined and the fair value method is therefore used. Until that time, the asset is recognized at cost, which is compared with recoverable amount at each reporting date in order to determine any loss in value. When construction or development of an investment property is completed, it is restated to "investment property".

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of investment property in accordance with IFRS 13 must reflect, among other things, rental income from current leases and other reasonable and supportable assumptions that market participants would use when pricing the asset under current market conditions.
As stated in paragraph 27 of IFRS 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
- a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property);
- a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Highest and best use is determined from the perspective of market participants. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.

→ 2.6 IAS 23 - Borrowing costs

Borrowing costs directly attributable to the purchase and construction of investment property and inventory, relating to both new constructions and extensions, are added to the carrying value of the property in question. Interest is capitalized provided that the augmented carrying amount of the asset does not increase beyond market value. The Group has not capitalized financial charges.

→ 2.7 Plant, machinery and equipment

Plant, machinery and equipment that are owned by IGD and are not attributable to investment property are recognized at cost, less commercial discounts and rebates, considering directly attributable expenses as well as an initial estimate of the cost of dismantling and removing the asset and restoring the site where it was located. Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs (including financial expenses directly attributable to the purchase, construction or production of the asset) are recognized to profit or loss when incurred. The capitalized charge is recognized to profit and loss throughout the useful life of the tangible asset by means of depreciation. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

CATEGORY	RATE
Wiring, sprinkler system, compressed air	10 %
HVAC system	15 %
Fittings	20 %
Plant management computer	20 %
Special communication systems – telephone	25 %
Special plant	25 %
Alarm/security system	30 %
Sundry equipment	15 %
Office furnishings	12 %
Cash registers and EDP machines	20 %
Personal computers and accessories	40 %

An asset is subject to impairment testing whenever events or changes in circumstances indicate that its carrying value cannot be fully recovered. If the carrying value exceeds the recoverable amount, the asset is written down to reflect the impairment. An asset's recoverable value is the higher of its net sale value or value in use.
In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. Impairment is charged to the income statement as depreciation. Impairment is reversed if the reasons cease to apply.
When an asset is sold or when its use is no longer expected to produce future economic benefits, it is derecognized and any loss or gain (calculated as the difference between the sale value and carrying value) is taken to profit or loss the year the asset is eliminated.

→ 2.8 Finance leasing

Goods held under finance leases, in which the Group assumes all of the risks and benefits of ownership, are capitalized from the inception of the lease at the market value of the leased good or, if lower, at the present value of the minimum lease payments, including the price of the redemption option.
The liability is recognized under financial payables. Leasing installments are divided into principal and interest so as to obtain a constant interest rate applicable to the remaining principal due. The financial charges are recognized to profit and loss.
Leased investment property is recognized at market value, on the same basis as investment property owned by IGD.

→ 2.9 Other non-current assets

Other non-current assets consist of deferred tax assets, financial assets relating to derivatives, and miscellaneous.
Receivables and other financial assets other than derivatives, to be held until maturity, are recognized at cost which corresponds to the fair value of the initial consideration paid plus transaction costs. The initial value recognized is subsequently adjusted to take account of the reimbursement of principal, any impairment losses, and amortization of the difference between the redemption value and the initial carrying value. Amortization is charged at the effective interest rate, corresponding to the rate which, upon first-time recognition, makes the present value of projected cash flows equal to the initial carrying amount (amortized cost method).

→ 2.10 Inventory

Inventory is measured at the lower of cost and market value (which corresponds to net realizable value). The cost of inventory includes all purchase, transformation and other costs incurred to bring the inventory to its present location and condition. Given the nature of the Group's inventory, the specific cost method is used.

→ 2.11 Trade and other receivables

Receivables are initially shown at fair value, which coincides with their face value less any impairment. For trade receivables, an impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the Company will not be able to recover all amounts due under the original terms and conditions. The carrying amount of the receivable is reduced by means of a separate provision. Impaired receivables are written off when they are found to be irrecoverable.

→ 2.12 Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at face value or amortized cost. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity of no more than three months.

→ 2.13 Financial receivables and other current financial assets

These consist mainly of financial assets held to maturity. This category includes financial assets with fixed or determinate payments and a set maturity, that the company plans and is able to hold until that time. They are initially valued at cost, and subsequently at amortized cost.

→ 2.14 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. Any gains or losses generated by their subsequent sale are recognized in equity.

→ 2.15 Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.
They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

→ 2.16 General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated. The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

→ 2.17 Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to a specific reserve in the statement of comprehensive income under "other comprehensive income." The Group does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Group does not offer employee incentive plans in the form of share participation instruments.

→ 2.18 Revenue

Revenue is recognized to the extent the Group is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the market value of the consideration received, excluding discounts, rebates and taxes. The following recognition criteria must always be satisfied before revenue is posted to the income statement.

- **Rent and business lease revenue**
  Rental income and business lease revenue from the Group's freehold and leasehold properties is recorded on an accruals basis, according to the rental and leasing contracts in force.
- **Service income**
  Service income is recorded with reference to the state of completion of the transaction and only when the outcome of the service can be reliably estimated.
- **Revenue from property sales**
  Revenue from property sales is recognized in profit or loss upon transfer of ownership or, for lease-to-own agreements, when the property is delivered.

→ 2.19 Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

→ 2.20 Income taxes

a) Current taxes
Current tax liabilities for the present and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date. Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes
Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse. Income taxes relating to items that are credited or charged directly to equity are also charged or credited directly to equity and not to profit or loss.

→ 2.21 Earnings per share

As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings per share for profit or loss from continuing operations attributable to the equity holders of IGD SIIQ S.p.A. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.
Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of IGD SIIQ S.p.A. by the weighted average number of shares outstanding during the period.
Diluted earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding, in

accordance with paragraphs 19 and 26, plus the weighted average number of shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

→ 2.22 Derecognition of financial assets and financial liabilities

a) Financial assets
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Group's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that the Group could be required to pay.

b) Financial liabilities
A financial liability is derecognized when the underlying obligation is expired, canceled or discharged. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

→ 2.23 Derivative financial instruments

The Group holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities. In accordance with IFRS 9, derivative financial instruments used for hedging qualify for hedge accounting only if:

a) at the inception of the hedge there is formal designation and documentation of the hedging relationship;
b) the hedge is expected to be highly effective;
c) the effectiveness of the hedge can be reliably measured;
d) the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value. When the financial instruments qualify for hedge accounting, the following rules apply:
Fair value hedge - If a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in profit or loss. The part of the gain or loss from remeasuring the hedged item at fair value that is attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.
Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable, the effective portion of the gain or loss from remeasuring the instrument at fair value is recognized in a separate equity reserve. The cumulative gain or loss is reversed from the equity reserve and transferred to profit or loss the same year that the effects of the hedged transaction are recognized in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. If a hedging instrument is closed but the hedged transaction has not yet taken place, the cumulative gains and losses remain in the equity reserve and are restated to profit or loss when the transaction is realized or when a loss in value occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized in the equity reserve are immediately reclassified to profit or loss.
If hedge accounting does not apply, the gains or losses arising from measurement at fair value of the derivative financial instrument are recognized directly to profit or loss.

→ 2.24 Parent company SIIQ status

A company with SIIQ (Società di Investimento Immobiliare Quotata) status, applicable to the parent company since 1 January 2008, can exclude rental income and the equivalent for the purposes of IRES (corporate income tax) and IRAP (regional business tax) (see also section 2.8 of the Directors' report to the separate financial statements of IGD SIIQ).
At 31 December 2018, as at the end of previous years, IGD satisfied both the "asset test" and the "profit test" required to retain SIIQ status.
In accordance with the SIIQ rules, the company does maintain marginal operations other than property rental and the equivalent ("taxable operations").
Therefore, income from taxable operations has been subject to the standard rules of computation, while the SIIQ rules have been followed for income from exempt operations.
To determine the results of separate operations, subject to different accounting and tax treatment in accordance with paragraph 121 of Law 296/06, IGD SIIQ S.p.A. has kept separate accounts for exempt rental operations and taxable marginal operations.
Income from exempt operations therefore include revenue and costs typical of the property rental business, as well as those typical of operations considered to be equivalent.
Likewise, revenue and costs stemming from the company's

remaining activities have been allocated to taxable operations.
Due to changes to the SIIQ rules introduced by Law 164 of 11 November 2014 *("Conversion into law, with amendments, of Decree 133 of 12 September 2014")*, **capital gains and losses** on **rental properties** (whether realized or implicit in fair value measurements) are also included in exempt operations.
In accordance with paragraph 121 of Law 296/06 and with the clarifications contained in Revenue Office Circular 8/E of 7 February 2008, general, administrative and financial costs that cannot be directly attributed to exempt or taxable operations or allocated on the basis of objective parameters have been split according to the ratio of exempt revenue/income/dividends to total revenue/income/dividends.
As for properties (owned or held on the basis of other corporeal rights) forming part of rental package deals, the accurate and objective determination of the portion of fees pertaining to the real estate component has been ensured by making the exempt/taxable allocation on the basis of an expert appraisal to quantify the fair value of fees at each property that pertain to rent.
Likewise, the costs common to package deals as a whole (such as shopping center promotion and advertising costs) have been allocated to exempt and taxable operations in the same proportions used for rent. In this specific case, such a policy was thought to be more reliable and objective than an allocation based on the company's total revenue. Since these costs relate directly to the package deals and not to IGD's operations as a whole, their correlation with contractual fees is immediate and objective.

3. Use of estimates

The preparation of the consolidated financial statements and notes in accordance with IFRS requires Management to follow accounting policies and methods that in some cases depend on difficult subjective quantifications and estimates based on past experience, and assumptions that are considered reasonable and realistic on a case-by-case basis. These affect the carrying values of assets and liabilities and disclosures of contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.
The critical valuation processes and key assumptions used by management in the process of applying IFRS that may significantly impact the amounts presented in the consolidated financial statements or that may in the future lead to material differences with respect to the carrying amount of assets and liabilities are summarized below.

→ Investment property and inventory

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms selected on the basis of the following criteria: *(i)* recognized European-level qualifications, *(ii)* specialized expertise in the retail segment, and *(iii)* reputability and independence. The selection of the independent appraisers is by resolution of the Board of Directors.

In line with recommendations from the supervisory authorities and the various industry best practices, the company has long followed a specific procedure that governs the selection rules for independent appraisers and the handling of information flows used in the process of assessing the properties' fair value.

To appraise the real estate portfolio at 31 December 2018, the following independent firms were selected: *(i)* CBRE Valuation S.p.A., *(ii)* Duff&Phelps Reag S.p.A. (formerly Real Estate Advisory Group S.p.A.), *(iii)* Cushman & Wakefield LLP and *(iv)* Jones Lang LaSalle S.p.A. Given their specialized expertise in the retail segment, IGD believes that the findings and assumptions used by the independent appraisers are representative of the market.

The properties in the portfolio are appraised individually, using for each one the appraisal techniques specified below in accordance with IFRS 13.

According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.

The appraisal methods used, as specified in the individual certificates, are as follows:

- for malls and retail parks, offices, hypermarkets and supermarkets: discounted cash flow (DCF) method based on net rental income for the next n years. According to this method, at the end of the given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate of return for similar investments;

- for construction in progress (extensions and new constructions): transformation method, based on the discounting of future rental income for the property net of construction costs through to completion and other expenses.

With the DCF method, the market value of an investment property is the sum of the present values of the net cash flows it will generate for a number of years depending on the duration of the outstanding contracts. During the period, when the contracts expire, the rent used to compute revenue is replaced with the estimated rental value (ERV) determined by the appraiser, taking account of the contractual rent received, so that in the final year of the DCF revenue consists entirely of ERV. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.
With the transformation method, the market value of a property in the planning or construction phase is calculated by discounting the future income from renting the property, net of construction and other costs to be incurred, for a number of years depending on the duration of plans. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.

In both methods based on the discounting of future income, the key elements are:

1) the amount of net cash flow:
   a. for finished properties: rent received less property costs
   b. for construction in progress: estimated future rent less construction costs and property costs
2) the distribution of cash flows over time:
   a. for finished properties: generally even distribution over time
   b. for construction in progress: construction costs come before future rental income
3) the discount rate
4) the gross cap out rate.

In appraising the different types of properties in the real estate portfolio, the independent experts base their considerations primarily on:

1. information received from IGD SIIQ, as follows:
   (i) for finished properties: data on the rental status of each unit in each shopping center, as specified in the Company's internal procedure; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs;
   (ii) for construction in progress: 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;
2. assumptions used by the independent appraisers, such as inflation, discount rates, cap out rates and ERVs, determined through their own professional judgment upon careful observation of the market. 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 provided by IGD to the independent appraisers and the latters' assumptions and appraisal methods are approved by the head of Real Estate Development and Management, who is responsible for organizing and coordinating the appraisal and for monitoring and verifying results before they are incorporated into the financial statements. The entire process is governed in detail by IGD SIIQ's internal procedure.

Disclosures on the fair value hierarchy 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.

IGD's real estate portfolio has been measured according to Level 3 fair value models as the inputs directly and indirectly unobservable in the market, used in the valuation models, are greater than the observable inputs.
The following table shows IGD Group investment property by type, measured at fair value at 31 December 2018. It does not include construction in progress (Porto Grande expansion, listed with assets under construction, and non-retail portions of the Porta a Mare project, listed with inventory) as these are measured at the lower of cost and appraised market value as opposed to fair value.

FAIR VALUE MEASUREMENTS AT 31/12/2018 In €/000	QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES (LEVEL 1)	SIGNIFICANT INPUTS OBSERVABLE IN THE MARKET (LEVEL 2)	SIGNIFICANT INPUTS NOT OBSERVABLE IN THE MARKET (LEVEL 3)
Investment property Italy:			
Malls and retail parks			1,573,784
Hypermarkets and supermarkets			585,634
Residual portions of property			32,319
Total investment property Italy			**2,191,737**
Investment property Romania:			
Shopping malls			151,890
Office building			2,900
Total Romania			**154,790**
IGD Group: Investment property			**2,346,527**
Direct initiatives			
Projects at advanced phase of construction			
Total development initiatives			**0**
Porta a Mare project			
Porta a Mare project (1)			29,650
Total Porta a Mare project			**29,650**
Total IGD Group investment property measured at fair value			**2,376,177**

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

The unobservable inputs used to appraise the real estate portfolio (Level 3 of the fair value hierarchy) are as follows:

- discount rate;
- gross cap out rate;
- annual rent per square meter.

The unobservable inputs that IGD SIIQ considers most meaningful are the discount rate and the gross cap out rate, as the sensitivity analysis has shown that any change in those values would have a significant impact on fair value.
The following table shows the ranges of unobservable inputs at 31 December 2018:

PORTFOLIO	APPRAISAL METHOD	DISCOUNT RATE 31/12/2018		GROSS CAP OUT RATE 31/12/2018		YEARLY RENT €/SQM 31/12/2018	
		MIN	MAX	MIN	MAX	MIN	MAX
TOTAL MALLS/RP	Income-based (DCF)	6.60%	8.00%	5.45%	8.74%	12	524
TOTAL HYPER/SUPER	Income-based (DCF)	5.75%	7.71%	5.28%	6.94%	66	258
TOTAL Winmarkt	Income-based (DCF)	7.50%	9.50%	6.42%	9.60%	41	202

IGD conducts periodic sensitivity analyses on its properties to monitor the impact that changes ("shocks") in the most important unobservable inputs (discount rate and/or gross cap out rate), as a result of macroeconomic trends, would have on the value of its portfolio.

Rate shocks of +/-0.5% are tested individually and jointly to determine how they increase/decrease the value of the real estate portfolio by asset class. The sensitivity analysis at 31 December 2018 is reported below.

→ Sensitivity analysis at 31 December 2018

ASSET CLASS	HYPERMARKETS AND SUPERMARKETS	MALLS AND RETAIL PARKS	OTHER	INVESTMENT PROPERTY ROMANIA	TOTAL
Market value at 31/12/18 +0.5 discount rate	-20,648	-58,062	-1,334	-5,740	-85,784
Market value at 31/12/18 -0.5 discount rate	24,207	61,902	1,545	6,320	93,974
Market value at 31/12/18 +0.5 gross cap out	-25,462	-67,651	-1,464	5,030	-89,550
Market value at 31/12/18 -0.5 gross cap out	33,373	81,015	1,838	5,890	122,116
Market value at 31/12/18 +0.5 discount rate +0.5 gross cap out	-46,155	-122,284	-2,768	-10,680	-181,887
Market value at 31/12/18 -0.5 discount rate -0.5 gross cap out	58,037	147,063	3,434	12,690	221,224
Market value at 31/12/18 +0.5 discount rate -0.5 gross cap out	10,094	18,933	389	-130	29,286
Market value at 31/12/18 -0.5 discount rate +0.5 gross cap out	-4,080	-9,529	-50	900	-12,759

Regarding the sensitivity of fair value measurements to changes in the main unobservable inputs, fair value would go down for increases in the discount rate and gross cap out rate. Other variables that could reduce fair value are:

- an increase in operating costs and/or taxes
- a decrease in rent or in estimated rental value for vacant space
- an increase in estimated extraordinary charges.

Conversely, fair value would go up if these variables changed in the opposite direction.

→ Recoverable amount of goodwill

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

→ Recoverability of deferred tax assets

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

→ Fair value of derivative instruments

The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates, also with support from external consultants. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

→ Variable revenue

Variable revenue at 31 December is determined on the basis of annual earnings reports from the individual tenants, if available, and otherwise on the basis of monthly reports.

→ Provision for doubtful accounts

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

→ Contingent liabilities

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

4. Segment reporting

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

INCOME STATEMENT	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
	CORE BUSINESS PROPERTIES		SERVICES		"PORTA A MARE" PROJECT		SHARED		TOTAL	
Total revenue and operating income	**151,760**	**138,915**	**6,309**	**6,176**	**4,445**	**5,116**	**0**	**0**	**162,514**	**150,207**
Change in work in progress inventory	**0**	**0**	**0**	**0**	**(4,365)**	**(4,633)**	**0**	**0**	**(4,365)**	**(4,633)**
Direct costs (a) (excluding provision for doubtful accounts)	26,882	25,925	5,130	5,562	866	880	0	0	32,878	32,367
G&A expenses (b)	0	0	0	0	0	0	11,757	11,392	11,757	11,392
Total operating costs (a)+(b)	**26,882**	**25,925**	**5,130**	**5,562**	**866**	**880**	**11,757**	**11,392**	**44,635**	**43,759**
(Depreciation, amortization and provisions)	(1,567)	(1,992)	(52)	(271)	(1)	(4)	(368)	(264)	(1,988)	(2,531)
(Impairment losses)/reversals on work in progress and inventory	0	(23)	0	0	(930)	(3,647)	0	0	(930)	(3,670)
Fair value change - increase / (decreases)	(29,349)	27,556	0	0	0	0	0	0	(29,349)	27,556
Total depreciation. Amortization, provisions, impairment and fair value changes	**(30,916)**	**25,541**	**(52)**	**(271)**	**(931)**	**(3,651)**	**(368)**	**(264)**	**(32,267)**	**21,355**
EBIT	**93,962**	**138,530**	**1,127**	**342**	**(1,717)**	**(4,048)**	**(12,125)**	**(11,656)**	**81,247**	**123,170**
Income / (loss) from equity investments and property sales	**0**	**0**	**0**	**0**	**0**	**0**	**(85)**	**(45)**	**(85)**	**(45)**
Financial income:	**0**	**0**	**0**	**0**	**0**	**0**	**92**	**143**	**92**	**143**
Financial charges:	**0**	**0**	**0**	**0**	**0**	**0**	**32,590**	**34,536**	**32,590**	**34,536**
Net financial income (charges)	**0**	**0**	**0**	**0**	**0**	**0**	**(32,498)**	**(34,393)**	**(32,498)**	**(34,393)**
PRE-TAX PROFIT	**93,962**	**138,530**	**1,127**	**342**	**(1,717)**	**(4,048)**	**(44,708)**	**(46,094)**	**48,664**	**88,732**
Income taxes for the period	0	0	0	0	0	0	2,276	2,276	2,276	2,276
NET PROFIT FOR THE PERIOD	**93,962**	**138,530**	**1,127**	**342**	**(1,717)**	**(4,048)**	**(46,984)**	**(48,370)**	**46,388**	**86,454**
Non-controlling interests in (Profit) / Loss of the period	0	0	0	0	0	0	0	0	0	0
Parent company share of net profit	**93,962**	**138,530**	**1,127**	**342**	**(1,717)**	**(4,048)**	**(46,984)**	**(48,370)**	**46,388**	**86,454**

BALANCE SHEET	CORE BUSINESS PROPERTIES		SERVICES		"PORTA A MARE" PROJECT		SHARED		TOTAL	
	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
- Investment property	2,346,527	2,157,176	0	0	0	0	0	0	2,346,527	2,157,176
- Assets under construction	36,563	40,466	0	0	0	0	0	0	36,563	40,466
Intangible assets	11,655	11,655	1,007	1,007	0	0	34	35	12,696	12,697
Other tangible assets	1,720	2,039	9	33	1	2	7,885	8,130	9,615	10,204
- Sundry receivables and other non-current assets	0	0	0	0	0	0	111	90	111	90
- Equity investments	25	221	0	0	0	0	252	33	277	254
NWC	(8,236)	(8,949)	1,534	907	32,721	36,810	0	0	26,019	28,768
Funds	(6,812)	(6,543)	(1,327)	(1,330)	(25)	(27)	0	0	(8,164)	(7,900)
Non-current payables and other liabilities	(13,822)	(15,256)	0	0	(5,920)	(5,926)	0	0	(19,742)	(21,182)
Net deferred tax (assets)/ liabilities	(20,568)	(27,339)	0	0	(5,772)	2,562	0	0	(26,340)	(24,777)
Total use of funds	**2,347,053**	**2,153,470**	**1,223**	**617**	**21,005**	**33,421**	**8,282**	**8,288**	**2,377,562**	**2,195,796**
Total Griup net equity	1,233,773	1,095,739	(320)	(323)	18,886	20,337	0	0	1,252,340	1,115,753
Non-controlling interests in capital and reserves	0	0	0	0	0	0	0	0	0	0
Net derivative (assets)/ liabilities	17,364	20,397	0	0	0	0	0	0	17,364	20,397
Net financial position	1,095,914	1,037,334	1,543	940	2,119	13,084	8,284	8,288	1,107,860	1,059,646
Total sources	**2,347,052**	**2,153,470**	**1,223**	**617**	**21,005**	**33,421**	**8,284**	**8,288**	**2,377,564**	**2,195,796**

REVENUE FROM FREEHOLD PROPERTIES	NORTHERN ITALY		CENTRAL/SOUTHERN ITALY & ISLANDS		ABROAD		TOTAL	
	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Lease & rental income	72,554	61,179	53,350	52,499	9,638	9,301	135,542	122,979
One-off revenue	44	170	17	0	0	0	61	170
Temporary location rentals	2,236	1,695	1,257	1,229	0	0	3,493	2,924
Other rental income	2	-26	175	148	13	80	190	202
TOTAL	**74,836**	**63,018**	**54,799**	**53,876**	**9,651**	**9,381**	**139,286**	**126,275**

Notes to the consolidated financial statements

→ Business combination: acquisition of four businesses

On 18 April 2018, further to the preliminary agreement reached and announced on 15 December 2017, IGD and a group company held by Eurocommercial Properties N.V. signed the definitive contract for the acquisition of four shopping centers and a retail park in Northern Italy (Leonardo shopping center in Imola, Lame shopping center in Bologna, La Favorita shopping center and retail park in Mantua, and CentroLuna in Sarzana). The purchase, including ancillary expenses, was financed as follows: *(i)* €104,639,872 with proceeds from the capital increase concluded in April 2018; *(ii)* €88,541,667 by taking over five loan agreements.
A comparison between the carrying value and fair value (expressed in accordance with IAS/IFRS for assets and liabilities included with the four businesses as of the acquisition date) is reported below:

VALUES OF THE FOUR BUSINESS UNITS ACQUIRED Amounts in Euro		BOOK VALUE	FAIR VALUE
Investment property		187,000,000	208,335,909
TOTAL NON-CURRENT ASSETS		***187,000,000***	***208,335,909***
CURRENT ASSETS			
Trade receivables		911,666	911,666
Other current assets		558,132	558,132
TOTAL CURRENT ASSETS		***1,469,798***	***1,469,798***
TOTAL ASSETS		**188,469,798**	**209,805,707**
NON-CURRENT LIABILITIES			
Non-current financial liabilities		79,333,333	79,333,333
Various debt and other non-current liabilities		683,621	683,621
TOTAL NON-CURRENT LIABILITIES		***80,016,954***	***80,016,954***
CURRENT LIABILITIES			
Current financial liabilities		9,208,334	9,208,334
Other current liabilities		3,083,277	3,083,277
TOTAL CURRENT LIABILITIES		***12,291,611***	***12,291,611***
TOTAL LIABILITIES		**92,308,565**	**92,308,565**
Net acquired assets	**(a)**	**96,161,233**	**117,497,142**
Business units acquisition price	**(b)**		**96,161,233**
Negative goodwill (profit)	**(b-a)**		**21,335,909**
Ancillary costs of acquisition participation			**-8,478,639**
Net impact on the income statement			**12,857,270**

The net positive impact on profit and loss has been recognized in the consolidated financial statements under “Fair value changes - increases/(decreases).”
The price of the four businesses was €195,479K, including transaction costs; net of their current assets and current/non-current liabilities, the total amount paid, including transaction costs, came to €104,640K. That amount is reported on a separate line in the statement of cash flows.
As a result of the acquisition, revenue in 2018 increased by €9.4 million. If the Group had finalized the transaction on 1 January 2018, the increase in revenue for the year would have been approximately €13.4 million.
The acquisition has had an impact on numerous financial statement items and is the transaction in question whenever the notes refer to “the acquisition” to better explain and/or compare various figures.

Note 1) Revenue and other income

	Note	31/12/2018	31/12/2017	CHANGE
Revenues:	1	**151,760**	**138,915**	**12,845**
- from third parties		109,105	96,637	12,468
- from related parties		42,655	42,278	377
Other income:	2.1	**6,309**	**6,176**	**133**
- from third parties		3,869	4,008	(139)
- from related parties		2,440	2,168	272
Revenues from trading property sale	2.2	**4,445**	**5,116**	**(671)**
Total revenues and other operating income		**162,514**	**150,207**	**12,307**

In 2018 the IGD Group earned revenue and other income of €162,514K, including €4,445K from property sales (residential units in the Mazzini section of the Porta a Mare project). The increase of €12,307K is detailed in the notes below.

Note 1.1) Revenue

		31/12/2018	31/12/2017	CHANGE
Freehold hypermarkets - Rents and business leases from related parties	**a.1**	**38,293**	**38,316**	**(23)**
Leasehold hypermarkets - Business leases from related parties	**a.2**	**120**	**119**	**1**
Freehold supermarket - Rents and business leases from related parties	**a.3**	**1,719**	**1,703**	**16**
TOTAL HYPERMARKETS/SUPERMARKETS	**a**	**40,132**	**40,138**	**(6)**
Frrehold malls, offices and city center	**b.1**	**95,693**	**83,186**	**12,507**
Rents		**18,693**	**17,063**	**1,630**
To related parties		1,182	1,005	177
To third parties		17,511	16,058	1,453
Business leases		**77,000**	**66,123**	**10,877**
To related parties		917	762	155
To third parties		76,083	65,361	10,722
Leasehold malls	**b.2**	**11,657**	**11,885**	**(228)**
Rents		**614**	**604**	**10**
To related parties		117	117	0
To third parties		497	487	10
Business leases		**11,043**	**11,281**	**(238)**
To related parties		253	228	25
To third parties		10,790	11,053	(263)
Other contracts and temporary rents	**b.3**	**4,278**	**3,706**	**572**
Other contracts and temporary rents		4,224	3,678	546
Other contracts and temporary rents - related parties		54	28	26
TOTAL MALLS	**b**	**111,628**	**98,777**	**12,851**
GRAND TOTAL	**a+b**	**151,760**	**138,915**	**12,845**
of which related parties		42,655	42,278	377
of which third parties		109,105	96,637	12,468

Rent and business lease revenue increased by €12,845K for the year.
Rent from freehold hypermarkets and supermarkets was in line with the previous year.
Rent and business lease revenue from freehold malls and offices rose by €12,851K, chiefly as a result of: *(i)* higher revenue due to the acquisition of four businesses in April 2018; *(ii)* the full-year contribution of the expanded Esp center, opened on 1 June 2017; *(iii)* an increase in like-for-like revenue at Italian malls (+1.3%) thanks mainly to indexing, occupancy initiatives leading to a reduction in vacancies, and higher rent on new contracts; and *(iv)* like-for-like revenue growth in Romania (+2.9%) as a result of good occupancy and renegotiation results during the period (average upside +3.9%).
For further information, see the income statement review (section 2.2.1) in the Directors' Report.

Note 2.1) Other income

	31/12/2018	31/12/2017	CHANGE
Facility management revenues	3,258	3,216	42
Portfolio and rent management revenues	293	189	104
Pilotage and construction revenues	225	465	(240)
Marketing revenues	47	99	(52)
Other revenues	46	39	7
Other income from third parties	**3,869**	**4,008**	**(139)**
Facility management revenues - related parties	2,233	2,108	125
Pilotage and construction revenues	112	0	112
Portfolio and rent management revenues - related parties	72	36	36
Marketing revenues	23	24	(1)
Other income from related parties	**2,440**	**2,168**	**272**
Other income	**6,309**	**6,176**	**133**

Other income from third parties decreased by €139K, primarily reflecting pilotage fees which were especially high in 2017 due to the opening of the newly expended Esp center. The trend was partially offset by an increase in facility management income thanks to the full-year contribution of the contracts at the Poseidon shopping center in Carini (outside Palermo) and Le Bolle shopping center in Eboli (near Salerno).
Other income from related parties increased by €272K, due mainly to the rise in pilotage revenue under a contract signed in January 2018 with Coop Alleanza 3.0 that in addition to pilotage entails the handling of maintenance and surveillance.

Note 2.2) Income from the sale of trading properties

This came to €4,445K in 2018 and concerns 14 residential units, 14 enclosed garage units and one parking space in the Mazzini section of Porta a Mare. In 2017 the Group sold 18 residential units, 18 enclosed garage units and one parking space.

Note 3) Service costs

	31/12/2018	31/12/2017	CHANGE
Third parties service costs	**20,684**	**20,617**	**67**
Paid rents	10,448	10,404	44
Promotional and advertising expenses	428	552	(124)
Centers management expenses for vacancies	1,290	1,091	199
Centers management expenses for ceiling to tenants' costs	1,603	1,789	(186)
Facility management administration costs	700	675	25
Insurances	841	684	157
Professional fees	126	194	(68)
Directors' and statutory auditors' fees	787	791	(4)
External auditing fees	216	216	0
Investor relations, Consob, Monte Titoli costs	436	407	29
Shopping centers pilotage and construction costs	30	369	(339)
Consulting	901	664	237
Real estate appraisals fees	470	429	41
Maintenance and repairs	360	407	(47)
Other costs of services	2,048	1,945	103
Related parties service costs	**3,205**	**2,760**	**445**
Promotional and advertising expenses	0	50	(50)
Service	327	307	20
Centers management expenses for vacancies	606	767	(161)
Centers management expenses for ceiling to tenants' costs	2,046	1,415	631
Insurances	71	68	3
Directors' and statutory auditors' fees	151	153	(2)
Other costs of services	4	0	4
Total costs for services	**23,889**	**23,377**	**512**

Service costs rose by €512K for the year.
The largest increases concerned facility management costs due to ceilings on tenants' expenses, reflecting an increase in leases that include this clause and the acquisition of four businesses, as well as consulting fees.
Decreases refer mainly to pilotage costs, which were especially high in 2017 due to the opening of the expanded Esp center.
Rent paid refers mostly to:

- the Fonti del Corallo mall in Livorno, rented since 2014 from BNP Paribas Real Estate Investment Management Italy SGR S.p.A., under a 24-year lease ending on 25 February 2038 (with an early withdrawal option at the halfway mark on 25 February 2026) that will automatically renew upon expiration for another six years (until 25 February 2044). Rent is set at €3,325,000 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 rent during the year amounted to €4,396K. The next expiration date for this lease is 28 February 2027;
- the Centro Piave mall, rented since 1 July 2004 from Nova Immobiliare S.r.l. under a six-year lease renewable for a further six years at a time, for which rent during the year came to €2,421K. The next expiration date for this lease is 30 June 2022.

Note 4) Cost of labor

	31/12/2018	31/12/2017	CHANGE
Wages and salaries	7,156	7,118	38
Social security	1,860	2,014	(154)
Severance pay	491	474	17
Other costs	303	275	28
Total personnel costs	**9,810**	**9,881**	**(71)**

The cost of labor was in line with the previous year. Most of the decrease in social security payments reflects a change in Romanian law since 1 January 2018, by which the employer's share of social security taxes is now incurred almost in full by the employee.
Severance pay includes contributions to supplementary funds in the amount of €141K.

The workforce is broken down by category below:

	31/12/2018	31/12/2017
Executives	6	6
Middle managers	27	25
Supervisors	70	75
White collar	72	70
TOTAL	**175**	**176**

Note 5) Other operating costs

	31/12/2018	31/12/2017	CHANGE
IMU/TASI/Property tax	9,262	8,800	462
Other taxes	97	117	(20)
Contract registrations	381	388	(7)
Out-of-period (income)/charges	58	(9)	67
Membership fees	142	139	3
Losses on receivables	13	62	(49)
Fuels and tolls	221	199	22
Other costs	198	215	(17)
Total other operating costs	**10,372**	**9,911**	**461**

The increase in other operating costs is due chiefly to the municipal property tax, which rose as a result of additional properties brought in with the acquisition.

Note 6) Change in work in progress inventory

	31/12/2018	31/12/2017	CHANGE
Construction costs for the period	565	591	(26)
Change in inventories for disposal	(4,930)	(5,224)	294
Change in work in progress inventories	**(4,365)**	**(4,633)**	**268**

Work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno decreased by €4,365K due to the sale of residential units as detailed in Note 2.2, net of the advancement of works for the period (see Note 22 for further information).

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

	31/12/2018	31/12/2017	CHANGE
Amortization of intangible assets	(19)	(26)	7
Amortization of tangible assets	(801)	(1,001)	200
Provision for risks and other charges	(284)	(333)	49
Total amortizations and provisions	**(1,104)**	**(1,360)**	**256**
Provisions for doubtful accounts	(884)	(1,172)	288
(Impairment losses)/Reversals on work in progress and inventories	(234)	(3,670)	3,436
Fair value changes	(42,902)	27,556	(70,458)
Net acquisition revaluation	12,857		12,857
Total depreciations, amortizations, provisions, impairment and fair value changes	**(32,267)**	**21,354**	**(53,621)**

- Depreciation and amortization decreased by €207K due to the conclusion of the depreciation process for plant and equipment.
- Other provisions refer to the estimated outcome of three IMU (municipal property tax) disputes regarding Guidonia (Rome), La Torre (Palermo) and Esp (Ravenna) shopping centers in the amount of €284K.
- The allocation to the provision for doubtful accounts came to €884K, a decrease of €288K reflecting an overall improvement in trade 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;
- "(Impairment losses)/reversals on work in progress and inventory" (-€234) cover the following: *(i) an impairment loss of €190K for the expansion of Porto Grande (see Note 17), to bring carrying value into line with the lower of cost and market value as stated in the appraisal of 31 December 2018; (ii)* an impairment loss of €44K regarding work in progress inventory for the Porta a Mare project, to bring carrying value into line with the lower of cost and market value as stated in the appraisal of 31 December 2018 (see Note 22);
- The item "Fair value changes" (-€42,902K) primarily covers: *(i)* a net writedown of €42,011 (see Note 14) to match the carrying value of investment property to its market value at 31 December 2018; *(ii)* a writedown of €887K to match the carrying value of work in progress on Officine Storiche to its market value, as discussed in Note 17;
- The item "Net revaluation from acquisition" (€12,857K) accounts for the net impact on profit of the acquisition of four businesses (see the "Business combination" section for details).

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

	31/12/2018	31/12/2017	CHANGE
Result from equity investment	(85)	(45)	(40)
Total result from equity investment and asset disposal	**(85)**	**(45)**	**(40)**

The overall loss of €85K derives from the results of an investment accounted for using the equity method and the writedown of an investment recognized at cost (see Note 20).

Note 9) Financial income and charges

	31/12/2018	31/12/2017	CHANGE
Bank interest income	8	4	4
Other interests income and equivalents	34	44	(10)
Exchange gains	47	92	(45)
Total financial income to third parties	**89**	**140**	**(51)**
Interest income from related parties	3	3	0
Total financial income to related parties	**3**	**3**	**0**
Total financial income	**92**	**143**	**(51)**

Financial income decreased due mainly to the reduction in exchange gains. Interest income from related parties is described in Note 40.

	31/12/2018	31/12/2017	CHANGE
Interest expenses on security deposits	36	14	22
Total financial charges to related parties	**36**	**14**	**22**
Interest expenses to banks	5	12	(7)
Mortgage loan interests	3,410	3,004	406
Amortized mortgage loan costs	430	387	43
IRS spread	6,663	8,145	(1,482)
Amortized costs of the equity mortgage component	0	114	(114)
Bond financial charges	18,859	18,936	(77)
Bond amortized costs	2,064	2,839	(775)
Financial charges on leasing	52	56	(4)
Other interests and charges	1,071	979	92
Financial credit write-down	0	50	(50)
Total financial charges to third parties	**32,554**	**34,522**	**(1,968)**
Financial charges	**32,590**	**34,536**	**(1,946)**

Financial charges went from €34,536K in 2017 to €32,590K this year. Most of the decrease of €1,946K reflects *(i)* lower costs for interest rate swaps, as one IRS matured in April 2017 and a new one was contracted under more favorable terms for the Group; and *(ii)* lower financial charges on the amortized cost of bonds, due to the adoption of the new accounting standard IFRS 9, which increased liabilities for bond loans while reducing their interest expense.
For 2018, the average cost of debt (without considering recurring and non-recurring transaction costs) was 2.65%, down from 2.82% the previous year, while the weighted average effective cost of debt went from 3.13% to 2.88%.

Note 10) Income taxes

	31/12/2018	31/12/2017	CHANGE
Current taxes	1,431	1,356	75
Deferred tax liabilities	488	900	(412)
Deferred tax assets	359	30	329
Out-of-period income/charges - Provisions	(2)	(10)	8
Total income taxes for the period	**2,276**	**2,276**	**0**

Current and deferred taxes came to €2,276K, unchanged since the previous year.
Current taxes increased due chiefly to the greater revenue earned by the parent company and the subsidiary Win Magazin SA with respect to 2017. The amount due for IRAP, in line with the previous year, did not allow an additional conversion of the unused ACE benefit into a tax credit to be taken against IRAP.
The change in deferred tax assets and deferred tax liabilities is mostly due to their adjustment to reflect the disparity between market 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 years ended 31 December 2018 and 31 December 2017.

RECONCILIATION OF INCOME TAX APPLICABLE TO PROFIT BEFORE TAXES	31/12/2018	31/12/2017
Pre-tax profit	**48,665**	**88,730**
Theoretical tax charge (rate 24%)	11,680	21,295
Profit resulting in the income statement	48,665	88,730
Increases:		
IMU - Property tax	8,319	7,794
Negative fair value		
Devaluation on work in progress and inventories	234	3,670
Other increases	8,101	12,926
Decreases:		
Change in tax-exempt income	(76,589)	(54,674)
Deductible depreciation	(11,305)	(7,331)
Positive fair value	42,902	(27,556)
Other changes	(11,130)	(14,650)
Taxable income	**9,197**	**8,909**
Use of past losses	**0**	**511**
Use of ACE benefit	**2,379**	**2,323**
Taxable income net of losses and ACE benefit	**6,818**	**6,075**
Lower current taxes recognized directly in equity	**(98)**	**(28)**
Current taxes of the year	**1,012**	**923**
Total current IRES for the year (a)	**1,012**	**923**
Difference between value and cost of production	**127,047**	**90,321**
Theoretical (3.9%)	4,955	3,523
Difference between value and cost of production	**127,047**	**90,321**
Changes:		
Increases	10,045	13,285
Decreases	(12,138)	(6,936)
Change in exempt income	(107,439)	(86,634)
Other deductions	(8,801)	(8,705)
Taxable IRAP income	**8,714**	**1,331**
Lower taxes for Irap recognized directly in equity	**(10)**	**0**
Current IRAP for the year (b)	**421**	**433**
Total current taxes (a+b)	**1,433**	**1,356**

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 calculations have been made considering the effects of treasury shares held at the end of 2018. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.

	31/12/2018	31/12/2017
Net profit attributable to IGD SIIQ S.p.A. shareholders	46,388	86,454
Diluted net profit attributable to IGD SIIQ S.p.A. shareholders	46,388	86,454
Weighted average number of ordinary shares for purposes of basic earnings per share	101,104,970	81,301,846
Weighted average number of ordinary shares for purposes of diluted earnings per share	101,104,970	81,301,846
Basic earnings per share	**0.459**	**1.063**
Diluted earnings per share	**0.459**	**1.063**

Note 12) Intangible assets with finite useful lives

	BALANCE AT 01/01/2017	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICATION	BALANCE AT 31/12/2017
Intangible assets with finite useful lives	58	3	0	(26)	0	35
Total Intangible assets with finite useful lives	**58**	**3**	**0**	**(26)**	**0**	**35**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICATION	BALANCE AT 31/12/2018
Intangible assets with finite useful lives	35	18	0	(19)	0	34
Total Intangible assets with finite useful lives	**35**	**18**	**0**	**(19)**	**0**	**34**

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of company trademarks and for business software. Trademarks are amortized over ten years and software over three years. In 2018 there were no impairment losses or reversals on intangible assets. The greatest increases during the period concern the tradename of Gran Rondò shopping center in Crema (€2K) and the renewal of the Essere software license for €15K.

Note 13) Goodwill

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFICATION	BALANE AT 31/12/2017
Goodwill	**12,662**	**0**	**0**	**0**	**12,662**

	BALANE AT 01/01/2018	INCREASES	DECREASES	RECLASSIFICATION	BALANCE AT 31/12/2018
Goodwill	**12,662**	**0**	**0**	**0**	**12,662**

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

Below is the breakdown of goodwill by CGU at 31 December 2018:

GOODWILL	31/12/2018
Millennium s.r.l.	3,952
Win Magazin SA	5,409
Winmarkt management s.r.l.	1
Fonti del Corallo	1,300
Centro Nova	546
Centro Piave	448
Service	1,006
Total	**12,662**

Goodwill for Millennium and Win Magazin 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 Section 3 ("Use of estimates") above. 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, Centro Piave, Service, and Winmarkt Management S.r.l. pertains to business management for properties not owned by the Group, as well as services (facility management) provided at shopping centers owned by the Group and by third parties. The figures were retested for impairment during preparation of the financial statements. Value in use was calculated by projecting cash flows estimated in the 2019-2021 strategic plan, approved by the Board of Directors on 7 November 2018. The discount rate (WACC) was 5.18%; the risk premium contained in the cost of equity is 4.9%, while the borrowing rate used is the average rate of competitors or 3.22%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 14) Investment property

As required by IAS 40, the following table reconciles the opening and closing value of investment property, with increases, decreases, and changes in fair value shown separately.

	BALANCE AT 01/01/2017	INCREASES	ACQUISITIONS	DECREASES	REVALUATIONS	IMPAIRMENT	RECLASSIFI-CATIONS	BALANCE AT 31/12/2017
Investment property	**2,050,728**	**2,533**	**0**	**(153)**	**42,359**	**(13,906)**	**75,615**	**2,157,176**

	BALANCE AT 01/01/2018	INCREASES	ACQUISITIONS	DECREASES	REVALUATIONS	IMPAIRMENT	RECLASSIFI-CATIONS	BALANCE AT 31/12/2018
Investment property	**2,157,176**	**11,109**	**208,336**	**(5)**	**37,791**	**(79,802)**	**11,922**	**2,346,527**

The changes in investment property since 31 December 2017 concern:

- the fair value measurement as of the acquisition date (€208,336K) of the malls and retail park brought in with the four businesses purchased in the first half of 2018 in northern Italy (Leonardo shopping center in Imola, Lame shopping center in Bologna, La Favorita shopping center and retail park in Mantua, and CentroLuna in Sarzana);
- fit-out and extraordinary maintenance work at shopping centers (€8,502K), specifically Città delle Stelle in Ascoli (€1,002K), Tiburtino and Casilino in Rome (€1,478K and €850K, respectively), Centro d'Abruzzo in Chieti (€557K), Esp in Ravenna (€468K), Porte di Napoli (€373K), Conè in Conegliano (€303K), Katanè in Catania (€301K), Centro Borgo in Bologna (€187K), and malls in Romania (€1,385K);
- the purchase in December 2018, from Coop Lombardia for €2,607K, of part of a hypermarket at Gran Rondò shopping center for the purpose of expanding the mall;
- fair value adjustments. Specifically, investment property was revalued in the amount of €37,791K and written down by €79,802K, for a net negative impact of €42,011K including the effects of the framework agreement signed with Coop Alleanza 3.0. For the calculation of fair value and breakdown of the real estate portfolio, see section 2.6 ("The real estate portfolio") of the Directors' Report and the appraisals by CBRE Valuation S.p.A., Duff&Phelps REAG S.p.A., Jones Lang LaSalle S.p.A., and Cushman & Wakefield LLP in this Annual Report;
- the reclassification to investment property (€11,922K) of the following finished projects: expansion of the midsize retail area of Gran Rondò center in Crema (€2,988K), inaugurated on 3 May 2018; new layout and earthquake proofing at Darsena mall in Ferrara (€1,691K); ground floor restyling of Casilino mall in Rome (€1,353K); roof work (waterproofing) at the Tibertino mall in Rome (€548K); extraordinary maintenance on various malls in Romania (€724K); and the residence/office space building for athletes and sports associations (€4,040K), completed during the third quarter of the year.

Note 15) Buildings

	BALANCE AT 01/01/2017	INCREASES	DECREASES	DEPRECIATION	BALANCE AT 31/12/2017
Historical cost	10,114				10,114
Depreciation fund	(1,740)			(243)	(1,983)
Net book value	**8,374**	**0**	**0**	**(243)**	**8,131**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	DEPRECIATION	BALANCE AT 31/12/2018
Historical cost	10,114				10,114
Depreciation fund	(1,983)			(244)	(2,227)
Net book value	**8,131**	**0**	**0**	**(244)**	**7,887**

This item refers to the lease-to-own purchase of the building that houses 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								CHANGE IN CURRENCY TRANSLATION		BALANCE AT 31/12/2017		
	HISTORICAL COST	ACCUMULATED DEPRECIATION	NET CARRYING VALUE	HISTORICAL COST INCREASES		RECLASSIFICATION	ACCUMULATED DEPRECIATION INCREASES	2017 DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	HISTORICAL PRICE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE
Plants and machinery	3,111	(2,779)	332	57				(129)			3,168	(2,908)	260
Equipment and other goods	5,447	(4,124)	1,323	113		7	(54)	(353)	(35)	15	5,532	(4,516)	1,016
Leasehold improvements	2,939	(1,919)	1,020	53				(276)			2,992	(2,195)	797

	BALANCE AT 01/01/2018								CHANGE IN CURRENCY TRANSLATION		BALANCE AT 31/12/2018		
	HISTORICAL COST	ACCUMULATED DEPRECIATION	NET CARRYING VALUE	HISTORICAL COST INCREASES	HISTORICAL COST DECREASES	RECLASSIFICATION	ACCUMULATED DEPRECIATION INCREASES	2018 DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	HISTORICAL PRICE	ACCUMULATED DEPRECIATION	NET CARRYING VALUE
Plants and machinery	3,168	(2,908)	260	29				(76)			3,197	(2,984)	213
Equipment and other goods	5,532	(4,516)	1,016	138	(40)	69	(3)	(206)	(2)	(1)	5,694	(4,726)	968
Leasehold improvements	2,992	(2,195)	797	27				(277)			3,019	(2,472)	547

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year, purchases (€194K), and reclassifications from assets under construction (€69K). Leasehold improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the lease.

Note 17) Assets under construction and advances

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFI-CATION	(IMPAIRMENT LOSSES)/ REVERSALS	FAIR VALUE CHANGES	CHANGE IN CONSOLIDATION AREA	CURRENCY TRANSLATION GAIN/LOSSES	BALANCE AT 31/12/2017
Assets under construction	72,244	29,293	0	(63,772)	(23)	(897)	1,352	36	38,233
Advance payments	2,760	522	(1,046)	0	0	0	0	(3)	2,233
Assets under construction and advance payment	**75,004**	**29,815**	**(1,046)**	**(63,772)**	**(23)**	**(897)**	**1,352**	**33**	**40,466**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	RECLASSIFI-CATION	(IMPAIRMENT LOSSES)/ REVERSALS	FAIR VALUE CHANGES	CHANGE IN CONSOLIDATION AREA	CURRENCY TRANSLATION GAIN/LOSSES	BALANCE AT 31/12/2018
Assets under construction	38,233	8,112	0	(11,324)	(887)	(190)	0	0	33,944
Advance payments	2,233	677	(201)	(90)	0	0	0	0	2,619
Assets under construction and advance payment	**40,466**	**8,789**	**(201)**	**(11,414)**	**(887)**	**(190)**	**0**	**0**	**36,563**

Assets under construction and advances decreased by €3,903K, due mainly to:

- investments totalling €8,773K, mostly concerning: *(i)* final work on the expansion of Gran Rondò shopping mall in Crema (€1,336K); *(ii)* ongoing work at Officine Storiche (Porta a Mare, €2,056K); *(iii)* earthquake proofing at Portogrande and Centro d'Abruzzo (€63K); *(iv)* mall restyling at Darsena, Casilino and Fonti del Corallo (€2,653K); *(v)* roofing at Tiburtino and Centro Sarca shopping centers (€160K); *(vi)* construction work on Arco Campus (€2,041K); *(vii)* extraordinary maintenance work at various malls in Romania (€414K) and other minor improvements (€50K);
- a decrease of €11,985K for investments completed during the year and reclassified, mostly to investment property as described earlier;
- an impairment loss of €190K for the Portogrande expansion and a fair value adjustment of -€887K for the nearly completed Officine Storiche (Porta a Mare) project. See section 2.6 on the real estate portfolio, in the Directors' Report, for further details;
- a net positive change in advances of €386K.

Note 18) Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities have been offset in accordance with paragraph 74 of IAS 12, given that: *(i)* the company is entitled to offset current tax assets and liabilities and *(ii)* the deferred tax assets and liabilities are associated with income taxes charged by the same tax jurisdiction. Net deferred tax assets reflect the deferred tax assets and liabilities of the Italian companies, while the deferred tax liabilities shown in the statement of financial position concern the Romanian subsidiary.

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

	31/12/2018	31/12/2017	CHANGE
Capital operations	2	31	(29)
Taxed provisions	332	360	(28)
Interest rate swap operations	3,990	4,702	(712)
Impairment loss on inventories	2,560	2,560	0
Impairment loss on equity investments and financial receivables	271	271	0
Loss from tax consolidation	1,163	1,163	0
Property investment	(18)	255	(273)
Other effects	22	78	(56)
Total deferred tax assets	**8,322**	**9,420**	**(1,098)**

	31/12/2018	31/12/2017	CHANGE
Property investments	13,697	12,285	1,412
Bond	9	9	0
Interest rate swap operations	(1)	28	(29)
Other effects	170	154	16
Total deferred tax liabilities	**13,875**	**12,476**	**1,399**

	31/12/2018	31/12/2017	CHANGE
Deferred tax assets	0	0	0
Deferred tax liabilities	(5,553)	(3,056)	(2,497)

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 market 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 market value of investment property and its value for tax purposes. Most of the change relates to the decrease in the value for tax purposes of certain investment properties held by the Group companies IGD Management S.r.l. and Millennium Gallery S.r.l. as a result of depreciation for the year.
Given the likelihood of future taxable income, prior-year losses are expected to be used, so the deferred tax assets are likely to be recovered.
At 31 December 2018, for the Italian companies, the balance of deferred tax assets of €8,322K and deferred tax liabilities of €13,875K was a net liability of €5,553K.
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 Win Magazin SA.

	31/12/2018	31/12/2017	CHANGE
Property investments Romania	20,787	21,721	(934)
Italian companies net deferred tax liabilities	5,553	3,056	2,497

Note 19) Sundry receivables and other non-current assets

	31/12/2018	31/12/2017	CHANGE
Due to other	23	23	0
Security deposits	88	67	21
Total sundry receivables and other non-current assets	**111**	**90**	**21**

This item increased as a result of security deposits paid during the year.

Note 20) Equity investments

	31/12/2017	INCREASES	DECREASES	REVALUATIONS/ (WRITEDOWNS)	31/12/2018
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
Equity investments in subsidiaries	**75**	**0**	**0**	**0**	**75**
RGD Ferrara 2013 S.r.l.	68			(14)	54
Consorzio Millennium Center	4				4
Equity investments in associates	**72**	**0**	**0**	**(14)**	**58**
Equity investments in other companies	**107**	**108**	**0**	**(71)**	**144**
Equity investments	**254**	**108**	**0**	**(85)**	**277**

At 31 December 2018 the investment in RGD Ferrara S.r.l. was written down by €14K to adjust its carrying amount to the Group's share of net equity.
The increase of €108K in equity investments in other companies reflects the conversion into share capital of the interest-bearing loan granted in previous years to Fondazione Virtus Pallacanestro Bologna. Finally, an impairment loss of €71K was charged on an investment carried at cost.

Note 21) Non-current financial assets

	31/12/2018	31/12/2017	CHANGE
Non-current financial assets	**243**	**343**	**(100)**

These consist of the interest-free loan due from Iniziative Bologna Nord S.r.l (in liquidation) in the amount of €243K, net of a €430K writedown. In January 2019, the Group received a repayment of €69K.
The decrease in non-current financial assets, as reported in the previous note, was caused by the conversion into share capital of the interest-bearing loan granted in prior years to Fondazione Virtus Pallacanestro Bologna.

Note 22) Work in progress inventory

	31/12/2017	INCREASES	DECREASES	RECLASSIFICA-TIONS	WRITEDOWNS	31/12/2018
Porta a Mare project	37,580	565	(4,930)	0	(45)	33,170
Advances	43	0	0	0	0	43
Work in progress inventory and advances	**37,623**	**565**	**(4,930)**	**0**	**(45)**	**33,213**

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 (completion of underground level for parking and utilities), totaling €565K; *(ii)* a decrease for the final sale of 14 properties, 14 enclosed garage units and 1 parking space (€4,930K); and *(iii)* a writedown to adjust carrying amount to the lower of cost and appraised market value (€45K).

Note 23) Trade and other receivables

	31/12/2018	31/12/2017	CHANGE
Trade and other receivables	26,404	25,522	882
Provision for doubtful accounts	(13,488)	(14,107)	619
Trade and other receivables	**12,916**	**11,415**	**1,501**

Trade receivables, gross of the provision for doubtful accounts, increased by €882K due mainly to the acquisition and longer DSO. Receivables are recognized net of the provision for doubtful accounts, which reflects positions not considered to be fully recoverable. The allocation for the year, €884K, was calculated based on the problems encountered with individual receivables recognized at 31 December 2018 and on all available information. The use of €1,593K 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	31/12/2018	31/12/2017
Provision for doubtful account at the beginning of the period	**14,107**	**14,893**
Translation effect	(2)	(47)
Uses	(1,593)	(1,908)
Write-down/(uses) interest on late payments	(14)	(3)
Provisions	884	1,172
Change for acquisition 4 centers	106	0
Provision for doubtful account at the end of the period	**13,488**	**14,107**

The following table shows receivables by geographical area:

	31/12/2018	31/12/2017
Receivables Italy	24,690	23,927
Provision for doubtful account	(12,274)	(12,864)
Net receivables Italy	**12,416**	**11,063**
Receivables Romania	1,714	1,595
Provision for doubtful account	(1,214)	(1,243)
Net receivables Romania	**500**	**352**
Total net receivables	**12,916**	**11,415**

Note 24) Related party trade and other receivables

	31/12/2018	31/12/2017	CHANGE
Coop Alleanza 3.0 Soc. Coop.	90	74	16
Rgd Ferrara 2013 S.r.l.	393	380	13
Consortium Leonardo	1	1	0
Alleanza Luce e Gas S.r.l.	26	14	12
Unicoop Tirreno Soc. Coop.	736	1,056	(320)
Commendone consortium	2	22	(20)
Distribuzione Lazio Umbria S.r.l.	0	2	(2)
Librerie.Coop S.p.A.	11	8	3
Robintur S.p.A.	0	8	(8)
Consortium Millenniun Center	7	12	(5)
Consortium La Torre	121	1	120
Consortium CC ESP	1	5	(4)
Consortium Crema	8	41	(33)
Consortium Porta a Mare	24	50	(26)
Consortium Katané	546	356	190
Coop Sicilia	0	18	(18)
Consortium Lame	56	0	56
Consortium Cone'	2	1	1
Consortium Clodì	0	1	(1)
Consortium Punta di Ferro	0	2	(2)
Consortium Sarca	0	2	(2)
Related parties trade and other receivables	**2,024**	**2,054**	**(30)**

See Note 40 for details.

Note 25) Other current assets

	31/12/2018	31/12/2017	CHANGE
Tax credit			
VAT credits	1,101	982	119
IRES credits	375	391	(16)
IRAP credits	651	914	(263)
Due from others			
Advances paid to suppliers	3	4	(1)
Insurance credits	34	34	0
Accrued income and prepayments	469	471	(2)
Deferred costs	2,553	381	2,172
Other	252	166	86
Other current assets	**5,438**	**3,343**	**2,095**

Other current assets increased by €2,095K, due mainly to deferred costs, which cover the fees incurred before the end of the year for a two-tranche syndicated loan of €200 million to be disbursed in 2019. Deferred costs will be released to the income statement using the amortized cost method, starting from the date each tranche is disbursed.

Note 26) Financial receivables and other current financial assets

	31/12/2018	31/12/2017	CHANGE
Other financial assets	0	42	(42)
Financial receivables and other current financial assets	**0**	**42**	**(42)**
Related parties financial receivables	96	96	0
Financial receivables and other current financial assets - related parties	**96**	**96**	**0**

Other financial assets decreased due to the settlement during the year of a short-term receivable from banks. Financial assets from related parties refer to a loan for an original amount of €150K granted to RGD Ferrara 2013 S.r.l., along with interest calculated at the 3-month Euribor plus 350 basis points.

Note 27) Cash and cash equivalents

	31/12/2018	31/12/2017	CHANGE
Cash and cash equivalents	2,380	2,429	(49)
Cash on hand	92	80	12
Cash and cash equivalents	**2,472**	**2,509**	**(37)**

Cash and cash equivalents at 31 December 2018 consisted mainly of current account balances at banks.

Note 28) Net equity

	31/12/2018	31/12/2017	CHANGE
Share capital	749,738	599,760	149,978
Share premium reserve	31,504	29,971	1,533
Other reserves	**410,109**	**384,832**	**25,277**
Legal reserve	119,952	119,952	0
Merger surplus reserve	557	557	0
Treasury share reserve	(492)	(159)	(333)
Result treasury share sale effect	(33)	0	(33)
Cash flow hedge reserve	(13,376)	(16,048)	2,672
Cash flow hedge reserve - subsidiaries	(86)	89	(175)
Bond issue reserve	14,865	14,865	0
Capital increase reserve	(10,328)	(6,156)	(4,172)
FTA IFRS 9 reserve	(4,354)	0	(4,354)
Recalculation of defined benefit plans	153	(16)	169
Recalculation of defined benefit plans - subsidiaries	69	(24)	93
Fair Value reserve	307,736	276,316	31,420
Translation reserve	(4,554)	(4,544)	(10)
Group profit	**60,987**	**101,190**	**(40,203)**
Group profit (loss) carried forward	14,599	14,736	(137)
Group profit (loss) for the period	46,388	86,454	(40,066)
Total Group net equity	**1,252,338**	**1,115,753**	**136,585**
Capital and reserves of non-controlling interests	**0**	**0**	**0**
Total net equity	**1,252,338**	**1,115,753**	**136,585**

Consolidated net equity at 31 December 2018 amounted to €1,252,338K, an increase of €136,585 for the year. The change is due to:

- payment of €55,171K in dividends for 2017;
- the €150 million capital increase completed in April 2018;
- €4,172K in costs for the capital increase, net of the tax effect, recognized in a

separate negative equity reserve as required by the accounting standards;
- €1,533K in proceeds from the sale of unused options from the capital increase, recognized in the share premium reserve;
- adjustment of the cash flow hedge reserves for outstanding derivatives (+€2,672K for the parent company and -€175K for a subsidiary);
- the sale in the month of February of all treasury shares, for a total of €126K: €159K for elimination of the corresponding negative reserve and -€33K in sundry losses on the sale of the shares;
- purchase of treasury shares, starting in June, for a total of €492K and recognition of a matching negative reserve;
- the negative effect of first-time adoption of the new accounting standard IFRS 9, for €4,354K;
- movements in the translation reserve for the translation of foreign currency financial statements, in the amount of -€10K;
- adjustment of the reserve for the recalculation of defined benefits (€262K);
- Group's share of net profit for the year (€46,388K).

Reconciliation between net equity and profit of IGD SIIQ S.p.A. and the corresponding consolidated amounts

RECONCILIATION BETWEEN THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS In €/000	NET PROFIT		NET EQUITY	
	GROUP	NON-CONTROLLING INTERESTS	GROUP	NON-CONTROLLING INTERESTS
BALANCES SHOWN IN THE PARENT'S FINANCIAL STATEMENTS	**41,242**		**1,254,347**	
Reversal of dividends	(4,112)		0	
Reversal of impairment losses on consolidated equity investments	5,093		0	
Valuation at net equity of companies recorded in the statutory financial statements at cost	(5)		(108)	
Carrying value of consolidated equity investments	0		(389,959)	
Effect of CFH reserve - subsidiaries	0		(86)	
Effect of recalculation of defined benefit plans - subsidiaries	0		69	
Net equity and net profit (loss) for the year of consolidated companies	4,170	0	378,707	0
Allocation of differences to the assets of consolidated companies	0		0	
- Goodwill from consolidation of Millennium	0		3,952	
- Goodwill from consolidation of Win Magazin S.A.	0		5,410	
- Goodwill from consolidation of Winmarkt Management	0		1	
- Sale of assets to group companies (depreciation effect)	0		0	
- Other adjustments	0		5	
BALANCE SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**46,388**	**0**	**1,252,338**	**0**

Note 29) Non-current financial liabilities

This item includes the non-current portion of floating-rate loans from banks, bonds, and amounts due to other lenders, as detailed below:

	DURATION	31/12/2018	31/12/2017	CHANGE
Mortgage loans		**323,298**	**285,522**	**37,776**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	3,495	5,493	(1,998)
09 Interbanca IGD	25/09/2006 - 05/10/2021	29,546	43,542	(13,996)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	4,409	5,515	(1,106)
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	39,130	43,116	(3,986)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	6,326	7,004	(678)
01 Unipol SARCA	10/04/2007 - 06/04/2027	62,377	65,364	(2,987)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	17,071	18,669	(1,598)
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	15,693	17,295	(1,602)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	8,823	9,751	(928)
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	19,380	21,406	(2,026)
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	13,523	15,165	(1,642)
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	25,602	28,222	(2,620)
29 ICREA	14/12/2017 - 30/06/2021	4,986	4,980	6
UBI 5	19/04/2018 - 17/10/2022	47,360	0	47,360
UBI 1	19/04/2018 - 17/07/2023	9,341	0	9,341
UBI 2	19/04/2018 - 17/10/2021	9,597	0	9,597
UBI 3	19/04/2018 - 17/10/2021	6,639	0	6,639
Due to bonds		**557,304**	**676,089**	**(118,785)**
Bond 100 ML	11/01/2017 - 11/01/2024	99,506	99,417	89
Bond 150 ML	07/05/2014 - 07/01/2019	0	124,536	(124,536)
Bond 162 ML	21/04/2015 - 21/04/2022	159,079	153,903	5,176
Bond 300 ML	31/05/2016 - 31/05/2021	298,719	298,233	486
Due to other source of finance		**3,595**	**3,928**	**(333)**
Sardaleasing for Bologna headquarters	30/04/2009 - 30/04/2027	3,595	3,928	(333)
Non-current financial liabilities		**884,197**	**965,539**	**(81,342)**

The following table shows movements in non-current financial liabilities:

NON CURRENT FINANCIAL LIABILITIES	31/12/2017	ACQUISITION OF 4 BUSINESS BRANCHES EFFECT	REPAYMENTS	AMORTIZED COST	EFFETTO IFRS 9	RECLASSI-FICATION	31/12/2018
Payables due to mortgage	285,522	79,333	(1,875)	160		(39,842)	323,298
Payables due to bond	676,089			1,397	4,354	(124,536)	557,304
Payables due to other source of finance	3,928					(333)	3,595
TOTAL	**965,539**	**79,333**	**(1,875)**	**1,557**	**4,354**	**(164,711)**	**884,197**

Mortgage loans

Mortgage loans are secured by properties. The change with respect to 2017 is explained by the reclassification to current financial liabilities of the principal falling due within 12 months, as well as the acquisition that brought in the financial liabilities of the acquired entities. These are secured loans from the UBI Banca Group whose main characteristics are as follows:

- UBI Loan 1: current account loan with quarterly principal payments and interest payments once a year on 1 March, calculated at the 3-month Euribor plus 100 basis points. The loan will mature on 17 July 2023. It was taken out on 17 July 2015 for a nominal amount of €20 million and on the acquisition date the remaining balance was €13,750K;
- UBI Loan 2: current account loan with quarterly principal payments and interest payments once a year on 1 March, calculated at the 3-month Euribor plus 100 basis points. The loan will mature on 17 October 2021. It was taken out

on 17 October 2016 for a nominal amount of €13 million and on the acquisition date the remaining balance was €11,875K;
- UBI Loan 3: mortgage loan with quarterly principal and interest payments, charging interest at the 3-month Euribor plus 100 basis points. The loan will mature on 17 October 2021. It was taken out on 17 October 2009 for a nominal amount of €40 million and on the acquisition date the remaining balance was €11,667K;
- UBI Loan 5: mortgage loan charging interest at the 3-month Euribor plus a spread of 100 basis points. The loan will mature on 17 October 2023. It was taken out on 17 July 2017 for a nominal amount of €50 million and on the acquisition date involved quarterly interest payments and lump-sum reimbursement of the principal at maturity. On 6 July 2018 it was refinanced to entail quarterly principal payments of €500 thousand plus a final reimbursement of €40 million.

The average interest rate on adjustable-rate mortgage loans at 31 December 2018 was 0.92%.

Bonds

This item decreased due to the reclassification to current financial liabilities of the €150 million bond loan maturing on 7 January 2019.
Details of outstanding bonds are presented in the table below:

DEBTS FOR BONDS	NON-CURRENT PORTION	CURRENT PORTION				NON-CURRENT PORTION	CURRENT PORTION		
	31/12/17	31/12/17	IFRS 9 EFFECT	ANCILLARY COSTS AMORTIZATION AT 31/12/18	FINANCIAL CHARGES AT 31/12/18	31/12/18	31/12/18	NOMINAL INTEREST RATE	ACTUAL INTEREST RATE
Bond 150 ML	124,900						124,900		
Additional transaction costs	(364)			356			(8)		
Coupon rate 31.12.17		4,747			(4,747)				
Paid interests					4,840				
Coupon rate 31.12.18					4,747		4,747		
Total Bond 150 ML	**124,536**	**4,747**		**356**	**4,840**	**0**	**129,639**	**3.875%**	**4.17%**
Bond 162 ML	162,000					162,000			
Additional transaction costs	(8,097)		4,372	804		(2,921)			
Coupon rate 31.12.17		2,987	(18)		(2,969)				
Paid interests					4,293				
Coupon rate 31.12.18					2,969		2,969		
Total Bond 162 ML	**153,903**	**2,987**	**4,354**	**804**	**4,293**	**159,079**	**2,969**	**2.65%**	**3.94%**
Bond 300 ML	300,000					300,000			
Additional transaction costs	(1,767)			487		(1,280)			
Coupon rate 31.12.17		4,397			(4,397)				
Paid interests					7,500				
Coupon rate 31.12.18					4,375		4,375		
Total Bond 300 ML	**298,233**	**4,397**		**487**	**7,478**	**298,720**	**4,375**	**2.50%**	**2,80%***
* including the effect of the cash flow hedge reserve									
Bond 100 ML	100,000					100,000			
Additional transaction costs	(583)			89		(494)			
Coupon rate 31.12.17		1,058			(1,058)				
Paid interests					2,250				
Coupon rate 31.12.18					1,055		1,056		
Total Bond 100 ML	**99,417**	**1,058**		**89**	**2,247**	**99,506**	**1,056**	**2.25%**	**2.35%**
Total bonds	**676,089**	**13,189**	**4,354**	**1,736**	**18,859**	**557,304**	**138,039**		
Cash Flow Hedge reserve (bond 300 ML)	**(1,158)**			**328**		**(830)**			
Total financial charges				**2,064**	**18,859**				

Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2018.

Name	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	FINANCIAL "COVENANT"	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
04 BNL Rimini IGD	I Malatesta shopping center hypermarket	Loan	06/07/21	Financial condition of IGD Siiq SpA: 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	0.77			
05 BreBanca IGD	Mondovicino shopping mall	Mortgage	10/01/23					
01 Unipol Larice	Sarca shopping mall	Mortgage	06/04/27	Certified consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 2.3	0.90			
06 Unipol Lungosavio IGD	Lungo Savio shopping center (mall)	Mortgage	31/12/23					
07 Carige Nikefin Asti	I Bricchi shopping mall	Mortgage	31/03/24					
08 Carisbo Guidonia IGD	Tiburtino shopping center	Mortgage	27/03/24	Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity	0.90			
09 Interbanca IGD	Centro d'Abruzzo shopping center (hypermarket); Porto Grande shopping center (mall, hypermarket); Globo shopping center (hypermarket); Le Porte di Napoli shopping center (hypermarket); Il Maestrale shopping center (hypermarket); Leonardo shopping center (hypermarket); Miralfiore shopping center (hypermarket)	Loan	05/10/21	Consolidated financial statements: ratio of net debt (including derivative assets liabilities) to equity must not exceed 2, from 31/12/2006 to maturity	0.90			
10 Mediocredito Faenza IGD	Le Maioliche shopping center (hypermarket)	Loan	30/06/29	IGD Siiq SpA financial statements: ratio of external net debt to equity + intercompany loans must not exceed 2.7	0.89			
14 MPS Palermo	La Torre shopping center (mall)	Mortgage	30/11/25	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%	0.90	39.42%		
15 CentroBanca Cone Gall	Conè shopping center (mall)	Loan	31/12/25	Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity not higher than 2	0.90			
13 CR Veneto Mondovi	Mondovicino retail park	Mortgage	01/11/24	Certified consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6	0.90			
17 Carige Palermo IGD	La Torre shopping center (hypermarket)	Mortgage	30/06/27					

Name	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	FINANCIAL "COVENANT"	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
29 Iccrea Chirografario	none	Unsecured loan	30/06/21	Consolidated financial statements: i) Ratio of net debt (excluding derivative liabilities) to equity must not exceed 1.60, from 31/12/2017 to maturity; ii) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%	0.88	45.34%		
30 Ubi 1 lame_rp_fav	La Favorita shopping center (mall and Retail Park) and Lame shopping center (mall)	Credit opening contract with mortgage guarantee	17/07/23					
31 Ubi 2 lame_rp_fav	La Favorita shopping center (mall and Retail Park) and Lame shopping center (mall)	Credit opening contract with mortgage guarantee	18/10/21					
32 Ubi 3 rp	La Favorita shopping center (Retail Park)	Mortgage	18/10/21					
33 Ubi 5 Leonardo	Leonardo shopping center (mall) and Centro Luna shopping center (mall)	Loan	17/10/23	Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1	0.90			
24 Notes 3,875% - Due 07/01/2019	unsecured	Bond	07/01/19	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	45.34%	3.81	15.01%	1.97
26 Notes 2,65% - 21/04/2022	unsecured	Bond	21/04/22	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	45.34%	3.81	15.01%	1.97
27 Notes 2,50% - 31/05/2021	unsecured	Bond	31/05/21	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	45.34%	3.81	15.01%	1.97
28 Notes 2,25% - 11/01/2024	unsecured	Bond	11/01/24	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	45.34%	3.81	15.01%	1.97

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 31/12/2017
Provisions for employee severance indemnities	**2,530**	**(228)**	**(122)**	**354**	**40**	**2,574**

	BALANCE AT 01/01/2018	ACTUARIAL (GAIN)/ LOSSES	UTILIZATION	ALLOCATION	FINANCIAL CHARGES IAS 19	BALANCE AT 31/12/2018
Provisions for employee severance indemnities	**2,574**	**(262)**	**(126)**	**342**	**39**	**2,567**

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	2018
Cost of living increase	1.50%
Discount rate	1.97%
Increase in total compensation	Executives 2.5% White collar/Middle managers 1.0% Blue collar 1.0%
Increase in severance indemnity provision	2.625%

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

Additional information

- sensitivity analysis, showing the impact in absolute terms of each reasonably possible change in actuarial hypotheses at the close of the year;
- amount of contribution for the following year;
- average financial duration of the liability for defined benefit plans;
- estimated payouts.

SENSITIVITY ANALYSIS OF MAIN VARIABLES ON PROVISIONS FOR EMPLOYEES SEVERANCE INDEMNITIES AT 31 DECEMBER 2018

	€/000
Inflation rate +0.25% - Provisions for employees severance indemnities:	2,614.05
Inflation rate -0.25% - Provisions for employees severance indemnities:	2,480.70
Discount rate +0.25% - Provisions for employees severance indemnities:	2,461.60
Discount rate -0.25% - Provisions for employees severance indemnities:	2,635.11
Turnover rate +1% - Provisions for employees severance indemnities:	2,529.50
Turnover rate -1% - Provisions for employees severance indemnities:	2,565.27

	€/000
Service Cost 2019	272.41

	years
Plan duration	18.70

	€/000
Estimated payouts, year 1	92.72
Estimated payouts, year 2	178.39
Estimated payouts, year 3	104.90
Estimated payouts, year 4	137.61
Estimated payouts, year 5	107.50

Note 31) General provisions

	31/12/2017	UTILIZATION	ALLOCATIONS	31/12/2018
Provision for taxation	1,557	0	283	1,840
Bonus provision	986	(986)	974	974
Other general provisions	2,783	0	0	2,783
General provisions	**5,326**	**(986)**	**1,257**	**5,597**

Provision for taxation

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

Bonus provision

The bonus provision covers the variable compensation that will be paid to employees in 2019 on the basis of the Group's 2018 estimated results. The utilization refers to the payment made in the first half of 2018.

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

	31/12/2018	31/12/2017	CHANGE
Deferred income	5,920	5,926	(6)
Payable for substitute tax	1,471	2,913	(1,442)
Other liabilities	459	452	7
Sundry payables and other non-current liabilities	**7,850**	**9,291**	**(1,441)**

Deferred income concerns the City of Livorno for additional secondary urban infrastructure works as provided for by contract (€2,470K) and works to be delivered to Porta a Mare S.p.A. (€3,450K). The decrease of €6K 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 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:

	31/12/2018	31/12/2017	CHANGE
Security deposit from Coop Alleanza 3.0 Soc. Coop.	11,362	11,386	(24)
Security deposit from Unicoop Tirreno Soc. Coop.	25	25	0
Security deposit from Distribuzione Centro Sud S.r.l.	450	450	0
Security deposit from Distribuzione Lazio Umbria S.r.l.	0	0	0
Security deposit from Alleanza Luce e Gas S.r.l.	55	30	25
Related party sundry payables and other non-current liabilities	**11,892**	**11,891**	**1**

Security deposits refer to sums received for 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	31/12/2018	31/12/2017	CHANGE
Cassa risp. Firenze - Hot money	12/12/2017 - 15/01/2018	11,000	2,800	8,200
Cassa risp. Veneto - Hot money	14/12/2017 - 15/01/2018	0	6,500	(6,500)
Ubi Banca - Hot Money	14/12/2017 - 15/01/2018	0	3,000	(3,000)
Bnl - Bologna - Hot money	14/12/2017 - 15/01/2018	0	6,000	(6,000)
Carisbo - Hot Money	14/12/2017 - 15/01/2018	0	8,500	(8,500)
Bnl - Bologna - Hot money	12/12/2018 - 29/03/2019	10,008	11,000	(992)
Ubi Banca - Hot money	12/12/2018 - 29/03/2019	20,000	9,000	11,000
Popolare Emilia Romagna	a vista	261	386	(125)
Emilbanca c/c	a vista	1,494	1,495	(1)
Total due to banks		**42,763**	**48,681**	**(5,918)**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	2,001	2,001	0
05 BreBanca IGD MONDOVICINO (mall)	23/11/2006 - 10/01/2023	1,122	1,065	57
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	681	641	40
09 Interbanca IGD	25/09/2006 - 05/10/2021	14,147	13,637	510
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	4,132	4,133	(1)
01 Unipol SARCA	10/04/2007 - 06/04/2027	3,037	3,017	20
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	1,609	1,508	101
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,703	1,707	(4)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	933	934	(1)
14 MPS Palermo (mall)	21/12/2010 - 30/11/2025	2,066	2,013	53
17 Carige Palermo IGD (hypermarket)	12/07/2011 - 30/06/2027	1,641	1,606	35
15 CentroBanca Cone (mall)	22/12/2010 - 31/12/2025	2,640	2,642	(2)
Loan UBI 1 Lame RP Fav	19/04/2018 - 17/07/2023	2,584		2,584
Loan UBI 2 Lame RP Fav	19/04/2018 - 17/10/2021	1,580		1,580
Loan UBI 3 RP	19/04/2018 - 17/10/2021	3,358		3,358
Loan UBI 5 Leonardo	19/04/2018 - 17/10/2023	2,106		2,106
Total mortgage loans with banks		**45,340**	**34,904**	**10,436**
Leasing IGD HQ	30/04/2009 - 30/04/2027	334	323	11
Total due to other source of finance		**334**	**323**	**11**
Bond 100 ML	11/01/2017- 11/01/2024	1,056	1,058	(2)
Bond 150 ML	07/05/2014 - 07/01/2019	129,638	4,747	124,891
Bond 162 ML	21/04/2015 - 21/04/2022	2,969	2,987	(18)
Bond 300 ML	31/05/2016 - 31/05/2021	4,375	4,397	(22)
Total due to bonds		**138,038**	**13,189**	**124,849**
Current financial liabilities		**226,475**	**97,097**	**129,378**

Movements in current financial liabilities are shown in the table below:

CURRENT FINANCIAL LIABILITIES	31/12/2017	ACQUISITION OF 4 BUSINESS BRANCHES EFFECT	COUPON OF THE YEAR	INCREASES	REPAYMENTS	AMORTIZED COST	RECLASSIFICATION	31/12/2018
Payables due to banks	48,681	0	0	19,200	(25,118)	0	0	42,763
Payables due to mortgage	34,904	9,209	0	0	(38,615)	0	39,842	45,340
Payables due to bond	13,189	0	18,859	0	(18,883)	337	124,536	138,038
Payables due to other source of finance	323	0	0	0	(322)	0	333	334
TOTAL	**97,097**	**9,209**	**18,859**	**19,200**	**(82,938)**	**337**	**164,711**	**226,475**

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 reclassification to current liabilities of the €150 bond loan maturing on 7 January 2019. As explained in greater detail in the Directors' Report, that loan was reimbursed through the disbursement of tranche A of a syndicated loan headed by BNP Paribas taken out on 16 October 2018;
- the current portion of the financial liabilities the Group took on with the acquisition of four businesses (see Note 29 for details).

Note 34) Net financial position

The table below presents the net financial position at 31 December 2018 and 31 December 2017. At neither date does it include derivatives held for hedging purposes, which by nature do not constitute monetary assets or liabilities.
Uncommitted credit facilities with banks amount to €191 million, of which €148.24 million was unutilized at the close of the year. The decrease in these facilities is explained by their transfer to non-current liabilities in connection with the new €200 million loan, as described in the Directors' Report (for further information see Section 2.5).
Committed revolving credit facilities with banks, unutilized at 31 December, amount to €60 million.
See the section "Statement of financial position and financial review" of the Directors' Report for comments.

NET FINANCIAL POSITION	31/12/2018	31/12/2017
Cash and cash equivalents	(2,472)	(2,509)
Financial receivables and other current financial assets vs. related parties	(96)	(96)
Financial receivables and other current financial assets	0	(42)
LIQUIDITY	**(2,568)**	**(2,647)**
Current financial liabilities	42,763	48,681
Mortgage loans - current portion	45,340	34,904
Leasing - current portion	334	323
Bond loans - current portion	138,038	13,189
CURRENT DEBT	**226,475**	**97,097**
CURRENT NET DEBT	**223,907**	**94,450**
Non-current financial assets	(243)	(343)
Leasing - non-current portion	3,594	3,928
Non-current financial liabilities	323,298	285,522
Bond loans	557,304	676,089
NON-CURRENT NET DEBT	**883,953**	**965,196**
NET FINANCIAL POSITION	**1,107,860**	**1,059,646**

Note 35) Trade and other payables

	31/12/2018	31/12/2017	CHANGE
Trade and other payables	**14,301**	**13,838**	**463**

The main reason for the increase in trade payables is the purchase of a portion of the hypermarket at Gran Rondò shopping center in Crema in December 2018.

Note 36) Related party trade and other payables

	31/12/2018	31/12/2017	CHANGE
Coop Alleanza 3.0 Soc. Coop.	217	179	38
Robintur S.p.A.	11	0	11
Consortium Lame	47	74	(27)
Consortium La Torre	139	50	89
Consortium Cone'	14	(3)	17
Consortium SC ESP	4	4	0
Consortium Katané	64	65	(1)
Consortium Porta a Mare	39	7	32
Consortium SC Le Maioliche	1	29	(28)
Consortium Leonardo	90	10	80
Consortium I Bricchi	0	29	(29)
Unicoop Tirreno Soc. Coop.	0	1	(1)
Consortium Sarca	44	1	43
DistribuzioneCentro Sud S.r.l.	1	1	0
Consortium Crema	0	(1)	1
Owner consortium Fonti del Corallo	7	12	(5)
Distribuzione Lazio Umbria S.r.l.	0	1	(1)
Consortium Punta di Ferro	58	0	58
Related party trade and other payables	**736**	**459**	**277**

Related party payables went up by €277K, due chiefly to the greater amounts due to Coop Alleanza 3.0, Consorzio La Torre, and Consorzio Leonardo.
See Note 40 for additional information.

Note 37) Current tax liabilities

	31/12/2018	31/12/2017	CHANGE
Due to tax authorities for withholdings	591	504	87
Irap	2	5	(3)
Ires	217	262	(45)
VAT	72	79	(7)
Drainage consortium	2	1	1
Other taxes	18	13	5
Substitute tax	1,471	1,536	(65)
Tax liabilities	**2,373**	**2,400**	**(27)**

Tax liabilities of €2,373K at 31 December 2018 were essentially in line with the previous year. The decrease in the amount due for substitute tax reflects the payment during the year of the fifth and final installment on the capital gain realized on the sale of the Centro Lame hypermarket in 2013, in the amount of €80K. In 2018 the parent company paid the third installment of the substitute tax for the acquisition of SIINQ status by the absorbed company Punta di Ferro SIINQ S.p.A. at the end of 2015, in the amount of €1,464K, and reclassified the fourth installment of €1,471K (due in June 2019) from non-current liabilities.

Note 38) Other current liabilities

	31/12/2018	31/12/2017	CHANGE
Social security	361	398	(37)
Accrued liabilities and deferred income	855	629	226
Insurance	9	8	1
Due to employees	819	716	103
Security deposit	6,711	5,280	1,431
Unclaimed dividends	1	1	0
Advances received due within the year	73	533	(460)
Amounts due to director for emoluments	235	207	28
Other liabilities	1,097	1,184	(87)
Other current liabilities	**10,161**	**8,956**	**1,205**

These consist mainly of security deposits received from tenants. Most of the increase is due to the acquisition, as the deposits from tenants of the newly acquired malls have been transferred to IGD.
The decrease in advances reflects the down payments received in 2017 on the preliminary sales of residential units in Livorno, which were finalized in 2018. “Other liabilities” mostly concern the Urban Planning Agreement signed with the City of Ravenna on 24 June 2014 for the Esp expansion.

Related party payables are shown below:

	31/12/2018	31/12/2017	CHANGE
Other payables	0	14	(14)
Related parties other current liabilities	**0**	**14**	**(14)**

Current liabilities with related parties were settled in full during the year.

Note 39) Dividends paid

During the year, as resolved by the annual general meeting of shareholders held to approve the 2017 financial statements on 1 June 2018, a dividend of €0.50 was paid for each of the 110,341,903 shares outstanding as of 24 April 2018, for a total of €55,170,951.50.

Note 40) Related party disclosures

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

RELATED PARTIES DISCLOSURES	RECEIVABLES AND OTHER CURRENT ASSETS	FINANCIAL RECEIVABLES	CURRENT PAYABLES AND OTHER LIABILITIES	NON-CURRENT PAYABLES AND OTHER LIABILITIES	FINANCIAL PAYABLES	SUNDRY RECEIVABLES AND OTHER NON-C URRENT ASSETS	FIXED ASSETS - INCREASES	FIXED ASSETS - DECREASES
COOP ALLEANZA 3.0 SOC. COOP.	90	0	216	11.362	0	0	0	
ROBINTUR S.P.A.	0	0	11	0	0	0	0	
LIBRERIE.COOP S.P.A.	11	0	0	0	0	0	0	
ALLEANZA LUCE E GAS S.R.L.	26	0	0	55	0	0	0	
UNICOOP TIRRENO SOC. COOP.	736	0	0	25	0	0	140	
CONSORZIO PROP. FONTI DEL CORALLO	0	0	7	0	0	0	246	
CONSORZIO CONE'	2	0	14	0	0	0	0	
CONSORZIO CREMA	8	0	0	0	0	0	0	
CONSORZIO CC ESP	1	0	4	0	0	0	0	
CONSORZIO KATANÉ	546	0	64	0	0	0	0	
CONSORZIO LAME	56	0	47	0	0	0	62	
CONSORZIO LEONARDO	1	0	90	0	0	0	0	
CONSORZIO LA TORRE	121	0	139	0	0	0	64	
CONSORZIO MILLENNIUN CENTER	7	0	0	0	0	0	0	
CONSORZIO PUNTA DI FERRO	0	0	58	0	0	0	0	
CONSORZIO PORTA A MARE	24	0	39	0	0	0	0	
CONSORZIO SARCA	2	0	44	0	0	0	0	
DISTRIBUZIONECENTRO SUD S.R.L.	0	0	1	450	0	0	0	
CONSORZIO DEL COMMENDONE	1	0	0	0	0	0	0	
RGD FERRARA 2013 S.R.L.	393	96	0	0	0	0	0	
Total	**2,024**	**96**	**736**	**11,892**	**0**	**0**	**512**	**0**
Amount reported	**53,591**	**339**	**25,198**	**19,742**	**1,110,672**	**111**		
Total increase/ decrease for the year							**227,062**	**246**
% of the total	**3.78%**	**28.32%**	**2.92%**	**60.24%**	**0.00%**	**0.00%**	**0.23%**	**0.00%**

RELATED PARTY DISCLOSURE	REVENUES AND OTHER INCOME	FINANCIAL INCOME	COSTS	FINANCIAL CHARGES
COOP ALLEANZA 3.0 SOC. COOP.	33,375	0	436	35
ROBINTUR S.P.A.	307	0	0	0
LIBRERIE.COOP S.P.A.	909	0	0	0
ALLEANZA LUCE E GAS S.R.L.	176	0	0	0
UNICOOP TIRRENO SOC. COOP.	5,970	0	46	0
CONSORZIO CONE'	167	0	152	0
CONSORZIO CLODÌ	55	0	100	0
CONSORZIO CREMA	62	0	89	0
CONSORZIO CC ESP	204	0	191	0
CONSORZIO I BRICCHI	113	0	517	0
CONSORZIO LA FAVORITA	0	0	6	0
CONSORZIO KATANÉ	206	0	433	0
CONSORZIO LAME	179	0	9	0
CONSORZIO LEONARDO	232	0	3	0
CONSORZIO LA TORRE	198	0	332	0
CONSORZIO MILLENNIUN CENTER	108	0	44	0
CONSORZIO PUNTA DI FERRO	165	0	185	0
CONSORZIO PORTA A MARE	76	0	206	0
CONSORZIO SARCA	177	0	295	0
DISTRIBUZIONECENTRO SUD S.R.L.	1,535	0	0	1
CONSORZIO DEL CENTRO LUNA	18	0	1	0
CONSORZIO DEL COMMENDONE	147	0	66	0
CONSORZIO CENTRO LE MAIOLICHE	170	0	94	0
R.P.T. ROBINTUR TRAVEL PARTNER S.R.L.	15	0	0	0
RGD FERRARA 2013 S.R.L.	531	3	0	0
Total	**45,095**	**3**	**3,205**	**36**
Amount reported	**162,514**	**92**	**44,635**	**32,590**
% of the total	**27.75%**	**3.26%**	**7.18%**	**0.11%**

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 (Robintur S.p.A., Librerie Coop S.p.A., R.P.T. Robintur Travel Partner S.r.l. and Alleanza Luce e Gas S.r.l.); with Unicoop Tirreno Soc. Coop., Distribuzione Lazio Umbria S.r.l. (owned 100% by Unicoop Tirreno Soc. Coop., absorbed by Unicoop on 31 December 2018) 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 2018, including for retail premises, amounted to €33.4 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 year ended 31 December 2018, €307K in rent was received from Robintur S.p.A. and €15K from R.P.T. Robintur Travel Partner S.r.l.
Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD’s head office. For the year, the Group received €909K 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 year, the Group received €176K under this arrangement.
Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0. Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.) refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.
As mentioned in Section 2.5 of the Directors’ Report, on 7 November 2018 IGD’s Board of Directors approved a framework agreement with Coop Alleanza 3.0 that entails the following:

- termination and re-issuance of the leases for 13 hypermarkets, extending the end date to 2037;
- termination and re-issuance of the leases for 6 hypermarkets, extending the end date to 2037 and redetermining rent;
- termination and re-issuance of the leases for 5 hypermarkets, extending the end date to 2037, reducing the GLA of each one and consequently redetermining the rent.

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. Rent received under the above leases amounted to €6 million for the year (including the balance from Distribuzione Lazio Umbria S.r.l.).

Transactions with Distribuzione Lazio Umbria S.r.l. (owned 100% by Unicoop Tirreno, absorbed by Unicoop with effect from 31 December 2018) refer to the lease to that company of the Casilino hypermarket and the Civita Castellana supermarket for €31 million, as well as security deposits received on leases.
On 3 August 2018 IGD’s Board of Directors approved a framework agreement with Unicoop Tirreno that calls for the termination and re-issuance of the lease for the hypermarket at Fonti del Corallo shopping center in Livorno, extending the end date to 2037, reducing the hypermarket’s GLA and consequently redetermining the rent.

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 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 2018 amounted to €531K) and *(ii)* an interest-bearing loan originally for €150K (€96K paid in 2018), with interest charged at the 96-month Euribor plus a spread of 350 basis points.

Note 41) Management of financial risk

In the course of business, the Group is exposed to various financial risks. To map and assess its risks, IGD SIIQ S.p.A. has developed an integrated risk management model based on the international Enterprise Risk Management standards (see section 2.11 of the Directors' Report). The Board of Directors reviews and agrees on policies to manage these risks.

Market risk

Market risk is the potential for changes in exchange rates, interest rates or prices to negatively affect the value of assets, liabilities or cash flows.

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 Company finances its operations through short-term borrowings, long-term secured and unsecured 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 92.5% 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.
The following table presents the sensitivity analysis of interest rate risk, showing the impact on equity and profit/loss, as required by IFRS 7.
The sensitivity analysis was conducted in consideration of the financial statement items that generate interest at floating rates or that are exposed to fair value changes, assuming parallel increases or decreases in the interest rate curves of each currency.

INTEREST RATE RISK - EXPOSURE AND SENSITIVITY ANALYSIS	BENCHMARK	INCOME STATEMENT				NET EQUITY			
		SHOCK UP		SHOCK DOWN		SHOCK UP		SHOCK DOWN	
		31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Interest-bearing assets	Euribor	25	24	-2	-2				
Ultra-short-term borrowings	Euribor	-428	-487	-43	49				
Financial liabilities and variable rate	Euribor	-3,692	-3,217	365	317				
Derivatives									
- cash flow		2,383	2,679	-238	-268				
- fair value						11,959	12,287	-1,241	-1,280
Total		**-1,712**	**-1,001**	**82**	**96**	**11,959**	**12,287**	**-1,241**	**-1,280**

The assumptions underlying the sensitivity analysis are as follows:

- medium- and long-term mortgage loans were analyzed according to exposure at the reporting date;
- ultra-short-term borrowings and deposits were analyzed according to exposure at the end of the year;
- the initial shift in the interest rate curve was assumed to be +100/-10 basis points (unchanged since the previous year);
- in determining changes associated with floating-rate financial instruments, it was assumed that no interest rates have already been set;
- the values affecting equity have been calculated as the difference between the fair values calculated with the shock-modified curve and the fair values of derivatives at the balance sheet date;
- The analysis assumes that all other risk variables remain constant.

For the sake of comparison, the same measurement was conducted on this and the prior year.
The method used to analyze and determine significant variables did not change since the previous year.

Foreign exchange risk
The Group is exposed to foreign exchange risk for its operations in Romania. Fluctuations in the value of the RON 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.

Price risk
The Group is exposed to the risk of changes in the rent charged on leasehold properties. The domestic and international real estate market is cyclical in nature and influenced by several macroeconomic variables, relating for example to general economic conditions, interest rates, inflation, tax laws, market liquidity, and the presence of other profitable investments.

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 constantly monitors its credit positions and uses an ad hoc program to assess each tenant's track record, 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.

The maximum credit risk on the Group's other financial assets, including cash and cash equivalents and certain derivative instruments, is the carrying value of these assets in the event of the counterparty's insolvency. The maximum exposure is presented gross of any mitigation through the use of various kinds of hedge.

The table below presents the maximum exposure to credit risk for balance sheet components, divided into categories, including derivatives with a positive fair value.

Where financial instruments are measured at fair value, the amounts shown represent current credit risk, but not the maximum exposure to credit risk that could arise in the future due to changes in fair value.

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2018	31/12/2017
Receivables and loans		
Sundry receivables and other assets	111	90
Financial assets	0	42
Trade and other receivables	12,916	11,415
Related party trade and other receivables	2,024	2,054
Other assets	3,311	1,056
Cash and cash equivalents	2,380	2,429
Financial receivables and other financial assets	243	343
Due from third parties (securities)		
Hedging instruments	-	-
Guarantees		
Total	**20,985**	**17,429**

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.
Most long-term loans and outstanding bond 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.

Maturities are broken down below on the basis of undiscounted cash flows; the amounts shown take account of the first date on which payment can be requested.

The assumptions underlying the maturity analysis are as follows:

- for the future cash flows of long-term floating-rate payables, the forward rate curve at 31 December has been used;
- for the future cash flows of the fixed-rate bonds, the contractual flows have been used;
- for derivatives, the analysis includes those representing assets at 31 December, for which both outflows and inflows are shown, as their purpose is to hedge financial liabilities. At the balance sheet date, all derivatives had a negative fair value;
- amounts include cash flows from both the interest and the principal component.

The method used to analyze and determine significant variables did not change since the previous year.

MATURITY ANALYSIS AT 31/12/2018 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	7,890	3,044	13,127	24,260	49,144	160,271	135,811	393,547
Leasing	32	64	96	193	395	1,268	2,288	4,336
Bonds	130,865	0	11,793	1,125	14,043	484,836	101,125	743,787
Short-term credit lines	42,764	0	0	0	0	0	0	42,764
Total	**181,551**	**3,108**	**25,016**	**25,578**	**63,582**	**646,375**	**239,224**	**1,184,434**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	674	694	1,710	2,906	4,725	6,139	-260	16,589
Total	**674**	**694**	**1,710**	**2,906**	**4,725**	**6,139**	**-260**	**16,589**
EXPOSURE AT 31 DECEMBER 2018	**182,225**	**3,802**	**26,726**	**28,484**	**68,307**	**652,514**	**238,964**	**1,201,023**

MATURITY ANALYSIS AT 31/12/2017 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	5,208	3,045	10,465	18,897	38,626	109,234	162,798	348,273
Leasing	31	63	94	190	391	1,264	2,737	4,770
Bonds	5,965	0	11,793	1125	143,783	496,629	103,375	762,670
Short-term credit lines	48,682	0	0	0	0	0	0	48,682
Total	**59,886**	**3,108**	**22,352**	**20,212**	**182,800**	**607,127**	**268,910**	**1,164,395**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	828	781	1,916	3,292	5,455	7,939	321	20,532
Total	**828**	**781**	**1,916**	**3,292**	**5,455**	**7,939**	**321**	**20,532**
EXPOSURE AT 31 DECEMBER 2017	**60,714**	**3,889**	**24,268**	**23,504**	**188,255**	**615,066**	**269,231**	**1,184,927**

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 0.94x at 31 December 2017 and 0.88x at the end of 2018);
2. keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50% (it was 45.80% at the close of the year, down from 47.36% at the end of 2017).

Note 42) Derivative instruments

The IGD Group has engaged in derivative contracts for the use of interest rate swaps. The fair value of interest rate swaps for which no active market exists is determined with assistance from specialized firms according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

FAIR VALUE - HIERARCHY	31/12/2018	31/12/2017	CHANGE	LEVEL
Derivative assets	0	0	0	2
Derivative liabilities	(17,364)	(20,397)	3,033	2
IRS - net effect	**(17,364)**	**(20,397)**	**3,033**	

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 account	7,334,688	7,334,688	7,334,688	7,334,688	5,515,427	7,334,688	7,334,688
Inception date	10/06/2009	10/06/2009	11/06/2009	12/06/2009	12/02/2009	27/10/2009	28/10/2009
Maturity	05/10/2021	05/10/2021	05/10/2021	05/10/2021	10/01/2023	05/10/2021	05/10/2021
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 account	5,618,733	10,994,250	7,491,644	7,016,986	5,618,733	10,994,250	10,994,250
Inception date	28/04/2010	27/08/2010	28/04/2010	28/04/2010	30/04/2010	31/08/2010	27/08/2010
Maturity	31/03/2024	27/03/2024	28/03/2024	29/12/2023	28/03/2024	27/03/2024	27/03/2024
IRS frequency	Quarterly	Quarterly	Quarterly	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%	IRS UBI 49M	125M BNL D20209417
Nominal account	10,994,250	7,500,000	17,625,000	14,190,000	5,676,000	8,514,000	32,750,000	32,750,000	49,000,000	125,000,000
Inception date	27/08/2010	12/07/2011	12/07/11	12/09/2011	12/09/2011	12/09/2011	08/06/2017	08/06/2017	08/11/2018	06/08/2018
Maturity	27/03/2024	31/03/2024	01/11/24	31/12/2025	31/12/2025	31/12/2025	06/04/2027	06/04/2027	17/10/2023	01/10/2021
IRS frequency	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	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	Euribor 3 months	Euribor 3 months
Customer rate	2.29%	2.80%	3.25%	2.43%	2.43%	2.43%	0.59%	0.59%	0.33%	0.05%

Note 43) Subsequent events

On 2 January 2019 the parent company received tranche A of the €125 million loan contracted on October 16, 2018.
On 7 January 2019, IGD SIIQ used the loan to reimburse bonds originally amounting to €150 million, whose outstanding balance at 31 December 2018 was €124.9 million.

Note 44) Commitments

At 31 December 2018 the Group had the following major commitments:

- Contract for the development of the Officine Storiche section, for a remaining amount of €20.4 million;
- Contract for the restyling of the Casilino shopping center, for a remaining amount of €2,565K;
- Contract for the restyling of the Fonti del Corallo shopping center, for a remaining amount of €2,323K;
- Contract for earthquake proofing upgrades at Centro d'Abruzzo shopping center, for a remaining amount of €1,397K;
- Rent due for the Centro Nova, Centro Piave and Fonti del Corallo malls: the estimated liability to be settled within 12 months comes to €10,127K, in addition to €36,888K due from the second to the fifth year and €21,765K from the sixth to the tenth. See Note 1) with regard to revenue earned from these malls.

Note 45) Disputes

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

Darsena

Due to the dissolution of the joint venture with Beni Stabili S.p.A. SIIQ (now Covivio) 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

Given the receivables accrued to Beni Stabili S.p.A. SIIQ, over time and in agreement with IGD, 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 had 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 received through enforcement of the bank guarantee issued in its favor). The adversaries were also ordered to reimburse the Company for some legal expenses and for three quarters of the arbitration costs.
In rulings dated 26 and 29 July 2013, the Court of Ferrara acted on a joint complaint from Beni Stabili S.p.A. SIIQ and IGD and declared Magazzini Darsena and Darsena FM to be bankrupt.
Further to those rulings, IGD 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 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).
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 challenged the July 2013 arbitration judgment before the Appeals Court of Milan.
In a decision published on 29 October 2015, the Appeals Court ruled in favor of Beni Stabili S.p.A. SIIQ on the grounds that the challenge had been filed too late. On 11 February 2016, Partxco (now known as Fallimento Partxco S.p.A., as it had gone bankrupt in the meantime) served notice of its appeal to the Court of Cassation, to which Beni Stabili S.p.A. promptly filed a response. On 18 April 2018 the Court of Cassation rejected Fallimento Partxco's appeal and ordered it to pay all court fees.

Actions against IGD

In 2012 IGD was summoned to court by Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A. regarding the management agreement of Darsena City shopping center. IGD appeared in court and filed a statement and related pleadings. Because IGD'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 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 was also suspended at the hearing of 18 December 2018, subject to resumption by the receiver within the three months provided for by law. IGD's lawyers remain 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 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 the purchase 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.
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. 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 clarify the matters brought up by IGD. Following the hearing of 26 September, the court at first withheld judgment and then, on 25 November 2017, ordered the expert witness to perform additional steps as requested by IGD and scheduled a review of the findings for 14 March 2018. The expert witness filed the supplementary report on 7 February 2018 and added additional information on 12 February.
In the supplementary report, the expert witness calculated, with some inaccuracies, the annual rent pertaining to the period in question, as ordered by the Court at IGD's request.
The report confirmed that on the basis of the parameters set by the Court: *(i)* the rent accrued during the period in question (October 30, 2013 to October 29, 2014) and collected by the end of that period would entail a price supplement of 0 (zero); *(ii)* the rent accrued during the period (without considering how much was actually collected by October 29, 2014) would entail a price supplement (because annual rent exceeded the contractual threshold of €4,075,000.00), albeit of a drastically smaller amount than stated in the initial report.
The expert witness then hypothesized various methods of quantifying the price supplement, some consistent with the query and others not; all such hypotheses, in any case, would be moot if the Court agrees that the threshold above which a price supplement applies refers only to the rent "received," hence the amount accrued from October 30, 2013 to October 29, 2014 that was actually collected by the end of that period, as would also seem clear from the wording of the query.
Once the expert report was filed, the Court set the deadlines for submitting concluding statements, which were filed by the parties on time. The Court's decision is therefore pending.
The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

Centro Sarca

An accident that occurred at Centro Sarca shopping center on 15 September 2018 has triggered a pending criminal case before the Court of Monza, currently in the preliminary investigation stage. Under investigation are IGD's general manager in his capacity as legal representative of the subsidiary IGD Management, and the regional manager for Northern Italy in his capacity as legal representative of Consorzio Propietari Centro Sarca.
The defense attorney's opinion is that the measures taken by the Company absolve these two parties of liability, and that in the absence of specific complaints, IGD Management will also be found not liable.

Note 46) Tax litigation

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, a ruling that became definitive on 14 June 2018.
For both proceedings, the Commission ordered the revenue office to reimburse IGD's legal expenses in the amount of €6,000.00 total.
On 29 September 2017 the Emilia Romagna regional authorities appealed the VAT decision (254/17) and on 28 November IGD filed its counterarguments against that appeal; it awaits the date of the next hearing.
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 2016. 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).
On 2 August 2018 IGD received an assessment notice containing the following two findings:
- the disallowance of an €80,000 deduction for IRES purposes;
- reduction of the allowed deduction for the ACE (Aiuto alla Crescita Economica) program by €14,780.

This resulted in additional taxable income of €94,780 on the consolidated tax return.
On 11 October 2018, the Company filed the proper tax form for using prior losses to cover taxable income resulting from an assessment, and upon conclusion of the assessment process, on 20 November 2018, was notified that the losses had been correctly deducted.
No deferred tax assets had been recognized on the losses used.

Note 47) IFRS 7 - Financial Instruments: Disclosures

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with IFRS 9.
For this purpose, financial assets are split into four categories:
- Financial assets measured at fair value through profit and loss: at 31 December 2018 the Group had no financial instruments in this category;
- Held to maturity investments: the Group has no financial instruments belonging to this category;
- Loans and receivables: in this category the Group has trade, financial and other receivables, and cash and deposits. They mature within 12 months and are therefore carried at face value (net of any impairment).
- Available for sale financial assets: the Group has no financial instruments belonging to this category.

There are only two categories of financial liability:
- Financial liabilities measured at fair value through profit and loss. At 31 December 2018 the Group had no financial instruments in this category;
- Financial liabilities measured at amortized cost.

Classification in the statement of financial position

The Group's financial instruments are included in the statement of financial position as follows.
The item "Other non-current assets" covers sundry receivables and other non-current assets.
The item "Current assets" includes trade receivables, other current receivables, and cash and cash equivalents. "Cash and cash equivalents" include bank and post office deposits and cash and valuables on hand. The other assets consist of investments outstanding at the balance sheet date.
The item "Non-current liabilities" includes mortgage loans from banks, derivatives, the bond loan, sundry payables and security deposits.
The item "Current liabilities" covers short-term payables to banks, the current portion of medium/long-term loans, trade payables and other current payables.
The items in the statement of financial position are classified below according to the categories required by IAS 39 at 31 December 2018 and 31 December 2017:

CLASSIFICATION 31/12/2018	CARRYING VALUE										
	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			111					111		111	111
Equity investments			277					277		277	277
Non-current financial assets			243					243		243	243
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			12,916					12,916	12,916		12,916
Related party trade and other receivables			2,024					2,024	2,024		2,024
Other current assets			3,311					3,311	3,311		3,311
Related party financial receivables and other current financial assets			0					0	0		0
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			2,472					2,472	2,472		2,472
TOTAL FINANCIAL ASSETS	**0**	**0**	**21,354**	**0**	**0**	**0**	**0**	**21,354**	**20,723**	**631**	**21,354**
LIABILITIES											
Financial liabilities											
Derivative liabilities							17,364	17,364		17,364	17,364
Due to banks						42,763		42,763	42,763		42,763
Leasing						3,929		3,929	334	3,595	3,773
Bonds						695,342		695,342	138,038	557,304	700,034
Due to other sources of finance											0
Mortgage loans						368,638		368,638	45,340	323,298	352,985
Non-current liabilities											
Sundry payables and other non-current liabilities						6,379		6,379		6,379	6,379
Related party sundry payables and other non-current liabilities						11,892		11,892		11,892	11,892
Current liabilities											
Trade and other payables						14,301		14,301	14,301		14,301
Related party trade and other payables						736		736	736		736
Other current liabilities						9,107		9,107	9,107		9,107
Related party other current liabilities						0		0	0		0
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,153,087**	**17,364**	**1,170,451**	**250,619**	**919,832**	**1,159,334**

	CARRYING VALUE										
CLASSIFICATION 31/12/2017	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			90					90		90	90
Equity investments			254					254		254	254
Non-current financial assets			343					343		343	343
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			11,415					11,415	11,415		11,415
Related party trade and other receivables			2,054					2,054	2,054		2,054
Other current assets			1,056					1,056	1,056		1,056
Related party financial receivables and other current financial assets			0					0	0		0
Financial receivables and other current financial assets				42				42	42		42
Cash and cash equivalents			2,509					2,509	2,509		2,509
TOTAL FINANCIAL ASSETS	**0**	**0**	**17,721**	**42**	**0**	**0**	**0**	**17,763**	**17,076**	**687**	**17,763**
LIABILITIES											
Financial liabilities											
Derivative liabilities							20,397	20,397		20,397	20,397
Due to banks						48,681		48,681	48,681		48,681
Leasing						4,251		4,251	323	3,928	4,131
Bonds						689,278		689,278	13,189	676,089	705,504
Due to other sources of finance											0
Mortgage loans						320,426		320,426	34,904	285,522	309,032
Non-current liabilities											
Sundry payables and other non-current liabilities						6,378		6,378		6,378	6,378
Related party sundry payables and other non-current liabilities						11,891		11,891		11,891	11,891
Current liabilities											
Trade and other payables						13,838		13,838	13,838		13,838
Related party trade and other payables						459		459	459		459
Other current liabilities						7,842		7,842	7,842		7,842
Related party other current liabilities						14		14	14		14
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,103,058**	**20,397**	**1,123,455**	**119,250**	**1,004,205**	**1,128,167**

For each financial instrument, both carrying value and fair value are indicated. The two values coincide for most instruments, as their maturity is short term. They differ for long-term instruments, such as mortgage loans, leasing installments and bonds. To calculate the fair value of liabilities measured at amortized cost, the Group has discounted future cash flows to present value using a risk-free (zero coupon) curve estimated at 31 December, as reported by Bloomberg. The calculation takes account of the credit spread that banks would currently grant to IGD. The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market. The fair value of financial liabilities was calculated using the credit spread that banks would grant to IGD SIIQ S.p.A. as of the measurement date. At 31 December 2018 the estimated credit spread was 2.50% (2.15% the previous year).

Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

COLLATERAL GIVEN	CARRYING VALUE	
	31/12/2018	31/12/2017
Security deposits		
- Sundry receivables and other assets	111	90

The following table shows the impairment of trade receivables:

IMPAIRMENT	IMPAIRMENT OF TRADE RECEIVABLES	
	31/12/2018	31/12/2017
Opening balance	14,107	14,893
Allocations		
- for individual writedowns	870	1,169
Utilizations	-1,593	-1,908
Impairment reversals		
Other movements	104	-47
Total	**13,488**	**14,107**

Gains and losses from financial instruments

The table below reports the gains and losses from financial instruments held. These derive from the impairment of trade receivables and hedge derivatives.
For hedge derivatives, the table shows the amount of the differentials paid and collected. The effects of fair value changes of derivatives held by the parent company, charged to the cash flow hedge reserve under equity (net of the tax effects), came to +€2,672K in 2018 and +€5,316K the previous year. The effects of fair value changes in the derivatives held by consolidated subsidiaries, charged to a separate cash flow hedge reserve under equity (net of the tax effects), amounted to -€175K in 2018 and +€762K the previous year.

2018 INCOME STATEMENT NET GAIN (LOSS)	CARRYING VALUE						
	Financial assets/liabilities measured at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments
Financial assets/liabilities							-6,663
Trade and other receivables			-884				
Total	**0**	**0**	**-884**	**0**	**0**	**0**	**-6,663**

2017 INCOME STATEMENT NET GAIN (LOSS)	CARRYING VALUE						
	Financial assets/liabilities measured at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments
Financial assets/liabilities							-8,145
Trade and other receivables			-1,172				
Total	**0**	**0**	**-1,172**	**0**	**0**	**0**	**-8,145**

The next table shows income and charges from financial assets and liabilities not measured at fair value:

INTEREST INCOME	31/12/2018	31/12/2017
Interest income on financial assets not measured at fair value		
- Deposits	42	48
- From affiliates	3	3

INTEREST EXPENSE	31/12/2018	31/12/2017
Interest expense on financial assets not measured at fair value		
- Security deposits with related parties	36	14
- Sundry payables and other liabilities	1,071	989
- To parent	-	-
- Financial liabilities		
- Mortgage loans	3,840	3,391
- Leases	52	56
- Bonds	20,923	21,889
- Interest capitalized	0	0
- Short-term borrowings	5	12

4.7
MANAGEMENT AND COORDINATION

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. of Villanova di Castenaso (province of Bologna) and is under the management and coordination of that company.
Pursuant to Article 2497 *bis* (4) of the Italian Civil Code, key figures from the latest approved financial statements of Coop Alleanza 3.0 Soc. Coop. are presented below:

FINANCIAL STATEMENTS COOP ALLEANZA 3.0	YEAR 2017	YEAR 2016
BALANCE SHEET (ex art. 2424 C.C.)		
ASSETS		
A) - SUBSCRIBED CAPITAL UNPAID	442,177	
B) - FIXED ASSETS	4,190,805,870	4,255,955,528
C) - CURRENT ASSETS	4,451,752,240	4,740,933,677
D) - ACCRUED INCOME AND PREPAYMENTS	1,148,496	11,581,372
TOTAL ASSETS	**8,644,148,783**	**9,008,470,577**
LIABILITIES		
A) - NET EQUITY	2,358,221,190	2,469,479,621
B) - GENERAL PROVISIONS	76,818,746	65,854,158
C) - PROVISIONS FOR EMPLOYEES SEVERANCE INDEMNITIES	143,363,446	148,178,844
D) - PAYABLES	6,069,778,776	6,306,986,503
E) - ACCRUED LIABILITIES AND DEFERRED INCOMERATEI E RISCONTI	6,766,625	17,971,451
TOTAL LIABILITIES AND NET EQUITY	**8,654,948,783**	**9,008,470,577**
MEMORANDUM ACCOUNT		
INCOME STATEMENT (ex art. 2425 C.C.)		
A) - PRODUCTION VALUE	4,155,265,332	4,098,875,015
B) - PRODUCTION COSTS	-4,297,412,798	-4,193,478,002
C) - FINANCIAL INCOME AND CHARGES	198,503,203	197,959,354
D) - ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS	-87,723,587	-99,197,940
E) - EXTRAORDINARY INCOME AND CHARGES		
Income taxes	-6,227,688	2,460,159
PROFIT (LOSS) FOR THE PERIOD	**-37,595,538**	**6,618,586**

4.8
LIST OF SIGNIFICANT EQUITY INVESTMENTS

Below is a full list of significant equity investments held by IGD SIIQ S.p.A. at 31 December 2018.

NAME	REGISTERED OFFICE	COUNTRY	HELD BY	% HELD DIRECTLY	% HELD INDIRECTLY	PERCENT OF SHARE CAPITAL HELD
IGD MANAGEMENT S.R.L.	RAVENNA, VIA VILLA GLORI 4	ITALY	IGD SIIQ S.P.A.	100.00%		100.00%
MILLENNIUM GALLERY S.R.L	RAVENNA, VIA VILLA GLORI 4	ITALY	IGD SIIQ S.P.A.	100.00%		100.00%
PORTA MEDICEA S.R.L.	BOLOGNA VIA TRATTATI COMUNITARI EUROPEI 1957-2007 13	ITALY	IGD MANAGEMENT S.R.L.		100.00%	100.00%
WIN MAGAZIN S.A.	BUCHAREST	ROMANIA	IGD MANAGEMENT S.R.L.		99.90%	100.00%
			IGD SIIQ S.P.A.	0.10%		
WINMARKT MANAGEMENT S.R.L.	BUCHAREST	ROMANIA	WIN MAGAZIN S.A.		100.00%	100.00%
ARCO CAMPUS S.R.L.	BOLOGNA, VIA DELL'ARCOVEGGIO 49/2	ITALY	IGD SIIQ S.P.A.	99.98%		99.98%
MILLENNIUM CENTER SOC. CONS. R.L.	ROVERETO (TRENTO), VIA DEL GARDA 175	ITALY	MILLENNIUM GAL-LERY SRL		35.40%	35.40%
RGD FERRARA 2013 S.R.L.	ROME, VIA PIEMONTE 38	ITALY	IGD SIIQ S.P.A.	50%		50.00%

4.9
INFORMATION PURSUANT TO ART. 149 *DUODECIES* OF CONSOB'S REGULATIONS FOR ISSUERS

The following chart, prepared in accordance with Art. 149 duodecies of Consob's regulations for issuers, shows the fees pertaining to 2018 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Amounts in thousands of Euro	SERVICE PROVIDER	RECIPIENT	FEES IN 2018
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	132
	PricewaterhouseCoopers S.p.A.	Subsidiaries IGD Management S.r.l., Millennium Gallery S.r.l., Porta Medicea S.r.l	35
	PricewaterhouseCoopers Audit S.r.l.	Subsidiaries Romania	26
Sustainability report auditing	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	25
Capital increase auditing (*)	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	253
Other services	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	2
TOTAL			**473**

(*) The fees paid to PricewaterhouseCoopers S.p.A. in connection with the capital increase approved on 12 February 2018 are accounted for under capital increase costs in shareholders' equity.

4.10
CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. We, the undersigned, Claudio Albertini as chief executive officer and Carlo Barban as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:
   - the adequacy of in relation to the characteristics of the business; and
   - the company's due compliance with

   the administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2018.

2. We also confirm that:

   2.1. the consolidated financial statements:
   a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
   b) correspond to the ledgers and accounting entries;
   c) provide fair and truthful disclosure of the financial status and performance of the issuer and the companies included in the consolidation;

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

Bologna, 26 Februrary 2019

Claudio Albertini
Chief Executive Officer

Carlo Barban
Financial Reporting Officer

4.11
EXTERNAL AUDITORS' REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the Shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "IGD Group"), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the illustrative notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of IGD Group as of 31 December 2018 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of Immobiliare Grande Distribuzione SIIQ SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of investment properties, assets under construction and work in progress inventory *See notes 14, 17 and 22 and paragraphs "Summary of accounting standards" and "Use of estimates" of the notes to the consolidated financial statements as of 31 December 2018.*	
As of 31 December 2018, IGD's investment properties and work in progress inventory are equal to, respectively, Euro 2,383.1 million (of which Euro 36.6 million relating to assets under construction) and Euro 33.2 million, totaling Euro 2,416.3 million, which represented 98.1% of total consolidated assets. Investment properties are measured at fair value in accordance with IAS 40 as endorsed by the European Union and work in progress inventory is measured at the lower of cost and net realisable value. Assets under construction are valued at cost less impairments, or at fair value if the procedure for obtaining administrative permits has been completed and construction is underway. The fair value of IGD Group's investment properties and work in progress inventory, which is based on appraisals carried out by independent experts (hereinafter, also the "Appraisers"), was of particular importance in auditing the Company's consolidated financial statements and is a key audit matters of the audit as it is based on a complex process of estimate as well as on the use of assumptions that are impacted by future market conditions, specifically in relation to the estimated rental value and estimated vacancy rates (i.e. the forecast percentage of investment property space that remains vacant), the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount the cash flows relating to each investment property.	Our approach in auditing such financial statements items firstly included the understanding and evaluating of the methodologies and procedures defined by the Company and approved by the Board of Directors on 19 December 2013 to verify the independence and the competence of the independent Appraisers engaged to determine the fair value of investment properties and work in progress inventory, as well as the procedures dealing with the selection and rotation of the Appraisers and the sharing of information between IGD Group Management responsible for managing the real estate portfolio and the Appraisers. The audit approach therefore included testing of controls put in place by IGD Group over the aforementioned processes and procedures in order to verify the fair value measurement models prepared by the Appraisers as well as the results of such models. Based on our understanding, evaluating and testing of aforementioned controls, we therefore planned and performed substantive auditing tests on such financial statement line items. In this respect, we highlight that the tests of details on the real estate portfolio were performed on a sample of investments considered to be significant based on the risk and size of each investments, with the aim to cover all kinds of investments and all the Appraisers involved, as well as to rotate the real estate portfolio selected by us. Specifically, we verified the reasonableness of the methodologies adopted and of the main

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	assumptions reflected in the valuation models (discounted cash flow) through review and analysis of the appraisals prepared by the independent experts and discussions with IGD Group Management and the independent experts; such analyses and discussions were conducted involving the PwC experts in real estate valuation. Particular emphasis was placed on verifying the reasonableness of those variables that have the most significant impact in determining the fair value, like the estimated rental value, the estimated vacancy rate, the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount cash flows related to each investment property, with respect to the best practices normally adopted for the valuation of similar investment properties in the same real estate sector of IGD Group. With regard to assets under construction, we also verified the consistency between the estimated costs to complete the constructions, included in the valuation model, and the budget of costs approved by the Company's Board of Directors. We also verified on a sample basis the consistency between the cash flows included in the valuation models and the rents arising from the contracts signed with tenants, and between figures relating to insurance costs and the IMU property tax and related supporting documentation. For those investments selected, we also verified the mathematical accuracy of the valuation models prepared by the independent experts. Finally, taking into account that the fair value measurement of investment properties and work in progress inventory is based on the use of measurement models with unobservable inputs (Level 3 in the fair value hierarchy included in IFRS 13 as endorsed by the European Union), we verified the Company's disclosures in the illustrative notes to the consolidated financial statements

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	regarding the methodology adopted to determine fair value, the estimate of inputs, the results of valuations and the sensitivity analysis performed.

Other matters

As required by law, the Company included in the illustrative notes to the consolidated financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005 and, in the terms prescribed by law, for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the IGD Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, Management uses the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the IGD Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IGD Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- We concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IGD Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the IGD Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the IGD Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) n° 537/2014

On 18 April 2013, the shareholders of Immobiliare Grande Distribuzione SIIQ SpA in general meeting engaged us to perform the statutory audit of the Company's consolidated and separate financial statements for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010 and article 123-bis, paragraph 4, of Legislative Decree n° 58/1998

Management of Immobiliare Grande Distribuzione SIIQ SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the IGD Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/1998, with the consolidated financial statements of the IGD Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2018 and are prepared in compliance with the law.

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With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 18 March 2019

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

MAREMÀ
GROSSETO
Opening 2016
Mall GLA sq.m. 17,120
Food anchor GLA sq.m. 7,029

3,480,768 visitors in 2018

05

IGD SIIQ S.P.A. SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31/12/2018

5.1
INCOME STATEMENT

INCOME STATEMENT (Amounts in Euro)	Note	31/12/2018 (A)	31/12/2017 (B)	CHANGE (A-B)
Revenues:	1	**123,743,501**	**111,579,300**	**12,164,201**
- from third parties		78,140,522	66,615,703	11,524,819
- from related parties		45,602,979	44,963,597	639,382
Other income:	2	**1,145,188**	**1,020,002**	**125,186**
- from third parties		547,182	652,009	(104,827)
- from related parties		598,006	367,993	230,013
Total revenues and operating income		**124,888,689**	**112,599,302**	**12,289,387**
Service costs:	3	13,221,587	13,237,637	(16,050)
- from third parties		10,442,195	10,596,014	(153,819)
- from related parties		2,779,392	2,641,623	137,769
Personnel costs	4	5,324,283	5,173,205	151,078
Other operating costs	5	8,828,144	8,421,211	406,933
Total operating costs		**27,374,014**	**26,832,053**	**541,961**
(Amortization and provisions)		(693,226)	(792,531)	99,305
(Impairment losses)/Reversals on work in progress		(189,526)	(23,498)	(166,028)
Doubtful accounts		(666,137)	(765,521)	99,384
Change in Fair value - increase/(decrease)		(35,557,460)	34,252,378	(69,809,838)
Acquisition net revaluation		12,857,270	0	12,857,270
Total amortization, provisions, impairment loss and fair value changes	6	**(24,249,079)**	**32,670,828**	**(56,919,907)**
EBIT		**73,265,596**	**118,438,077**	**(45,172,481)**
Results from equity investments and assets disposals	7	**(76,738)**	**(45,961)**	**(30,777)**
Financial income:		**197,947**	**192,497**	**5,450**
- from third parties		21,917	33,423	(11,506)
- from related parties		176,030	159,074	16,956
Financial charges:		**31,697,182**	**33,049,588**	**(1,352,406)**
- from third parties		31,659,035	33,035,281	(1,376,246)
- from related parties		38,147	14,307	23,840
Net financial income	8	**(31,499,235)**	**(32,857,091)**	**1,357,856**
PRE-TAX PROFIT		**41,689,623**	**85,535,025**	**(43,845,402)**
Income taxes for the period	9	447,459	166,886	280,573
NET PROFIT FOR THE PERIOD		**41,242,164**	**85,368,139**	**(44,125,975)**

5.2
STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (Amounts in Euro)	31/12/2018	31/12/2017
NET PROFIT FOR THE PERIOD	**41,242,164**	**85,368,139**
Recalculation of defined benefit plans (net of tax effet)	169,373	137,715
Total comprehensive income that will not be reclassified to profit or loss for the period, net of tax effects	**169,373**	**137,715**
Hedge derivatives' effects on net equity	3,411,657	6,894,075
Hedge derivatives' tax effect on net equity	(740,204)	(1,578,245)
Total comprehensive income that will be reclassified to profit or loss for the period, net of tax effects	**2,671,453**	**5,315,830**
Total comprehensive profit/(loss) for the period	**44,082,990**	**90,821,684**

5.3
STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (Amounts in Euro)	Note	31/12/2018 (A)	31/12/2017 (B)	CHANGE (A-B)
NON CURRENT ASSETS				
Intangible assets				
Intangible assets with finite useful lives	10	24,648	22,512	2,136
Goodwill	11	1,300,000	1,300,000	0
		1,324,648	1,322,512	2,136
Tangible assets				
Investment property	12	2,019,215,281	1,829,951,389	189,263,892
Building	13	7,887,472	8,130,978	(243,506)
Plants and machinery	14	82,150	79,119	3,031
Equipment and other assets	14	280,893	274,806	6,087
Improvement on leasehold assets	14	35,025	11,008	24,017
Asses under construction and deposits	15	26,284,555	29,076,179	(2,791,624)
		2,053,785,376	1,867,523,479	186,261,897
Other non-current assets				
Net deferred tax assets	16	5,191,614	5,992,107	(800,493)
Sundry receivables and other non-current assets	17	71,978	50,029	21,949
Equity investments	18	186,473,918	186,446,078	27,840
Non current financial assets	19	-	100,000	(100,000)
		191,737,510	192,588,214	(850,704)
TOTAL NON CURRENT ASSETS (A)		**2,246,847,534**	**2,061,434,205**	**185,413,329**
CURRENT ASSETS				
Trade and other receivables	20	8,022,046	7,017,607	1,004,439
Related parties trade and other receivables	21	1,439,057	1,644,663	(205,606)
Other crrent assets	22	4,277,082	2,814,785	1,462,297
Related parties other current assets	23	294,964	181,427	113,537
Related parties financial receivables and other current financial assets	24	98,767,426	90,529,742	8,237,684
Cash and cash equivalents	25	1,461,534	1,460,490	1,044
TOTAL CURRENT ASSETS (B)		**114,262,109**	**103,648,714**	**10,613,395**
TOTAL ASSETS (A+B)		**2,361,109,643**	**2,165,082,919**	**196,026,724**
NET EQUITY				
Share capital		749,738,139	599,760,278	149,977,861
Treasury shares held		(491,610)	(158,567)	(333,043)
Share premium reserve		31,504,094	29,971,151	1,532,943
Other reserves		415,171,690	389,470,199	25,701,491
Profits		58,425,167	103,773,553	(45,348,386)
TOTAL NET EQUITY ©	26	**1,254,347,480**	**1,122,816,614**	**131,530,866**
NON CURRENT LIABILITIES				
Derivative liabilities	41	17,110,619	20,362,400	(3,251,781)
Non current financial liabilities	27	821,817,423	900,174,780	(78,357,357)
Provisions for employees severance indemnities	28	1,584,248	1,602,347	(18,099)
General provisions	29	5,222,153	4,941,489	280,664
Sundry payables and other non-current liabilities	30	1,481,448	2,923,498	(1,442,050)
Related parties sundry payables and other non-current liabilities	30	11,892,499	11,891,499	1,000
TOTAL NON CURRENT LIABILITIES (D)		**859,108,390**	**941,896,013**	**(82,787,623)**
CURRENT LIABILITIES:				
Current financial liabilities	31	223,439,468	78,579,487	144,859,981
Related parties current financial liabilities	31	1,703,932	1,487,851	216,081
Trade and other payables	33	11,611,986	11,428,177	183,809
Related party trade and other payables	34	693,184	464,675	228,509
Tax liabilities	35	1,868,786	1,907,554	(38,768)
Other current liabilities	36	7,975,772	6,345,827	1,629,945
Related parties other current liabilities	37	360,645	156,721	203,924
TOTAL CURRENT LIABILITIES (E)		**247,653,773**	**100,370,292**	**147,283,481**
TOTAL LIABILITIES (F= D+E)		**1,106,762,163**	**1,042,266,305**	**64,495,858**
TOTAL NET EQUITY AND LIABILITIES (C+F)		**2,361,109,643**	**2,165,082,919**	**196,026,724**

5.4
STATEMENT OF CHANGES IN EQUITY

(Amounts in Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVE	PROFITS	NET EQUITY
Balance at 01/01/2017	**599,760,278**	**29,971,151**	**354,396,513**	**42,229,060**	**1,026,357,002**
Net profit for the period	0	0	0	85,368,139	85,368,139
Cash flow hedge derivatives	0	0	5,315,830	0	5,315,830
Other comprehensive income (loss)	0	0	137,715	0	137,715
Total comprehensive income (loss)	**0**	**0**	**5,453,545**	**85,368,139**	**90,821,684**
Other effects	0	0	0	191	191
Purchase of treasury shares	0	0	(158,567)	0	(158,567)
Merger by incorporation effect	0	0	23,978,777	18,404,580	42,383,357
Allocation of 2016 profit					
distributed dividend	0	0	(14,730,760)	(21,856,293)	(36,587,053)
to legal reserve	0	0			0
to other reserve	0	0	20,372,124	(20,372,124)	0
Balance at 31/12/2017	**599,760,278**	**29,971,151**	**389,311,632**	**103,773,553**	**1,122,816,614**

(Amounts in Euro)	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVE	GROUP'S PROFITS	GROUP'S NET EQUITY
Balance at 01/01/2018	**599,760,278**	**29,971,151**	**389,311,632**	**103,773,553**	**1,122,816,614**
FTA IFRS 9	0	0	(4,353,720)	0	(4,353,720)
Balance at 01/01/2018 post IFRS 9	**599,760,278**	**29,971,151**	**384,957,912**	**103,773,553**	**1,118,462,894**
Net profit for the period	0	0	0	41,242,164	41,242,164
Cash flow hedge derivative evaluation	0	0	2,671,453	0	2,671,453
Other comprehensive income (loss)	0	0	169,373	0	169,373
Total comprehensive income (loss)	**0**	**0**	**2,840,826**	**41,242,164**	**44,082,990**
Other effect	0	0	0	149	149
Share capital increase	149,977,861	0	0	0	149,977,861
Share capital increase costs	0	0	(4,172,048)	0	(4,172,048)
Sales of unexercised rights	0	1,532,943	0	0	1,532,943
(Purchase)/Sale of treasury shares	0	0	(366,358)	0	(366,358)
Allocation of 2017 profit					
Distributed dividends	0	0	0	(55,170,951)	(55,170,951)
to legal reserve	0	0	0	0	0
to other reserve	0	0	31,419,748	(31,419,748)	0
Balance at 31/12/2018	**749,738,139**	**31,504,094**	**414,680,080**	**58,425,167**	**1,254,347,480**

5.5 STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS (In Euro)	31/12/2018	31/12/2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Pre-tax profit	**41,689,623**	**85,535,025**
Adjustments to reconcile net profit for the period with cash flow generated (absorbed) by operating activities		
Financial charges/(income)	30,644,244	31,499,235
(amortizations and provisons)	693,226	792,531
Doubtful accounts	666,137	765,521
Impairment losses/(Reversals) on asset under construction and work in progress	189,526	23,498
Change in fair value - Increases/(decreases)	35,557,460	(34,252,378)
Acquisition net (revaluation)	(12,857,270)	0
Capital gain/losse from equity investments	80,777	50,000
CASH FLOW FROM OPERATING ACTIVITIES	**96,663,723**	**84,413,432**
Paid financial charges	(27,850,921)	(31,499,235)
Income taxes	(447,459)	(130,127)
CASH FLOW FROM OPERATING ACTIVITIES NET OF TAXES	**68,365,343**	**52,784,071**
Net change in current assets and liabilities with third parties	(3,023,895)	10,001,936
Net change in current assets and liabilities with related parties	577,177	(1,064,640)
Net change in non current assets and liabilities with third parties	(1,154,142)	(1,356,873)
Net change in non current assets and liabilties with related parties	1,000	(2,057,218)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**64,765,483**	**62,341,910**
(Investments) in fixed assets	(14,129,386)	(34,649,494)
Disposals of fixed assets	0	152,000
(Investments) in 4 business branches (*)	(104,639,872)	0
(Investment) in equity investments	0	0
CASH FLOW FROM INVESTING ACTIVITIES	**(118,769,258)**	**(34,497,494)**
Change in non current financial assets	(8,617)	0
Change in financial receivables and other current financial assets with related parties	(8,237,684)	(29,343,214)
Purchase of treasury shares	(366,356)	(158,566)
Capital increase net of costs	147,338,760	0
Dividend distribution	(55,170,952)	(36,587,053)
Change in current financial debt with third parties	10,500,334	(35,082,864)
Change in current financial debt with related parties	216,081	1,005,284
Change in non current financial debt with third parties	(39,623,895)	72,239,283
Change in non current financial debt due to derivatives	(642,852)	0
CASH FLOW FROM FINANCING ACTIVITIES	**54,004,819**	**(27,927,130)**
NET INCREASE (DECREASE) IN CASH BALANCE	**1,044**	**(82,714)**
CASH BALANCE AT THE BEGINNING OF THE YEAR	**1,460,490**	**1,125,370**
Cash from subsidiaries merger	**0**	**417,834**
CASH BALANCE AT THE END OF THE YEAR	**1,461,534**	**1,460,490**

(*) See the "Business combination" section for details of the acquisition of four businesses.

5.6
NOTES TO THE FINANCIAL STATEMENTS

1. General information

The draft separate financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2018 were approved and authorized for publication by the Board of Directors on 26 February 2019.

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. and is under the management and coordination of that company.

2. Summary of accounting standards

→ 2.1 Preparation criteria

Statement of compliance with International Accounting Standards

The separate financial statements for 2018 have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), that as of the reporting date had been endorsed following the procedure specified in Regulation (EC) 1606/2002. The IFRS have been applied consistently to all reporting periods presented.

Reporting formats

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

Changes in accounting standards

a) New accounting standards

The accounting standards used to prepare the financial statements are the same as those employed in the annual financial statements for the year ended 31 December 2017, with the exception of the following new standards and interpretations applicable from 1 January 2018:

- On 28 May 2014 the IASB published "IFRS 15 Revenue from Contracts with Customers," which along with further clarifications published on 12 April 2016, will supersede IAS 18 Revenue and IAS 11 Construction Contracts, as well as IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The standard establishes a new model of revenue recognition that will apply to all contracts with customers except those governed by other IAS/IFRS such as leases, insurance contracts and financial instruments. Its adoption has had no effect on the Company's financial statements;

- On 24 July 2014 the IASB published the final version of IFRS 9 Financial Instruments: Recognition and Measurement. This document presents the results of the IASB's project to replace IAS 39. The new standard is effective for financial periods beginning on or after 1 January 2018.
  It introduces new criteria for the classification and measurement of financial assets and liabilities. For financial assets, IFRS 9 uses a single approach based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets

themselves to determine how those assets are measured, replacing the many different rules in IAS 39. For financial liabilities, the main modification concerns the treatment of value fair changes of financial liabilities designated as at fair value through profit or loss, where such changes are caused by a variation in the issuer's creditworthiness. Finally, the standard introduces a new model of hedge accounting that revises the requirements of IAS 39, which were sometimes considered overly strict and not representative of a company's risk management strategies. The most important changes are as follows:

- expanded range of items that qualify for hedge accounting, including the risk components of non-financial items;
- changes in the way forward contracts and options are accounted for when they are in a hedge accounting relationship, in order to reduce profit/loss volatility;
- overhaul of the effectiveness test, replacing the current form based on the 80-125% threshold with the principle that an "economic relationship" must exist between the hedged item and hedging instrument; in addition, retrospective assessment of hedge effectiveness is no longer required.

Adoption of this standard has led to an 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 effective interest rate (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. The application of IFRS 9 has affected the value of certain financial liabilities (bond loans) that the company has renegotiated in recent years. Specifically, the impact at 1 January 2018 was to *(i)* increase the value of the €162 million bond loan maturing on 21 April 2022 by around €4.4 million; *(ii)* produce an equity reserve of the same amount; and *(iii)* decrease financial charges by around €4.4 million across the duration of that bond loan. In 2018 there was a positive impact on the income statement of approximately €960K.

- On 8 December 2016 the IASB published its "Annual Improvements to IFRSs: 2014-2016 Cycle," which amends some existing standards as part of the annual improvement process. The main improvements concern:

  - IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. This change is effective from 1 January 2018 and eliminates the short-term exemptions in paragraphs E3-E7 of Appendix E of IFRS 1, as they have now served their intended purpose.
  - IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the standard. The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements, except those in paragraphs B10-B16, apply to all of an entity's interests that are classified as held for sale, held for distribution, or discontinued operations in accordance with IFRS 5. This is effective from 1 January 2018.

  Adoption of these amendments has not affected the Company's consolidated financial statements.

- On 8 December 2016 the IASB published an amendment to IAS 40 Transfers of Investment Property. The changes clarify the conditions for transferring a property to or from investment property. Specifically, an entity shall reclassify a property to, or from, investment property only when there is evidence of a change in use. A change in use must relate to a specific event that has already occurred and cannot, therefore, be limited to a change in management's intentions. The modifications are effective from 1 January 2018. Adoption of these amendments has not affected the Company's consolidated financial statements.

b) Accounting standards, amendments, and interpretations not yet effective and not applied in advance

The table below reports the international accounting standards, or amendments to existing standards, that have been approved by the European Union but were not yet mandatory for financial periods beginning on 1 January 2018. The Company has not opted for early adoption.

SUBJECT	CONTENT
IFRS 16 Leases	On 13 January 2016 the IASB published IFRS 16 Leases, which supersedes IAS 17 Leasing and its interpretations. IFRS 16 eliminates the distinction between operating and finance leases in the lessee's financial statements; for all leases with a term of more than 12 months, the lessee is required to recognize a right-of-use asset and a liability representing its obligation to make lease payments. For the lessor, the distinction between operating and finance leases remains intact. IFRS 16 enhances disclosures for both lessors and lessees. It is effective from 1 January 2019. Early adoption is permitted, subject to early adoption of IFRS 15. For IGD, the new standard will mainly affect the accounting of operating leases. It is effective from 1 January 2019. The Company will use the simplified model for first-time adoption of IFRS 16, recognizing a right-of-use asset of an amount equal to the lease liability adjusted by any deferred or accrued income relating to the lease recognized in the statement of financial position immediately prior to the date of first application. The right-of-use asset will be recognized as investment property under property, plant and equipment; in accordance with IFRS 16 and IAS 40, its fair value will be appraised by independent experts at the close of every financial period. Changes in fair value will be recognized in a separate equity reserve during the transition to the new standard, and subsequently under "Fair value changes" in the income statement. At the reporting date, the Company has €3,325K in non-cancellable operating lease commitments for the rental of mall space at Fonti del Corallo shopping center. IGD expects to recognize a right-of-use asset to be classified under investment property of €20.29 million at 1 January 2019 and a lease liability of €21.80 million. The difference between the right-of-use asset and the lease liability, deriving from the measurement of assets on the basis of expected cash flows, will be recognized in a negative equity reserve amounting to €1.15 million. In accordance with IAS 40, at the close of every financial period the Company will adjust the right-of-use assets to their fair value as determined by independent appraisal. Cash flow from operating activities will increase by €3,325K in 2019, while cash flow from financing activities will decrease by €2,668K due to the repayment of principal under the lease arrangement.
Amendments to IFRS 9: Prepayment Features with Negative Compensation	The amendments to IFRS 9 are effective from 1 January 2019. They are not expected to influence the Company's income statement or statement of financial position.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	The amendments to IAS 28 are effective from 1 January 2019. They are not expected to influence the Company's income statement or statement of financial position.
IFRIC 23 Uncertainty over Income Tax Treatments	On 7 June 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments, with guidance on accounting for current and/or deferred tax assets and liabilities when there is uncertainty as to the application of tax laws. IFRIC 23 is effective for tax periods beginning on or after 1 January 2019. They are not expected to influence the Company's income statement or statement of financial position.

C) Accounting standards not yet endorsed by the European Union

As of the date these accounts were approved, the European Union had not yet completed the endorsement process necessary for adopting the following accounting standards and amendments:

ACCOUNTING STANDARD	EU ENDORSED	EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019
IFRS 17 Insurance Contracts	No	1 January 2021
Annual Improvements to IFRS Standards 2015-2017 Cycle	No	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	No	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	No	1 January 2020
Amendment to IFRS 3 Business Combinations	No	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	No	1 January 2020

→ 2.2 Intangible assets

Intangible assets are recognized at cost when it is likely that use of the asset will generate future economic benefits and when its cost can be reliably determined. Intangible assets acquired through business combinations are recognized at the market value defined as of the acquisition date, if that value can be reliably determined.
After their initial recognition, intangible assets are carried at cost. The useful life of intangibles can be either finite or indefinite. Intangible assets with indefinite useful lives are not amortized but are subject to impairment testing each year, or more frequently, whenever there is any indication of impairment. Further to such testing, if the recoverable value of an asset is less than its book value, the latter is reduced to recoverable value. This reduction constitutes an impairment loss, which is immediately posted to the income statement. An asset's recoverable value is the higher of its net sale value or value in use. Value in use is the present value of expected cash flows generated by the asset. In order to assess losses in value, assets are aggregated to the lowest cash generating unit, i.e. the lowest level for which independent cash flows can be separately identified. In the case of an indicator implying recovery of the value lost, the asset's recoverable value is re-determined and the book value is increased to that new value. However, the increase in book value can never exceed the net book value that the fixed asset would have had if no impairment had occurred.

→ 2.3 Business combinations and goodwill

Business combinations are accounted for using the purchase method. This requires the recognition at market value of the identifiable assets (including intangible assets previously not recognized) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the entity acquired. Transaction costs are recognized as soon as they are incurred.
Goodwill acquired in a business combination, which in the separate financial statements is incorporated into the value of the investment acquired, is calculated as the excess of the total consideration transferred, minority interests in net equity and the fair value of any previously held interest in the company over the acquisition-date fair value of the net assets acquired and the liabilities assumed. If the acquisition-date fair value of the net assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, minority interests in net equity and the fair value of any previously held interest in the acquiree, the excess is recognized immediately as income arising from the transaction.
Minority interests in net equity, as of the acquisition date, can be measured at fair value or as a pro-quota proportion of the value of the net assets recognized for the acquiree. This choice is made on a case-by-case basis.
Any contingent consideration provided for in the acquisition agreement is measured at its acquisition-date fair value, and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Subsequent changes in fair value that qualify as adjustments arising during the measurement period are included in goodwill retrospectively. Such changes are those caused by additional information, obtained during the measurement period (not to exceed one year from the business combination), regarding facts and circumstances that existed on the acquisition date.
In the case of business combinations achieved in stages, the interest previously held by the Group is remeasured at fair value as of the date control is acquired, and any resulting gain or loss is recognized in the income statement. Any amounts deriving from the previously held interest and reported in other comprehensive income or losses are reclassified to profit or loss as if the interest had been sold.
If the initial values of a business combination are incomplete at the end of the financial period in which it occurred, in the financial statements the Company uses provisional amounts for those elements that cannot be measured in full. The provisional amounts are adjusted during the measurement period to take account of new information on facts and circumstances existing on the acquisition date which, if known, would have affected the acquisition-date value of the assets and liabilities recognized.
Business combinations occurring before 1 January 2010 are reported according to the previous version of IFRS 3.
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the acquirer's individual cash generating units or to the groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IFRS 8 - Segment Reporting;
- when goodwill is part of a cash generating unit or group of cash generating units and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill transferred under these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

If the disposal concerns a subsidiary, the difference between the sale price and net assets plus accumulated translation differences and goodwill is recognized in profit or loss.
After first-time recognition, goodwill is decreased by accumulated impairment losses, determined as described below.
The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment. If the amount recoverable by the cash generating unit is lower than the carrying value attributed, then an impairment loss is recognized. Impairment losses on goodwill cannot be reversed in subsequent years. The Company tests goodwill for impairment at 31 December of each year.

→ 2.4 Investment property and assets under construction

Investment property is real estate held in order to earn rent while appreciating in value over time.
Investment property is initially recognized at cost, including transaction expenses (as well as borrowing costs, where applicable), and is subsequently measured at fair value with changes reported in the income statement.
Any work on the properties is added to their carrying value only if it is likely to produce future economic benefits and if the cost can be reliably determined. Other maintenance and repair costs are recognized in the income statement when incurred.
The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure.
The market value of properties includes the value of their plant and machinery, as well as goodwill acquired.
Investment property is derecognized on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses from the withdrawal or disposal of investment property are recognized to profit or loss in the period in which the withdrawal or disposal takes place.
Assets under construction, consisting of deposits and advance payments, are valued at cost. For land and accessory works on which investment property will be developed, once the building permits are obtained and/or the urban planning agreements signed, and once the procedure for obtaining administrative permits is completed and construction is underway, fair value can be reliably determined and the fair value method is therefore used. Until that time, the asset is recognized at cost, which is compared with recoverable amount at each reporting date in order to determine any loss in value. When construction or development of an investment property is completed, it is restated to “investment property”.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of investment property in accordance with IFRS 13 must reflect, among other things, rental income from current leases and other reasonable and supportable assumptions that market participants would use when pricing the asset under current market conditions.
As stated in paragraph 27 of IFRS 13, a fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:
- a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
- a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property);
- a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Highest and best use is determined from the perspective of market participants. An entity’s current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.
According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year’s rental income at an applicable market rate of return for similar investments.
The specific valuation policies used, as certified in the appraisal report, were as follows:

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

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

→ 2.5 IAS 23 - Borrowing costs

Borrowing costs directly attributable to the purchase and construction of investment property relating to both new constructions and extensions, are added to the carrying value of the property in question. Interest is capitalized provided that the augmented carrying amount of the asset does not increase beyond market value. The Company has not capitalized financial charges.

→ 2.6 Plant, machinery and equipment

Plant, machinery and equipment that are owned by IGD and are not attributable to investment property are recognized at cost, less commercial discounts and rebates, considering directly attributable expenses as well as an initial estimate of the cost of dismantling and removing the asset and restoring the site where it was located. Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs (including financial expenses directly attributable to the purchase, construction or production of the asset) are recognized to profit or loss when incurred. The capitalized charge is recognized to profit and loss throughout the useful life of the tangible asset by means of depreciation. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

CATEGORY	RATE
Wiring, sprinkler system, compressed air	10 %
HVAC system	15 %
Fittings	20 %
Plant management computer	20 %
Special communication systems – telephone	25 %
Special plant	25 %
Alarm/security system	30 %
Sundry equipment	15 %
Office furnishings	12 %
Cash registers and EDP machines	20 %
Personal computers and accessories	40 %

An asset is subject to impairment testing whenever events or changes in circumstances indicate that its carrying value cannot be fully recovered. If the carrying value exceeds the recoverable amount, the asset is written down to reflect the impairment. An asset's recoverable value is the higher of its net sale value or value in use.
In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. Impairment is charged to the income statement as depreciation. Impairment is reversed if the reasons cease to apply.
When an asset is sold or when its use is no longer expected to produce future economic benefits, it is derecognized and any loss or gain (calculated as the difference between the sale value and carrying value) is taken to profit or loss the year the asset is eliminated.

→ 2.7 Leasing

Goods held under finance leases, in which the Company assumes all of the risks and benefits of ownership, are capitalized from the inception of the lease at the fair value of the leased good or, if lower, at the present value of the minimum lease payments, including the price of the redemption option. The liability is recognized under financial payables. Leasing installments are divided into principal and interest so as to obtain a constant interest rate applicable to the remaining principal due. The financial charges are recognized to profit and loss.
Leased investment property is recognized at market value, on the same basis as investment property owned by IGD.

→ 2.8 Equity investments

Equity investments in subsidiaries and associates are recognized at cost less any impairment. The positive difference, at the time of the acquisition, between the purchase cost and IGD's share of net equity at present values is therefore included in the carrying value of the investment.
Should IGD's share of the acquiree's losses exceed the carrying value of the investment, the investment is written off, and the Company's share of further losses is recognized as a liability provision if IGD is liable for this.

→ 2.9 Other non-current assets

Other non-current assets consist of deferred tax assets, financial assets relating to derivatives, and miscellaneous. Receivables and other financial assets other than derivatives, to be held until maturity, are recognized at cost which corresponds to the fair value of the initial consideration paid plus transaction costs. The initial value recognized is subsequently adjusted to take account of the reimbursement of principal, any impairment losses, and amortization of the difference between the redemption value and the initial carrying value. Amortization is charged at the effective interest rate, corresponding to the rate which, upon first-time recognition, makes the present value of projected cash flows equal to the initial carrying amount (amortized cost method).

→ 2.10 Trade and other receivables

Receivables are shown at fair value, which coincides with their face value less any impairment. For trade receivables, an impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the Company will not be able to recover all amounts due under the original terms and conditions. The carrying amount of the receivable is reduced by means of a separate provision. Impaired receivables are written off when they are found to be irrecoverable.

→ 2.11 Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at face value or amortized cost.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity of no more than three months.

→ 2.12 Financial receivables and other current financial assets

These consist mainly of financial assets held to maturity. This category includes financial assets with fixed or determinate payments and a set maturity, that the company plans and is able to hold until that time. They are initially valued at cost, and subsequently at amortized cost.

→ 2.13 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. Any gains or losses generated by their subsequent sale are recognized in equity.

→ 2.14 Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.
They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

→ 2.15 General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated.
The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

→ 2.16 Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to the statement of comprehensive income under "other comprehensive income". The Company does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Company does not offer employee incentive plans in the form of share participation instruments.

→ 2.17 Revenue

Revenue is recognized to the extent the Company is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the market value of the consideration received, excluding discounts, rebates and taxes. The following recognition criteria must always be satisfied before revenue is posted to the income statement.

- **Rent and business lease revenue**
  Rental income and business lease revenue from the Company's freehold and leasehold properties is recorded on an accruals basis, according to the rental and leasing contracts in force.
- **Service income**
  Service income is recorded with reference to the state of completion of the transaction and only when the outcome of the service can be reliably estimated.

→ 2.18 Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

→ 2.19 Dividends

Dividends are recognized when the Company is entitled to their receipt.

→ 2.20 Income taxes

a) Current taxes
Current tax liabilities for the 2018 and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date.
Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes
Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial

recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse.
Income taxes relating to items that are credited or charged directly to equity are also charged or credited directly to equity and not to profit or loss.

→ 2.21 Derecognition of financial assets and financial liabilities

a) Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Company's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that IGD could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged.
Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

→ 2.22 Derivative financial instruments

The Company holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities.
In accordance with IFRS 9, derivative financial instruments used for hedging qualify for hedge accounting only if:

a) at the inception of the hedge there is formal designation and documentation of the hedging relationship;
b) the hedge is expected to be highly effective;
c) the effectiveness of the hedge can be reliably measured;
d) the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value.
When the financial instruments qualify for hedge accounting, the following rules apply:
Fair value hedge - If a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in profit or loss. The part of the gain or loss from remeasuring the hedged item at fair value that is attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.
Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable, the effective portion of the gain or loss from remeasuring the instrument at fair value is recognized in a separate equity reserve. The cumulative gain or loss is reversed from the equity reserve and transferred to profit or loss the same year that the effects of the hedged transaction are recognized in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. If a hedging instrument is closed but the hedged transaction has not yet taken place, the cumulative gains and losses remain in the equity reserve and are restated to profit or loss when the transaction is realized or when a loss in value occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized in the equity reserve are immediately reclassified to profit or loss.
If hedge accounting does not apply, the gains or losses arising from measurement at fair value of the derivative financial instrument are recognized directly to profit or loss.

→ 2.23 SIIQ status

A company with SIIQ (Società di Investimento Immobiliare Quotata) status, applicable to IGD since 1 January 2008, can exclude rental income and the equivalent for the purposes of IRES (corporate income tax) and IRAP (regional business tax) (see also section 2.8 of the Directors' report).

At 31 December 2018, as at the end of previous years, IGD satisfied both the "asset test" and the "profit test" required to retain SIIQ status.
In accordance with the SIIQ rules, the company does maintain marginal operations other than property rental and the equivalent ("taxable operations").
Therefore, income from taxable operations has been subject to the standard rules of computation, while the SIIQ rules have been followed for income from exempt operations.
To determine the results of separate operations, subject to different accounting and tax treatment in accordance with paragraph 121 of Law 296/06, IGD SIIQ S.p.A. has kept separate accounts for exempt rental operations and taxable marginal operations.
Income from exempt operations therefore include revenue and costs typical of the property rental business, as well as those typical of operations considered to be equivalent.
Likewise, revenue and costs stemming from the company's remaining activities have been allocated to taxable operations.
Due to changes to the SIIQ rules introduced by Law 164 of 11 November 2014 *("Conversion into law, with amendments, of Decree 133 of 12 September 2014")*, **capital gains and losses** on **rental properties** (whether realized or implicit in fair value measurements) are also included in exempt operations.
In accordance with paragraph 121 of Law 296/06 and with the clarifications contained in Revenue Office Circular 8/E of 7 February 2008, general, administrative and financial costs that cannot be directly attributed to exempt or taxable operations or allocated on the basis of objective parameters have been split according to the ratio of exempt revenue/income/dividends to total revenue/income/dividends.
As for properties (owned or held on the basis of other corporeal rights) forming part of rental package deals, the accurate and objective determination of the portion of fees pertaining to the real estate component has been ensured by making the exempt/taxable allocation on the basis of an expert appraisal to quantify the fair value of fees at each property that pertain to rent.
Likewise, the costs common to package deals as a whole (such as shopping center promotion and advertising costs) have been allocated to exempt and taxable operations in the same proportions used for rent. In this specific case, such a policy was thought to be more reliable and objective than an allocation based on the company's total revenue. Since these costs relate directly to the package deals and not to IGD's operations as a whole, their correlation with contractual fees is immediate and objective.

The tables below show the breakdown of profit into exempt and taxable income, as well as the calculations made to verify satisfaction of the asset test and profit test of the property rental and equivalent businesses (also see Section 2.8 of the Directors' Report):

INCOME STATEMENT OF TAXABLE AND EXEMPT INCOME (Amounts in Euro)	31/12/2018 TOTAL	31/12/2018 EXEMPT INCOME	31/12/2018 TAXABLE INCOME
Total revenues and operating income	**124,888,689**	**116,448,540**	**8,440,149**
Total operating costs	**(27,374,014)**	**(23,303,043)**	**(4,070,971)**
(amortization and provisions)	(1,359,363)	(1,289,906)	(69,457)
(Impairment losses)/Reversals on work in progress	(189,526)	(189,526)	0
Change in fair value - Increases/(decreases)	(22,700,190)	(22,700,190)	0
EBIT	**73,265,596**	**68,965,875**	**4,299,721**
Investment management results	**(76,738)**	**0**	**(76,738)**
Financial income	197,947	16,060	181,887
Financial charges	(31,697,182)	(30,031,120)	(1,666,062)
Financial management results	**(31,499,235)**	**(30,015,060)**	**(1,484,177)**
PRE-TAX PROFIT	**41,689,623**	**38,950,815**	**2,738,809**
Income taxes for the period	447,459	0	447,459
NET PROFIT FOR THE PERIOD	**41,242,164**	**38,950,815**	**2,291,349**

CONFIRMATION OF THE ECONOMIC CONDITIONS	31/12/2018
Rental and equivalent income (exempt income) (A)	116,448,541
Capital gains	21,335,909
Total A	137,784,450
Positive components (B)	125,090,675
Capital gains	21,335,909
Total (B)	146,426,584
Income ratio (A/B)	**94.10%**

CONFIRMATION OF FINANCIAL CONDITIONS	31/12/2018
Rental properties	2,019,215,281
Properties under construction	26,284,555
Total rental properties and properties under construction (A)	**2,045,499,836**
TOTAL ASSETS (B)	**2,361,109,643**
Elements excluded from the ratio (C):	**(123,965,635)**
Cash and cash equivalents	(1,461,534)
Group companies loans	(98,767,426)
Trade receivables	(9,461,103)
IGD SIIQ Headquarters	(7,887,472)
Derivative assets	(0)
Deferred tax assets	(5,191,614)
Tax credits	(1,196,486)
Total adjusted assets B-C=D	**2,237,144,008**
FINANCIAL RATION A/D	**91.43%**

3. Use of estimates

The preparation of the separate financial statements and notes in accordance with IFRS requires Management to follow accounting policies and methods that in some cases depend on difficult subjective quantifications and estimates based on past experience, and assumptions that are considered reasonable and realistic on a case-by-case basis. These affect the carrying values of assets and liabilities and disclosures of contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.
The critical valuation processes and key assumptions used by management in the process of applying IFRS that may significantly impact the amounts presented in the financial statements or that may in the future lead to material differences with respect to the carrying amount of assets and liabilities are summarized below.

→ Investment property

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms selected on the basis of the following criteria: *(i)* recognized European-level qualifications, *(ii)* specialized expertise in the retail segment, and *(iii)* reputability and independence. The selection of the independent appraisers is by resolution of the Board of Directors. In line with recommendations from the supervisory authorities and the various industry best practices, the company has long followed a specific procedure that governs the selection rules for independent appraisers and the handling of information flows used in the process of assessing the properties' fair value.

To appraise the real estate portfolio at 31 December 2018, the following independent firms were selected: *(i)* CBRE Valuation S.p.A., *(ii)* Duff&Phelps Reag S.p.A. (formerly Real Estate Advisory Group S.p.A.), *(iii)* Cushman & Wakefield LLP and *(iv)* Jones Lang LaSalle S.p.A. Given their specialized expertise in the retail segment, IGD believes that the findings and assumptions used by the independent appraisers are representative of the market.

The properties in the portfolio are appraised individually, using for each one the appraisal techniques specified below in accordance with IFRS 13.

According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.

The appraisal methods used, as specified in the individual certificates, are as follows:

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

With the DCF method, the market value of an investment property is the sum of the present values of the net cash flows it will generate for a number of years depending on the duration of the outstanding contracts. During the period, when the contracts expire, the rent used to compute revenue is replaced with the estimated rental value (ERV) determined by the appraiser, taking account of the contractual rent received, so that in the final year of the DCF revenue consists entirely of ERV. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.

With the transformation method, the market value of a property in the planning or construction phase is calculated by discounting the future income from renting the property, net of construction and other costs to be incurred, for a number of years depending on the duration of plans. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.

In both methods based on the discounting of future income, the key elements are:

1) the amount of net cash flow:
   a. for finished properties: rent received less property costs
   b. for construction in progress: estimated future rent less construction costs and property costs
2) the distribution of cash flows over time:
   a. for finished properties: generally even distribution over time
   b. for construction in progress: construction costs come before future rental income
3) the discount rate
4) the gross cap out rate.

In appraising the different types of properties in the real estate portfolio, the independent experts base their considerations primarily on:

1. information received from IGD SIIQ, as follows:
   (i) for finished properties: data on the rental status of each unit in each shopping center, as specified in the Company's internal procedure; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs;
   (ii) for construction in progress: 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;
2. assumptions used by the independent appraisers, such as inflation, discount rates, cap out rates and ERVs, determined through their own professional judgment upon careful observation of the market. 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 provided by IGD to the independent appraisers and the latters' assumptions and appraisal methods are approved by the head of Real Estate Development and Management, who is responsible for organizing and coordinating the appraisal and for monitoring and verifying results before they are incorporated into the financial statements. The entire process is governed in detail by IGD SIIQ's internal procedure.

Disclosures on the fair value hierarchy 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.

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

The following table shows IGD SIIQ investment property by type, measured at fair value at 31 December 2018. It does not include construction in progress (Porto Grande expansion, listed with assets under construction), which is measured at the lower of cost and appraised market value as opposed to fair value.

FAIR VALUE MEASUREMENTS AT 31 DECEMBER 2018 (in EUR)	QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES (LEVEL 1)	SIGNIFICANT INPUTS OBSERVABLE IN THE MARKET (LEVEL 2)	SIGNIFICANT INPUTS NOT OBSERVABLE IN THE MARKET (LEVEL 3)
Investment property Italy:			
Shopping malls			585,634,016
Hypermarkets and supermarkets			1,417,801,795
Residual portions of property			15,779,470
Total investment property Italy			**2,019,215,281**
Total development initiatives			
Total IGD investment property measured at fair value			**2,019,215,281**

See chapter 4, section 3 ("Use of estimates") for further information.

→ Recoverable amount of goodwill

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

→ Recoverability of deferred tax assets

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

→ Fair value of derivative instruments

The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates, also with support from external consultants. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

→ Variable revenue

Variable revenue at 31 December is determined on the basis of annual earnings reports from the individual tenants, if available, and otherwise on the basis of monthly reports.

→ Provision for doubtful accounts

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

→ Contingent liabilities

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

4. Segment reporting

The income statement is broken down below by business segment, in accordance with IFRS 8.

INCOME STATEMENT	CORE BUSINESS PROPERTIES		SERVICES		SHARED		TOTAL	
	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Revenue and other income	**123,784,199**	**111,579,300**	**1,104,490**	**1,020,002**			**124,888,689**	**112,599,302**
Direct costs (a) (excluding provisions for doubtful accounts	17,168,548	16,602,247	28,895	131,980			17,197,443	16,734,227
G&A expenses (b)	0	0	0	0	10,176,571	10,097,826	10,176,571	10,097,826
Total operating costs (a)+(b)	**17,168,548**	**16,602,247**	**28,895**	**131,980**	**10,176,571**	**10,097,826**	**27,374,014**	**26,832,053**
(Depreciation, amortizations)	(1,041,527)	(1,300,644)	0	0	(317,836)	(257,408)	(1,359,363)	(1,558,052)
(Impairment losses)/reversals on work in progress and inventories	0	(23,498)	0	0	0	0	0	(23,498)
Change in fair value - Increases/(decreases)	(22,889,716)	34,252,378	0	0	0	0	(22,889,716)	34,252,378
Total depreciation, amortization, provisions, impairment and fair value changes	**(23,931,243)**	**32,928,236**	**0**	**0**	**(317,836)**	**(257,408)**	**(24,249,079)**	**32,670,828**
EBIT	**82,684,408**	**127,905,289**	**1,075,595**	**888,022**	**(10,494,407)**	**(10,355,234)**	**73,265,596**	**118,438,077**
Income/(loss) from equity investments and property sales	**0**	**0**	**0**	**0**	**(76,738)**	**(45,961)**	**(76,738)**	**(45,961)**
Financial income:	**0**	**0**	**0**	**0**	**197,947**	**192,497**	**197,947**	**192,497**
-third parties	0	0	0	0	21,917	33,423	21,917	33,423
- related parties	0	0	0	0	176,030	159,074	176,030	159,074
Financial charges:	**0**	**0**	**0**	**0**	**31,697,182**	**33,049,588**	**31,697,182**	**33,049,588**
- third parties	0	0	0	0	31,659,035	33,035,281	31,659,035	33,035,281
- related parties	0	0	0	0	38,147	14,307	38,147	14,307
Net financial income	**0**	**0**	**0**	**0**	**(31,499,235)**	**(32,857,091)**	**(31,499,235)**	**(32,857,091)**
PRE-TAX PROFIT	**82,684,408**	**127,905,289**	**1,075,595**	**888,022**	**(42,070,380)**	**(43,258,286)**	**41,689,623**	**85,535,025**
Income taxes	0	0	0	0	447,459	166,886	447,459	166,886
NET PROFIT	**82,684,408**	**127,905,289**	**1,075,595**	**888,022**	**(42,517,839)**	**(43,425,172)**	**41,242,164**	**85,368,139**

Notes to the financial statements

→ Business combination: acquisition of four businesses

On 18 April 2018, further to the preliminary agreement reached and announced on 15 December 2017, IGD and a group company held by Eurocommercial Properties N.V. signed the definitive contract for the acquisition of four shopping centers and a retail park in Northern Italy (Leonardo shopping center in Imola, Lame shopping center in Bologna, La Favorita shopping center and retail park in Mantua, and CentroLuna in Sarzana). The purchase, including ancillary expenses, was financed as follows: *(i)* €104,639,872 with proceeds from the capital increase concluded in April 2018; *(ii)* €88,541,667 by taking over five loan agreements.
A comparison between the carrying value and fair value (expressed in accordance with IAS/IFRS for assets and liabilities included with the four businesses as of the acquisition date) is reported below:

VALUES OF THE 4 BUSINESS BRANCHES ACQUIRED (Amounts in Euro)		BOOK VALUE	FAIR VALUE
Investment property		187,000,000	208,335,909
TOTAL NON CURRENT ASSETS		***187,000,000***	***208,335,909***
CURRENT ASSETS			
Trade receivables		911,666	911,666
Other current assets		558,132	558,132
TOTAL CURRENT ASSETS		***1,469,798***	***1,469,798***
TOTAL ASSETS		**188,469,798**	**209,805,707**
NON CURRENT LIABILITIES			
Non current financial liabilities		79,333,333	79,333,333
Sundry payables and other non current liabilities		683,621	683,621
TOTAL NON CURRENT LIABILITIES		***80,016,954***	***80,016,954***
CURRENT LIABILITIES			
Current financial liabilities		9,208,334	9,208,334
Other current liabilities		3,083,277	3,083,277
TOTAL CURRENT LIABILITIES		***12,291,611***	***12,291,611***
TOTAL LIABILITIES		**92,308,565**	**92,308,565**
Net assets acquired	**(a)**	**96,161,233**	**117,497,142**
Business branch acquisition price	**(b)**		**96,161,233**
Negative goodwill (profit)	**(b-a)**		**21,335,909**
Ancillary costs to the acquistion			**-8,478,639**
Net impact on income statement			**12,857,270**

The net positive impact on profit and loss has been recognized in the consolidated financial statements under "Fair value changes - increases/(decreases)."
The price of the four businesses was €195,478K, including transaction costs; net of their current assets and current/non-current liabilities, the total amount paid, including transaction costs, came to €104,640K. That amount is reported on a separate line in the statement of cash flows.
As a result of the acquisition, revenue in 2018 increased by €9.4 million. If the Company had finalized the transaction on 1 January 2018, the increase in revenue for the of the year would have been approximately €13.4 million.

The acquisition has had an impact on numerous financial statement items and is the transaction in question whenever the notes refer to "the acquisition" to better explain and/or compare various figures.

Note 1) Revenue

		31/12/2018	31/12/2017	CHANGE
Freehold hypermarkets - lease and business rents to related parties	**a.1**	**38,292,670**	**38,315,383**	**(22,713)**
Freehold supermarkets - lease and business rents to related parties	**a.2**	**1,719,155**	**1,703,257**	**15,898**
TOTAL HYPERMARKETS/SUPERMARKETS	**a**	**40,011,825**	**40,018,640**	**(6,815)**
Freehold malls, offices and city center	**b.1**	**77,675,690**	**65,657,062**	**12,018,628**
Rents		**9,045,572**	**7,632,491**	**1,413,081**
to related parties		4,565,460	4,104,756	460,704
to third parties		4,480,112	3,527,735	952,377
Business leases		**68,630,118**	**58,024,571**	**10,605,547**
to related parties		916,825	762,148	154,677
to third parties		67,713,293	57,262,423	10,450,870
Leasehold malls	**b.2**	**3,249,845**	**3,441,577**	**(191,732)**
Rents		**197,039**	**192,475**	**4,564**
to related parties		31,820	31,552	268
to third parties		165,219	160,923	4,296
Business leases		**3,052,806**	**3,249,102**	**(196,296)**
to related parties		55,942	46,502	9,440
to third parties		2,996,864	3,202,600	(205,736)
Other contracts and temporary rent revenues	**b.3**	**2,806,141**	**2,462,021**	**344,120**
Other contracts and temporary rent revenues		2,785,034	2,462,021	323,013
Related parties other contracts and temporary rent revenues		21,107	0	21,107
TOTAL MALLS	**b**	**83,731,676**	**71,560,660**	**12,171,016**
GRAND TOTAL	**a+b**	**123,743,501**	**111,579,300**	**12,164,201**
of which related parties		45,602,979	44,963,597	639,382
of which third parties		78,140,522	66,615,703	11,524,819

Rent and business lease revenue increased since the previous year (+€12,164,201). The acquisition led to a rise in both rent and business lease revenue, as from 19 April 2018, by a total of €9.4 million. Revenue was also boosted by the full-year contribution of business lease income from the expanded Esp shopping center, amounting to about €4 million.

Note 2) Other income

	31/12/2018	31/12/2017	VARIAZIONE
Various refunds	150	450	(300)
Contigent assets/(liabilities)	405	(804)	1,209
Portfolio management and rent management revenues	339,847	188,829	151,018
Pilotage and construction revenues	186,275	455,213	(268,938)
Other revenues	20,505	8,321	12,184
Other revenues from third parties	**547,182**	**652,009**	**(104,827)**
Reltaed parties various refunds	41,792	41,148	644
Related parties pilotage and construction revenues	133,520	198	133,322
Related parties portfolio management and rent management revenues	71,694	35,647	36,047
Related partied administrative services	351,000	291,000	60,000
Other income from related parties	**598,006**	**367,993**	**230,013**
Other income	**1,145,188**	**1,020,002**	**125,186**

Other income increased by €125,186, the result of two opposite-sign trends. Other income from third parties decreased by €104,827, primarily reflecting pilotage fees which were especially high in 2017 due to the opening of the newly expended Esp center, as partially offset by an increase in facility management income thanks to the full-year contribution of the contracts at the Poseidon shopping center in Carini (outside Palermo) and Le Bolle shopping center in Eboli (near Salerno). On the other hand, income from related parties increased by €230,013, again reflecting pilotage fees thanks to a contract signed in January 2018 with Coop Alleanza 3.0 that in addition to pilotage entails the handling of maintenance and surveillance.

Note 3) Service costs

	31/12/2018	31/12/2017	CHNAGE
Third party service costs	**10,442,195**	**10,596,014**	**(153,819)**
Rents and payable leases	3,474,218	3,468,814	5,404
Promotional and advertising expenses	397,199	406,552	(9,353)
Facility management costs due to vacancy	555,949	697,656	(141,707)
Facility management costs due to cap on tenant' expenses	1,519,239	1,323,079	196,160
Insurance	719,073	567,385	151,688
Professional fees	78,743	123,891	(45,148)
Directors and Statutory auditors fees	726,639	700,148	26,491
External auditors fees	159,291	159,951	(660)
Investor Relations, Consob, Monte Titoli fees	435,935	406,710	29,225
Shopping center pilotage and construction costs	19,784	369,400	(349,616)
Consulting	659,243	564,987	94,256
Fees for appraisals	350,050	313,000	37,050
Maintenance and repairs	338,935	347,407	(8,472)
Other service costs	1,007,897	1,147,034	(139,137)
Related parties service costs	**2,779,392**	**2,641,623**	**137,769**
Rents and payable leases	2,400	2,400	0
Promotional and advertising expenses	0	50,000	(50,000)
Service	325,976	306,236	19,740
Facility management costs due to vacancy	623,814	647,846	(24,032)
Facility management costs due to cap on tenant' expenses	1,601,137	1,414,672	186,465
Insurance	71,224	68,161	3,063
Directors and Statutory auditors fees	151,341	152,308	(967)
Other service costs	3,500	0	3,500
Service costs	**13,221,587**	**13,237,637**	**(16,050)**

Service costs were essentially in line with the previous year. Service costs paid to third parties decreased by €153,819, mainly with respect to pilotage costs, which were especially high in 2017 due to the opening of the expanded Esp center. Rent paid refers mainly to the Fonti del Corallo mall in Livorno, rented since 2014 from BNP Paribas Real Estate Investment Management Italy SGR S.p.A., under a 24-year lease ending on 25 February 2038 (with an early withdrawal option at the halfway mark on 25 February 2026) that will automatically renew upon expiration

for another six years (until 25 February 2044). Rent is set at €3,325,000 for six years and will then be adjusted by 100% of the ISTAT index.
With related parties, service costs increased by €137,769 due primarily to management fees for the new malls acquired in April 2018.
The following table provides details of directors' and statutory auditors' fees for their work at the company. The fees indicated refer to compensation for 2018.

DIRECTORS AND STATUTORY AUDITORS	TITLE	DATES IN OFFICE	END OF TERM	FEES
BOARD OF DIRECTORS				
Gilberto Coffari	Chairman	01/01/18-01/06/18		6,826
Elio Gasperoni	Chairman	01/01/18-31/12/18	2020 FY Approval	75,000
	Director	01/01/18-01/06/18		6,826
	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Fernando Pellegrini	Director	01/01/18-01/06/18		6,826
	Vice Chairman	01/01/18-01/06/18		20,685
Claudio Albertini	Director	01/01/18-01/06/18		6,826
	Director	01/06/18-31/12/18	2020 FY Approval	11,726
	Chief Exectuvie Officer	01/01/18-06/06/18		103,425
	Chief Executive Offices	06/06/18-31/12/18	2020 FY Approval	171,826
Leonardo Caporioni	Director	01/01/18-01/06/18		6,826
Aristide Canosani	Director	01/01/18-01/06/18		6,826
Andrea Parenti	Director	01/01/18-01/06/18		6,826
Elisabetta Gualandri	Director	01/01/18-01/06/18		6,826
	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Livia Salvini	Director	01/01/18-01/06/18		6,826
	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Milva Carletti	Director	01/01/18-01/06/18		6,826
Rossella Saoncella	Director	01/01/18-01/06/18		6,826
	Director	01/06/18-31/12/18	2020 FY Approval	11,726
	Vice Chairman	06/06/18-31/12/18	2020 FY Approval	14,315
Luca Dondi Dall'Orologio	Director	01/01/18-01/06/18		6,826
	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Matteo Cidonio	Director	01/01/18-01/06/18		6,826
Gian Maria Menabò	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Alessia Savino	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Sergio Lugaresi	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Eric Jean Véron	Director	01/06/18-31/12/18	2020 FY Approval	11,726
Timothy Guy Michele Santini	Director	01/06/18-31/12/18	2020 FY Approval	11,726
BOARD OF STATUTORY AUDITORS				
Anna Maria Allievi	Chairman	01/01/18-01/06/18		10,312
	Chairman	01/06/18-31/12/18	2020 FY Approval	17,589
Roberto Chiusoli	Standing auditor	01/01/18-01/06/18		6,826
	Standing auditor	01/06/18-31/12/18	2020 FY Approval	11,726
Daniela Preite	Standing auditor	01/06/18-31/12/18	2020 FY Approval	11,726
Pasquina Corsi	Standing auditor	01/01/18-01/06/18		6,826

COMMITTES	TITLE	DATES IN OFFICE	END OF TERM	FEES
CONTROL AND RISK COMMITTEE				
Elisabetta Gualandri	Director (Chairman)	01/01/18-31/12/18	when no longer Director	12,000
Livia Salvini	Director	01/01/18-01/06/18	when no longer Director	3,351
Rossella Saoncella	Director	01/01/18-01/06/18	when no longer Director	3,351
Luca Dondi Dall'Orologio	Director	06/06/18-31/12/18	when no longer Director	4,581
Sergio Lugaresi	Director	06/06/18-31/12/18	when no longer Director	4,581
COMPLIANCE COMMITTEE				
Fabio Carpanelli	Exernal (Chairman)	01/01/18-01/06/18	2017 fy Approval	4,997
Riccardo Sabadini	External	01/01/18-01/06/18	2017 fy Approval	3,351
Gilberto Coffari	Exernal (Chairman)	06/06/18-31/12/18	2020 FY Approval	6,871
Alessandra De Martino	External	01/01/18-31/12/18	2020 FY Approval	8,000
Paolo Maestri	External	06/06/18-31/12/18	2020 FY Approval	4,581
NOMINATIONS AND COMPENSATION COMMITTEE				
Andrea Parenti	Director (Chairman)	01/01/18-01/06/18	when no longer Director	2,250
Milva Carletti	Director	01/01/18-01/06/18	when no longer Director	2,250
Elisabetta Gualandri	Director	01/01/18-01/06/18	when no longer Director	2,250
Livia Salvini	Director	06/06/18-31/12/18	when no longer Director	2,250
Rossella Saoncella	Director (Chairman)	06/06/18-31/12/18	when no longer Director	2,250
Timothy Guy Michele Santini	Director	06/06/18-31/12/18	when no longer Director	2,250
RELATED PARTIES COMMITTEE				
Livia Salvini	Director	06/06/18-31/12/18	when no longer Director	3,000
Luca Dondi Dall'Orologio	Director	06/06/18-31/12/18	when no longer Director	3,750
Eric Jean Veron	Director	06/06/18-31/12/18	when no longer Director	3,000
Rossella Saoncella	Director (Chairman)	01/01/18-01/06/18	when no longer Director	0
Andrea Parenti	Director	01/01/18-01/06/18	when no longer Director	0
Matteo Cidonio	Director	01/01/18-01/06/18	when no longer Director	0

For further details, see the Remuneration Report prepared in accordance with the law.

Note 4) Cost of labor

The cost of labor is detailed below:

	31/12/2018	31/12/2017	CHANGE
Wage and salaries	3,712,720	3,601,940	110,780
Social security	1,113,948	1,086,977	26,971
Severance pay	273,585	269,847	3,738
Other costs	224,030	214,441	9,589
Personnel costs	**5,324,283**	**5,173,205**	**151,078**

The increase reflects the higher number of employees and the full implementation of contractual adjustments. Severance pay includes contributions to supplementary funds in the amount of €86,439.
The workforce is broken down by category below:

DIVISION OF WORKFORCE BY CATEGORY	31/12/2018	31/12/2017
Executives	6	6
Middle managers	15	13
Supervisors	22	23
White collars	33	30
Total	**76**	**72**

Note 5) Other operating costs

	31/12/2018	31/12/2017	CHANGE
IMU/TASI property tax	7,940,904	7,503,549	437,355
Other taxes	81,421	104,082	(22,661)
Ordinary out-of-period (income)/Charges	49,031	(7,863)	56,894
Contract registration	303,788	311,176	(7,388)
Membership fees	142,009	139,103	2,906
Loss on receivables	10,730	52,238	(41,508)
Fuel and toll	143,352	133,062	10,290
Other costs	156,909	185,864	(28,955)
Other operating costs	**8,828,144**	**8,421,211**	**406,933**

The increase in other operating costs is due chiefly to the municipal property tax, which rose as a result of additional properties brought in with the acquisition.

Note 6) Depreciation, amortization, provisions and fair value changes

	31/12/2018	31/12/2017	CHANGE
Amortization of intangible assets	(15,023)	(13,902)	(1,121)
Amortization of tangible assets	(394,703)	(445,344)	50,641
Provisions for risks and charges	(283,500)	(333,285)	49,785
Amortizations and provisions	**(693,226)**	**(792,531)**	**99,305**
Doubtful accounts	(666,137)	(765,521)	99,384
(Impairment losses)/Reversals on assets under construction	(189,526)	(23,498)	(166,028)
Change in Fair Value	(35,557,460)	34,252,378	(69,809,838)
Acquisition net revaluation	12,857,270	0	12,857,270
Total amortization, provision, impairment and change in fair value	**(24,249,079)**	**32,670,828**	**(56,919,907)**

- Amortization increased by €1,121 for the renewal of software licenses. Depreciation went down by €50,641, due mostly to the conclusion of the depreciation process for various equipment.
- Other provisions refer to the estimated outcome of three IMU (municipal property tax) disputes regarding La Torre shopping center in Palermo (€113,000), Esp shopping center in Ravenna (€39,000), and Tiburtino shopping center in Guidonia (€131,500);
- The allocation to the provision for doubtful accounts came to €666,137, a decrease of €99,384 with respect to the previous year. The allocation was made by evaluating the individual positions of clients in order to adjust them to estimated realizable value. See Note 20 for changes in this provision;
- (Impairment losses)/reversals on work in progress (-€189,526) concern the impairment loss on the Porto Grande expansion, listed under assets under construction and carried at the lower of cost and appraised fair value;
- The item "Fair value changes" (€35,557,460) covers a revaluation of €36,850,036 and a writedown of €72,407,492 carried out to match the carrying value of investment property to appraised market value at 31 December 2018. See Note 12 for details of movements in investment property;
- The net revaluation from the acquisition (€12,857,270) represents the net impact on the income statement of the acquisition of the four businesses.

Note 7) Income/(loss) from equity investments and property sales

	31/12/2018	31/12/2017	CHANGE
Dividends from subsidiaries	4,000	4,000	0
Dividends from other companies	39	39	0
Equity investments writedowns	(80,777)	(50,000)	(30,777)
Results from equity investments and assets disposals	**(76,738)**	**(45,961)**	**(30,777)**

This item refers to dividends received from the subsidiary Win Magazin SA and other companies and impairment losses on equity investments carried at cost. The impairment losses concern Fondazione Virtus Pallacanestro for €71,116 and RGD Ferrara S.r.l. for €9,661.

Note 8) Financial income and charges

	31/12/2018	31/12/2017	CHANGE
Bank interest income	817	1,568	(751)
Other interest income	21,100	31,855	(10,755)
Financial income from third parties	**21,917**	**33,423**	**(11,506)**
Interest income from related parties	176,030	159,074	16,956
Financial income from related parties	**176,030**	**159,074**	**16,956**
Financial income	**197,947**	**192,497**	**5,450**

Financial income was roughly in line with the previous year. The decrease in financial income from third parties is offset by an increase from related parties, arising chiefly from the additional financing lent to the subsidiary IGD Management S.r.l. which led to a rise in interest received.

	31/12/2018	31/12/2017	CHANGE
Interest expenses to subsidiaries	2,550	693	1,857
Interest expenses on security deposits	35,597	13,614	21,983
Financial charges to related parties	**38,147**	**14,307**	**23,840**
Interest expenses to banks	4,514	7,625	(3,111)
Mortgage loans interest expenses	3,260,454	2,851,170	409,284
Loans amortized costs	415,520	372,556	42,964
IRS spread	6,040,712	6,941,453	(900,741)
Amortized costs of bond equity component	0	113,745	(113,745)
Bond financial charges	18,859,080	18,936,033	(76,953)
Bond amortized costs	2,063,965	2,838,583	(774,618)
Financial charges on leasing	52,121	55,928	(3,807)
Other interests and charges	962,669	918,188	44,481
Financial charges to third parties	**31,659,035**	**33,035,281**	**(1,376,246)**
Financial charges	**31,697,182**	**33,049,588**	**(1,352,406)**

Total financial charges decreased by €1,352,406.
With related parties, financial charges increased due to the rise in the legally mandated interest rate from 0.1% in 2017 to 0.3% in 2018, which increased interest expense on the
security deposits paid by Coop Alleanza 3.0 to secure its rent and lease agreements with IGD.
Financial charges with third parties decreased by €1,376,246, due primarily to:

- a reduction in IRS spreads reflecting the lower notional principal amount;
- a decrease in interest on bonds, given the settlement of two bond loans in 2017 of €122.9 million and €22.0 million that have not been replaced by new issues, and the new accounting standard IFRS 9;
- an increase in mortgage interest caused essentially by the acquisition, which brought in the mortgage loans of the acquired entities.

Note 9) Income taxes

	31/12/2018	31/12/2017	CHANGE
Ires	*97,980*	*(97,243)*	*195,223*
Irap	*267,773*	*262,748*	*5,025*
Total current taxes	365,753	165,505	200,248
Deferred tax liabilities	0	(5,855)	5,855
Deferred tax assets	32,827	14,491	18,336
Out-of-period income/charges - Provisions	48,879	(7,255)	56,134
Income taxes of the period	**447,459**	**166,886**	**280,573**

Current and deferred tax increased to €447,459.
IRES went up as a result of the tax consolidation process. In 2017, the tax consolidation had produced income that was eliminated in part through the use of prior tax losses and in part through the transfer to the consolidation of a portion of IGD's unused ACE benefit. The transfer had led to the recognition of income that lowered the amount of IRES due. In 2018, the tax consolidation produced a loss against which no deferred tax assets nor consolidation income were provided, leading to higher current taxes for IRES.
IRAP showed a slight increase; as in 2017, there was no additional transformation of the unused ACE benefit into a tax credit to be taken against IRAP.
See Note 16 for movements in deferred tax liabilities and deferred tax assets. Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2018 and 31 December 2017

INCOME TAX RECONCILIATION APPLICABLE TO PRE-TAX PROFIT	31/12/2018	31/12/2017
Pre-tax profit	**41,689,623**	**85,535,025**
Theoretical tax charge (24% tax rate)	10,005,509	20,528,406
Profit resulting from the income statement	41,689,623	85,535,025
Increases:		
IMU - Property tax	7,616,844	7,200,881
Negative fair value	72,051,868	7,071,179
Impairment loss on assets under construction	189,526	23,498
Other increases	2,143,395	2,975,125
Decreases:		
Change in exempt income	(76,589,479)	(54,673,800)
Amortization	(5,319,330)	(1,161,658)
Positive fair value	(36,494,408)	(41,323,557)
Other changes	(3,019,303)	(3,436,495)
Taxable income	**2,268,736**	**2,210,198**
Use of Ace benefit	***2,268,736***	***2,210,198***
Lower current taxes charge directly to equity	***(97,980)***	***(28,123)***
Curren taxes for the period	***97,980***	***28,123***
Income from fiscal consolidation	***0***	***(125,366)***
Total current taxes for the year	***97,980***	***(97,243)***
Difference between value and cost of production	**115,301,047**	**90,646,844**
Theoretical IRAP (3.9%)	4,496,741	3,535,227
Difference between value and cost of production	**115,301,047**	**90,646,844**
Changes:		
Increases	8,413,885	8,044,838
Decreases	(4,368,700)	(80,018)
Change in exempt income	(107,438,995)	(86,634,123)
Other deductions	(5,328,408)	(5,296,150)
Taxable income for IRAp purpose	**6,578,829**	**6,681,391**
Current IRAP for the year	***267,773***	***262,748***

Note 10) Intangible assets with finite useful lives

	BALANCE AT 01/01/2017	INCREASES	DECREASES	AMORTIZATION	RECLASSIFI-CATION	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017
Intangible assets with finite useful lives	**33,060**	**900**	**0**	**(13,902)**	**0**	**2,454**	**22,512**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	AMORTIZATION	RECLASSIFI-CATION	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2018
Intangible assets with finite useful lives	**22,512**	**17,160**	**0**	**(15,023)**	**0**	**0**	**24,649**

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of company trademarks and for business software. Trademarks are amortized over ten years and software over three years. In 2018 there were no impairment losses or reversals on intangible assets. The greatest increases during the period concern the tradename of Gran Rondò shopping center in Crema (€1,800) and the renewal of the Essere software license for €15,000.

Note 11) Goodwill

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFICATION	BALANCE AT 31/12/2017
Goodwill	**1,300,000**	**0**	**0**	**0**	**1,300,000**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	RECLASSIFICATION	BALANCE AT 31/12/2018
Goodwill	**1,300,000**	**0**	**0**	**0**	**1,300,000**

Goodwill has been allocated to the individual cash generating units (CGUs). No changes took place during the year.
Below is the breakdown of goodwill by CGU at 31 December 2018:

GOODWILL	31/12/2018	31/12/2017
Fonti del Corallo	1,300,000	1,300,000
Total	**1,300,000**	**1,300,000**

The figures were retested for impairment during preparation of the financial statements. Value in use was calculated by projecting cash flows stated in the 2019-2021 strategic plan, approved on 7 November 2018. The discount rate (WACC) was 5.18%; the risk premium contained in the cost of equity is 4.9%, while the borrowing rate used is the average rate of competitors or 3.22%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 12) Investment property

As required by IAS 40, the following table reconciles the opening and closing value of investment property, with increases, decreases, and changes in fair value shown separately.

	BALANCE AT 01/01/2017	INCREASES	ACQUISITION	DECREASES	REVALUATION	IMPARIMENT	RECLASSIFI-CATION	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017
Investment property	**1,239,357,298**	**2,367,466**	**0**	**(152,000)**	**41,323,557**	**(7,071,179)**	**61,711,359**	**492,414,888**	**1,829,951,389**

	BALANCE AT 01/01/2018	INCREASES	ACQUISITION	DECREASES	REVALUATION	IMPARIMENT	RECLASSIFI-CATION	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2018
Investment property	**1,829,951,389**	**9,595,656**	**208,335,909**	**0**	**36,850,036**	**(72,407,496)**	**6,889,787**	**0**	**2,019,215,281**

The increases in investment property concern:
- fit-out and extraordinary maintenance work completed during the year at freehold shopping centers, namely Città delle Stelle in Ascoli, Katanè in Catania, Centro Borgo in Bologna, Esp in Ravenna, Centro d'Abruzzo in Chieti, Porte di Napoli in Naples, and Tiburtino and Casilino in Rome;
- the purchase in December 2018, from Coop Lombardia for €2,607K, of a portion of a hypermarket at Gran Rondò shopping center for the purpose of expanding the mall.

As for fair value adjustments, investment property was revalued in the amount of €36,850K and written down by €72,407K, for a net negative impact of €35,558K. Reclassifications refer to works capitalized in prior years and now completed, for a total of €6,890, including: *(i)* expansion of the midsize retail area of Gran Rondò center in Crema, inaugurated on 3 May 2018; *(ii)* new layout and earthquake proofing at Darsena mall in Ferrara; *(iii)* ground floor restyling of Casilino mall in Rome; and *(iv)* roof work (waterproofing) at the Tibertino mall in Rome.
the €208.3 million listed as "Four Seasons" refers to the value of properties taken in with the acquisition of four businesses comprised of four shopping centers and a retail park in the first half of 2018. See the "Business combination" section for details.
For the calculation of fair value and an analysis of the real estate portfolio, see section 2.6 ("The real estate portfolio") in this Annual Report.

Note 13) Buildings

	BALANCE AT 01/01/2017	INCREASES	DECREASES	AMORTIZATIONS	BALANCE AT 31/12/2017
Historical cost	10,114,243	0	0		10,114,243
Accumulated depreciation	(1,739,759)	0	0	(243,506)	(1,983,265)
Net carrying value	**8,374,484**	**0**	**0**	**(243,506)**	**8,130,978**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	AMORTIZATIONS	BALANCE AT 01/01/2018
Historical cost	10,114,243	0	0		10,114,243
Accumulated depreciation	(1,983,265)	0	0	(243,506)	(2,226,771)
Net carrying value	**8,130,978**	**0**	**0**	**(243,506)**	**7,887,472**

This item refers to the purchase of the building that houses the head office. The only movement during this and the previous year was depreciation.

Note 14) Plant and machinery, equipment, and leasehold improvements

	BALANCE AT 01/01/2017			INCREASES	DEPRECIATION 2017	MERGER BY INCORPORATION EFFECT	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017		
	HISTORICAL COST	ACCUMULATED DEPRECIATIONS	NET CARRYING VALUE			HISTORICAL COST	ACCUMULATED DEPRECIATIONS	HISTORICAL COST	ACCUMULATED DEPRECIATIONS	NET CARRYING VALUE
Plants and machinery	139,472	(102,472)	37,000	51,525	(9,406)	0	0	190,997	(111,878)	79,119
Equipments	2,320,521	(1,979,647)	340,874	105,388	(191,904)	365,523	(345,075)	2,791,432	(2,516,626)	274,806
Leasehold improvements	11,507	(445)	11,062	474	(528)	0	0	11,981	(973)	11,008

	BALANCE AT 01/01/2018			INCREASES	DEPRECIATION 2018	MERGER BY INCORPORATION EFFECT	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2018		
	HISTORICAL COST	ACCUMULATED DEPRECIATIONS	NET CARRYING VALUE			HISTORICAL COST	ACCUMULATED DEPRECIATIONS	HISTORICAL COST	ACCUMULATED DEPRECIATIONS	NET CARRYING VALUE
Plants and machinery	190,997	(111,878)	79,119	24,581	(21,550)	0	0	215,578	(133,428)	82,150
Equipments	2,791,432	(2,516,626)	274,806	133,919	(127,832)	0	0	2,925,351	(2,644,458)	280,893
Leasehold improvements	11,981	(973)	11,008	25,832	(1,815)	0	0	37,813	(2,788)	35,025

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year (€151,197) and purchases worth €184,332. Leasehold improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the corresponding lease.

Note 15) Assets under construction

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFICATION	(IMPAIRMENT)/ REVERSALS	CHAING IN FAIR VALUE	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017
Assets under construction	44,044,039	24,259,638	0	(61,711,359)	(23,498)	0	53,891	6,622,711
Advances	15,589,366	7,175,108	(311,006)	0	0	0	0	22,453,468
Assets under construction and advances	**59,633,405**	**31,434,746**	**(311,006)**	**(61,711,359)**	**(23,498)**	**0**	**53,891**	**29,076,179**

	BALANCE AT 01/01/2018	INCREASES	DECREASES	RECLASSIFICATION	(IMPAIRMENT)/ REVERSALS	CHAING IN FAIR VALUE	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2018
Assets under construction	6,622,711	4,177,948	0	(6,934,337)	(189,526)	0	0	3,676,796
Advances	22,453,468	154,291	0	0	0	0	0	22,607,759
Assets under construction and advances	**29,076,179**	**4,332,239**	**0**	**(6,934,337)**	**(189,526)**	**0**	**0**	**26,284,555**

Assets under construction increased due to investments totalling €4,178K, mostly concerning: *(i)* final work on the expansion of Gran Rondò shopping mall in Crema (€1,336K); *(ii)* restyling work at Casilino and Darsena shopping centers (€1,884K); *(iii)* earthquake proofing at Portogrande and Centro d'Abruzzo (€63K); *(iv)* restyling at Fonti del Corallo shopping center (€769K); *(v)* roofing work at Tiburtino shopping center (€76K); and *(vi)* other minor improvements (€50K).
Reclassifications refer to works finished during the year and reclassified to investment property (€6,934K), mostly in connection with the Gran Rondò expansion in Crema, the completion of restyling work at Darsena and Casilino (ground floor), and earthquake proofing and roof work (waterproofing) at various shopping centers.

The increase of €154K in advances reflects down payments made during the year for the restyling of Fonti del Corallo shopping center.
The Porto Grande expansion was written down by €190K to bring its carrying value into line with the lower of cost and appraised market value.
See section 2.6 on the real estate portfolio for further details.

Note 16) Net deferred tax assets

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

	31/12/2018	31/12/2017	CHANGE
Deferred tax assets	5,200,309	6,000,802	(800,493)
Deferred tax liabilities	(8,695)	(8,695)	0
Net deferred tax assets	**5,191,614**	**5,992,107**	**(800,493)**

Deferred tax assets are shown in detail below:

	31/12/2018	31/12/2017	CHANGE
Capital operations	2,731	30,193	(27,462)
Taxed provisions	70,094	100,389	(30,295)
IAS 19	1,947	4,479	(2,532)
IRS operations	3,962,100	4,702,304	(740,204)
Loss from tax consolidation	1,163,437	1,163,437	0
Deferred tax assets	**5,200,309**	**6,000,802**	**(800,493)**

Deferred tax assets mainly originate from:
- taxed provisions, such as the provision for doubtful accounts and the bonus provision;
- transaction costs for capital increases;
- the recognition of deferred tax assets on mortgage hedging instruments (IRS);
- tax losses carried forward.

Most of the change for the year stems from: *(i)* the reversal of deferred tax assets on mortgage hedging instruments (IRS) due to the decrease in their negative fair value.
Given the likelihood of future taxable income, prior-year losses are expected to be used, so the deferred tax assets are likely to be recovered.

DEFERRED TAX ASSETS	BALANCE AT 01/01/2017						BALANCE AT 31/12/2018	
	TEMPORARY DIFFERENCE	DEFERRED TAX ASSETS	INCREASES	DECREASES	INCREASES	DECREASES	TEMPORARY DIFFERENCE	DEFERRED TAX ASSETS
			TEMPORARY DIFFERENCE		DEFERRED TAX ASSETS			
Fondo TFR - Ias 19	254,982	4,479		152,651	0	2,532	102,331	1,947
Doubtful accunts	963,200	89,371	37,807	164,029	9,074	39,367	836,978	59,078
Variable salary	627,172	11,018	621,174	586,510	10,302	10,304	661,836	11,016
Loss from tax consolidation	4,847,647	1,163,437	0	0	0	0	4,847,647	1,163,437
Irs operation*	19,592,933	4,702,304	981,462	4,065,646	235,551	975,755	16,508,749	3,962,100
Sale of treasury shares*	4,807	128	0	4,807	0	128	0	0
2014 DRO costs	76,328	2,028	0	76,328	0	2,028	0	0
Costs for capital increase 2014*	849,660	22,574	0	849,660	0	22,574	0	0
2015 capitalized costs on 2014 capital increase reserve*	43,365	868	0	21,683	0	434	21,682	434
Cost for capital increase 2015*	229,317	4,595	0	114,659	0	2,298	114,658	2,297
TOTAL	**27,489,411**	**6,000,802**	**1,640,443**	**6,035,973**	**254,927**	**1,055,420**	**23,093,881**	**5,200,309**

***effect charged directly to equity**

Below are the details of deferred tax liabilities:

	31/12/2018	31/12/2017	CHANGE
Bond	8,695	8,695	0
Deferred tax liabilities	**8,695**	**8,695**	**0**

Deferred tax liabilities refer to temporary differences regarding the value for tax purposes of the bond loans.

DEFERRED TAX LIABILITIES	BALANCE AT 01/01/2017		TEMPORARY DIFFERENCE		DEFERRED TAX LIABILITIES		BALANCE AT 31/12/2018	
	TEMPORARY DIFFERENCE	DEFERRED TAX LIABILITIES	INCREASES	DECREASES	INCREASES	DECREASES	TEMPORARY DIFFERENCE	DEFERRED TAX LIABILITIES
Bond	494,985	8,695	0	0	0	0	494,985	8,695
TOTAL	**494,985**	**8,695**	**0**	**0**	**0**	**0**	**494,985**	**8,695**

Note 17) Sundry receivables and other non-current assets

	31/12/2018	31/12/2017	CHANGE
Due from others	3	3	0
Security deposits	71,975	50,026	21,949
Sundry receivables and other non current assets	**71,978**	**50,029**	**21,949**

This item increased as a result of security deposits paid during the year.

Note 18) Equity investments

Equity investments are detailed in the table below:

	31/12/2017	INCREASES	DECREASES	RECLASSIFICA-TION	IMPAIRMENT	31/12/2018
IGD Management S.r.l.	170,183,477	0	0	0	0	170,183,477
Millennium Gallery S.r.l.	14,463,025	0	0	0	0	14,463,025
Consorzio Proprietari Fonti del Corallo	6,800	0	0	0	0	6,800
Consorzio Proprietari C.C.Leonardo	52,000	0	0	0	0	52,000
Winmagazin S.A.	185,618	0	0	0	0	185,618
Consorzio I Bricchi	4,335	0	0	0	0	4,335
Consorzio del Commendone	6,039	0	0	0	0	6,039
Consorzio Puntadiferro	6,234	0	0	0	0	6,234
Arco campus S.r.l.	1,440,509	0	0	0	0	1,440,509
Equity investments in subsidiaries	**186,348,037**	**0**	**0**	**0**	**0**	**186,348,037**
Rgd Ferrara 2013 S.r.l.	63,912	0	0	0	(9,661)	54,251
Equity investments in associates	**63,912**	**0**	**0**	**0**	**(9,661)**	**54,251**
Equity investments in other companies	**34,129**	**108,617**	**0**	**0**	**(71,116)**	**71,630**
Total	**186,446,078**	**108,617**	**0**	**0**	**(80,777)**	**186,473,918**

The increase in equity investments is explained by:

- an impairment loss of €9,661 on the investment in RGD Ferrara S.r.l. to adjust its carrying amount to IGD's share of net equity at 31 December 2018;
- an increase, net of impairment losses for the year, of €37,501 in equity investments in other companies.

For investments deemed to be significant, the equity value (enterprise value + NFP) was determined and compared with the carrying value. Enterprise value was calculated by projecting operating cash flows for each company, based on estimates in the 2019-2021 strategic plan approved by the Board of Directors on 7 November 2018. The discount rate (WACC) was 5.18%; the risk premium contained in the cost of equity is 4.9%, while the borrowing rate used is the average rate of competitors or 3.22%. A perpetual growth rate (g) of 1% was assumed in the projection, except for Arco Campus, for which a g rate of 2% was used given the characteristics of its single rental contract. The test did not suggest the need to adjust the amounts reported.

Note 19) Non-current financial assets

	31/12/2018	31/12/2017	CHANGE
Non current financial assets	**0**	**100,000**	**(100,000)**

These referred to an interest-bearing loan of €100,000 to Fondazione Virtus Pallacanestro. During the year, at the foundation's request, the Company agreed to convert the loan into an increased share of the entity.

Note 20) Trade and other receivables

	31/12/2018	31/12/2017	CHANGE
Trade and other receivables	18,457,385	18,015,723	441,662
Provision for doubtful accounts	(10,435,339)	(10,998,116)	562,777
Trade and other receivables	**8,022,046**	**7,017,607**	**1,004,439**

Net trade receivables increased due to the acquisition and longer DSO.
They are shown net of the provision for doubtful accounts, which reflects recovery estimates on problem credits. Movements in the provision for doubtful accounts are displayed below:

MOVEMENT IN PROVISION FOR DOUBTFUL ACCOUNTS	31/12/2018	31/12/2017
Provision for doubtful account at the beginning of the year	**10,998,116**	**10,400,271**
Uses	(1,325,722)	(1,217,976)
Impairment/(Uses) Default interests	(9,450)	(4,316)
Provisions	666,137	765,521
Merger by incorporation effect	0	1,054,616
Acqusition of 4 business branches effect	106,258	0
Provision for doubtful account at the end of the year	**10,435,339**	**10,998,116**

Receivables are written down based on an analysis of each tenant's position.

Note 21) Related party trade and other receivables

	31/12/2018	31/12/2017	CHANGE
COOP ALLEANZA 3.0 SOC. COOP.	69,001	(267)	69,268
RGD FERRARA 2013 S.R.L.	393,010	380,189	12,821
IGD MANAGEMENT S.R.L.	61,026	31,432	29,594
PORTA MEDICEA S.R.L.	38,686	0	38,686
MILLENNIUM GALLERY S.R.L.	2,188	0	2,188
CONSORZIO CC ESP	0	4,662	(4,662)
WIN MAGAZIN S.A.	8,000	8,000	0
WINMARKT MANAGEMENT S.R.L.	85,612	60,842	24,770
ALLEANZA LUCE E GAS S.R.L.	26,390	13,704	12,686
CONSORZIO CLODÌ	0	1,038	(1,038)
CONSORZIO CONÈ	1,708	0	1,708
UNICOOP TIRRENO SOC. COOP.	736,210	1,056,079	(319,869)
DISTRIBUZIONE LAZIO UMBRIA S.R.L.	0	1,958	(1,958)
ARCO CAMPUS S.R.L.	5,769	1,736	4,033
LIBRERIE.COOP S.P.A.	10,376	8,144	2,232
ROBINTUR S.P.A.	183	8,020	(7,837)
COOP SICILIA	0	17,638	(17,638)
CONSORZIO PUNTA DI FERRO	0	1,708	(1,708)
CONSORZIO DEL COMMENDONE	1,708	0	1,708
CONSORZIO CENTRO LE MAIOLICHE	(809)	(220)	(589)
CONSORZIO PORTA A MARE	0	50,000	(50,000)
Related parties trade and other receivables	**1,439,057**	**1,644,663**	**(205,605)**

See Note 39 for comments.

Note 22) Other current assets

	31/12/2018	31/12/2017	CHANGE
Tax credits			
VAT credits	295,609	838,215	(542,606)
Ires credits	375,231	390,933	(15,702)
Irap credits	525,646	783,505	(257,859)
Due from others			
Accrued income and prepayments	374,424	355,581	18,843
Deferred costs	2,536,519	337,372	2,199,147
Other	169,653	109,179	60,474
Other current assets	**4,277,082**	**2,814,785**	**1,462,297**

Other current assets increased by a total of €1,462,297. Most of the decrease in tax receivables reflects the trend in the VAT credit. The increase in other assets is due mainly to deferred costs, which cover the fees incurred before the end of the year for a two-tranche syndicated loan of €200 million contracted on 16 October 2018. Deferred costs will be released to the income statement using the amortized cost method, starting from the date each tranche is disbursed.

Note 23) Related party other current assets

	31/12/2018	31/12/2017	CHANGE
Receivables from tax consolidation	**294,964**	**181,427**	**113,537**
In detail:			
Igd Management S.r.l.	*186,881*	*152,549*	*34,332*
Millennium Gallery S.r.l.	*108,083*	*28,878*	*79,205*
Total receivables from tax consolidation	**294,964**	**181,427**	**113,537**

This item consists of the amount due from Millennium Gallery S.r.l. and IGD Management S.r.l. The increase reflects the transfer of their 2018 taxable income and IRES credits to the tax consolidation.

Note 24) Financial receivables and other current financial assets

	31/12/2018	31/12/2017	CHANGE
Associates	95,692	95,759	(67)
Other related parties	98,671,734	90,433,983	8,237,751
Related parties financial receivables and other financial assets	**98,767,426**	**90,529,742**	**8,237,684**

The amount due from associates refers to the original €150,000 loan granted in 2013 to RGD Ferrara 2013 S.r.l., reduced to €95,000 in 2018, plus interest calculated at the 3-month Euribor plus 350 basis points.
Receivables from other related parties consist of loans granted to the subsidiaries Millennium Gallery S.r.l., IGD Management S.r.l. and Arco Campus S.r.l., all of them charging interest at the 3-month Euribor plus 50 basis points, as follows:

- loan granted to Millennium Gallery S.r.l.: €3,988,000. Of the €4,988,000 outstanding at the end of 2017, €1,000,000 was repaid by the subsidiary during the course of the year;
- loan granted to IGD Management S.r.l. in previous years: €15,000,000;
- loan granted to IGD Management S.r.l.: €76,729,000. In addition to the €69,314,000 outstanding at the end of 2017, during the year a further €15,100,000 was disbursed and the subsidiary made payments of €7,685,000;
- loan granted to Arco Campus S.r.l.: €2,961,000. In addition to the €670,000 outstanding at the end of 2017, during the year a further €2,291,000 was disbursed.

There is also a receivable arising from the use of a pooled account (Group treasury), due from Millennium Gallery S.r.l. for €92,460 and from Porta Medicea S.r.l. for €150,965.

Note 25) Cash and cash equivalents

	31/12/2018	31/12/2017	CHANGE
Cash and cash equivalents	1,420,609	1,424,257	(3,648)
Cash on hand	40,925	36,233	4,692
Cash and cash equivalents	**1,461,534**	**1,460,490**	**1,044**

Cash and cash equivalents at 31 December 2018 consisted mainly of current account balances at banks.

Note 26) Net equity

	31/12/2018	31/12/2017	CHANGE
Share capital	749,738,139	599,760,278	149,977,861
Share premium reserve	31,504,094	29,971,151	1,532,943
Other reserves	**414,680,080**	**389,311,632**	**25,368,448**
Legale reserve	119,952,056	119,952,056	0
Merger surplus reserve	557,177	557,177	0
Treasury share reserve	(491,610)	(158,567)	(333,043)
Cash Flow Hedge reserve	(13,376,327)	(16,047,780)	2,671,453
Bond issue reserve	14,864,755	14,864,755	0
Share capital increase costs reserve	(10,327,951)	(6,155,903)	(4,172,048)
Result from the sale of treasury shares	(33,315)	0	(33,315)
FTA Ifrs 9 reserve	(4,353,720)	0	(4,353,720)
Recalculation of defined benefit plan	153,092	(16,281)	169,373
Fair Value reserve	307,735,923	276,316,175	31,419,748
Profits	**58,425,167**	**103,773,553**	**(45,348,386)**
New net profit (loss)	17,183,003	18,405,414	(1,222,411)
Net profit (loss) for the period	41,242,164	85,368,139	(44,125,975)
Total net equity	**1,254,347,480**	**1,122,816,614**	**131,530,866**

The following actions taken during the year were approved by the annual general meeting held to approve the 2017 financial statements: *(i)* allocation of €31,419,748 in net profit to the fair value reserve; *(ii)* allocation of €15,730,452 to profit carried forward from exempt operations; *(iii)* allocation of €1,513,549 to profit carried forward from taxable operations; *(iv)* distribution of €55,170,951.50 in dividends for 2017, through the use of profit available for distribution (€36,704,390), a portion of profits carried forward from exempt operations produced by the absorption of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A. (€12,628,022), and a portion of other profits carried forward from exempt operations (€5,838,539.50).
Net equity also changed due to:

- the completion of the capital increase on 23 April 2018. This increased the share capital by €149,977,861 through the sale of new shares, raised the share premium reserve by €1,532,943 through the sale of unexercised options, and produced a negative reserve of €4,172,048 covering the costs of the capital increase;
- first-time adoption from 1 January 2018 of the accounting standard IFRS 9 - Financial instruments, producing a negative reserve of €4,353,720;
- adjustment of the cash flow hedge reserves relating to outstanding contracts, by €2,671,453;
- adjustment of the reserve for the recalculation of defined benefit plans, by €169,373;
- recognition of the profit for the year in the amount of €41,242,164.

Pursuant to Civil Code Article 2427, paragraph 7 *bis*, the components of net equity are shown along with their origin, possibility for use and eligibility for distribution. The fair value reserve incorporates the revaluation reserve pursuant to Law 266/2005, for €150,411,622 net of the substitute tax of €20,510,676. Utilizations of the share premium reserve and the Euro conversion reserve over the past three years have gone into the legal reserve, which needs to reach a certain balance in accordance with Art. 2430 of the Italian Civil Code.

ITEM/DESCRIPTION	AMOUNT	ELIGIBILITY FOR USE	AMOUNT AVAILABLE	AMOUNT DISTRIBUT-ABLE	SUMMARY OF THE USES MADE IN THE PAST THREE YEARS	
					DUE TO NEGATIVE RESERVES COVERAGE	DUE TO OTHER REASONS
Share capital	**749,738,139**					
Capital reserves:						
Share premium reserve	28,102,545	A, B	28,102,545			(10,000,000)
Share premium reserve	3,401,549	A, B, C	3,401,549	3,401,549		
Treasury share reserves	(491,610)	A, B, C **	(491,610)	(491,610)		
Result from sale of treasury share effect	(33,315)	A, B, C **	(33,315)	(33,315)		
Bond issue reserve	14,864,755	A, B, C	14,864,755	14,864,755		
Total capital reserve	**45,843,924**		**45,843,924**			
Profit reserves:						
Legale reserve*	119,952,056	B				10,000,000
Merger surplus reserve	557,177	A, B, C	557,177	557,177		
Fair value reserve	307,735,923	B				
FTA IFRS 9 reserve	(4,353,720)	A, B, C **	(4,353,720)	(4,353,720)		
Cash Flow Hedge reserve	(13,376,327)	---				
Share capital increase cost reserve	(10,327,951)	A, B, C **	(10,327,951)	(10,327,951)		
Recalculation of defined benefit plans	153,092	---				
New net profit/loss	17,183,003	A, B, C	17,183,003	17,183,003		
Total profit reserve	**417,523,253**		**3,058,509**			
Total reserve	**463,367,177**		**48,902,433**	**20,799,888**		

Legend: A: for capital increase - B: for loss coverage - C: for shareholder distribution
* Legal reserve contains capital for Euro 107,604,018
** Negative reserves reduce the available positive reserve

Note 27) Non-current financial liabilities

This item includes the non-current portion of floating-rate loans from banks, bonds, and amounts due to other lenders, as detailed below:

	DURATION	31/12/2018	31/12/2017	CHANGE
Mortgage with banks		**260,919,681**	**220,160,413**	**40,759,268**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	3,494,586	5,492,433	(1,997,847)
09 Interbanca IGD	25/09/2006 - 05/10/2021	29,546,015	43,543,217	(13,997,202)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	4,409,375	5,515,424	(1,106,049)
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	39,129,872	43,116,117	(3,986,245)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	6,326,057	7,005,015	(678,958)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	17,070,224	18,669,094	(1,598,870)
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	15,692,917	17,294,625	(1,601,708)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	8,822,222	9,751,324	(929,102)
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	19,380,313	21,406,332	(2,026,019)
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	13,523,324	15,164,514	(1,641,190)
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	25,601,971	28,222,268	(2,620,297)
29 ICREA	14/12/2017 - 30/06/2021	4,985,752	4,980,050	5,702
Loan UBI 5 Leonardo	19/04/2018 - 17/10/2023	47,359,730	0	47,359,730
Loan UBI 1 Lame RP Fav	19/04/2018 - 17/07/2023	9,341,441	0	9,341,441
Loan UBI 2 Lame RP Fav	19/04/2018 - 17/10/2021	9,596,858	0	9,596,858
Loan UBI 3 RP	19/04/2018 - 17/10/2021	6,639,024	0	6,639,024
Payables due to bond		**557,303,993**	**676,086,774**	**(118,782,781)**
Bond 100 ML	11/01/2017 - 11/01/2024	99,505,614	99,415,642	89,972
Bond 150 ML	07/05/2014 - 07/01/2019	0	124,535,503	(124,535,503)
Bond 162 ML	21/04/2015 - 21/04/2022	159,078,832	153,903,206	5,175,626
Bond 300 ML	31/05/2016 - 31/05/2021	298,719,547	298,232,423	487,124
Payables due to other sources of finance		**3,593,749**	**3,927,593**	**(333,844)**
Sardaleasing for Bologna headquarters	30/04/2009 - 30/04/2027	3,593,749	3,927,593	(333,844)
Non current financial liabilities		**821,817,423**	**900,174,780**	**(78,357,357)**

Movements during the year are shown below:

NON CURRENT FINANCIAL LIABILITIES	31/12/2017	ACQUISITION OF 4 BUSINESS BRANCHES EFFECT	REPAYMENTS	AMORTIZED COST	IFRS 9 EFFECT	RECLASSIFICATION	31/12/2018
Payables due to mortgage	220,160,413	79,333,333	(1,875,000)	143,377	0	(36,842,442)	260,919,681
Payables due to bond	676,086,774	0	0	1,399,003	4,353,719	(124,535,503)	557,303,993
Payables due to other source of finance	3,927,593	0	0	0	0	(333,844)	3,593,749
TOTAL	**900,174,780**	**79,333,333**	**(1,875,000)**	**1,542,380**	**4,353,719**	**(161,711,789)**	**821,817,423**

Mortgage loans

Mortgage loans are secured by properties. The change with respect to 2017 is explained by the reclassification to current financial liabilities of the principal falling due within 12 months, as well as the acquisition that brought in the financial liabilities of the acquired entities. These are secured loans from the UBI Banca Group whose main characteristics are as follows:

- UBI Loan 1: current account loan with quarterly principal payments and interest payments once a year on 1 March, calculated at the 3-month Euribor plus 100 basis points. The loan will mature on 17 July 2023. It was taken out on 17 July 2015 for a nominal amount of €20,000,000 and on the acquisition date the remaining balance was €13,750,000K;
- UBI Loan 2: current account loan with quarterly principal payments and interest payments once a year on 1 March, calculated at the 3-month Euribor plus 100 basis points. The loan will mature on 17 October 2021. It was taken out on 17 October 2016 for a nominal amount of €13,000,000 and on the acquisition date the remaining balance was €11,875,000K;
- UBI Loan 3: mortgage loan with quarterly principal and interest payments, charging interest at the 3-month Euribor plus 100 basis points. The loan will mature on 17 October 2021. It was taken out on 17 October 2009 for a nominal amount of €40,000,000 and on the acquisition date the remaining balance was €11,666,667K;
- UBI Loan 5: mortgage loan charging interest at the 3-month Euribor plus a spread of 100 basis points. The loan will mature on 17 October 2023. It was taken out on 17 July 2017 for a nominal amount of €50,000,000 and on the acquisition date involved quarterly interest payments and lump-sum reimbursement of the principal at maturity. On 6 July 2018 it was refinanced to entail quarterly principal payments of €500,000 plus a final reimbursement of €40,000,000.

Bonds

This item decreased due to the reclassification to current financial liabilities of the €150 million bond loan maturing on 7 January 2019.

Details of outstanding bonds are presented in the table below:

DUE TO BONDS	NON CURRENT PORTION 31/12/17	CURRENT PORTION 31/12/17	IFRS 9 EFFECT	ANCILLARY COSTS AMORTIZATION AT 31/12/2018	FINANCIAL CHARGES AT 31/12/2018	NON CURRENT PORTION 31/12/18	CURRENT PORTION 31/12/18	NOMINAL INTEREST RATE	ACTUAL INTEREST RATE
Bond 150 ML	124,900,000						124,900,000		
Ancillary costs	(364,497)			355,620			(8,877)		
Coupon rate 31.12.17		4,747,097			(4,747,097)				
Interest paid					4,839,834				
Coupon rate 31.12.18					4,747,056		4,747,056		
Total Bond 150 ML	**124,535,503**	**4,747,097**		**355,620**	**4,839,793**	**0**	**129,638,179**	**3.875%**	**4.17%**
Bond 162 ML	162,000,000					162,000,000			
Ancillary costs	(8,096,794)		4,371,851	803,774		(2,921,169)			
Coupon rate 31.12.17		2,987,458	(18,131)		(2,969,327)				
Interest paid					4,293,044				
Coupon rate 31.12.18		0			2,969,325		2,969,325		
Total Bond 162 ML	**153,903,206**	**2,987,458**		**803,774**	**4,293,042**	**159,078,832**	**2,969,325**	**2.65%**	**3.94%**
Bond 300 ML	300,000,000					300,000,000			
Ancillary costs	(1,767,577)			487,124		(1,280,453)			
Coupon rate 31.12.17		4,397,260			(4,397,260)		0		
Interest paid					7,500,000				
Coupon rate 31.12.18		0			4,375,000		4,375,000		
Total Bond 300 ML	**298,232,423**	**4,397,260**		**487,124**	**7,477,740**	**298,719,547**	**4,375,000**	**2.50%**	**2,80%***
* Including the effect of the Cash Flow Hedge reserve									
Bond 100 ML	100,000,000					100,000,000			
Ancillary costs	(584,358)			89,972		(494,386)			
Coupon rate 31.12.17		1,057,745			(1,057,745)				
Interest paid					2,250,000				
Coupon rate 31.12.18		0			1,056,250		1,056,250		
Total Bond 300 ML	**99,415,642**	**1,057,745**	**0**	**89,972**	**2,248,505**	**99,505,614**	**1,056,250**	**2.25%**	**2.35%**
Total bonds	**676,086,774**	**13,189,560**	**4,353,720**	**1,736,490**	**18,859,080**	**557,303,993**	**138,038,754**		
Cash Flow Hedge Reserve (bond 300 ML)	**(1,157,154)**			**327,475**		**(829,679)**			
Total financial charges				**2,063,965**	**18,859,080**				

Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2018.

NAME	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	FINANCIAL "COVENANT"	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
04 BNL Rimini IGD	I Malatesta shopping center (hypermarket)	Loan	06/07/21	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	0.77			
05 BreBanca IGD	Mondovicino shopping mall	Mortgage	10/01/23					
06 Unipol Lungosavio IGD	Lungo Savio shopping center (Mall)	Mortgage	31/12/23					
07 Carige Nikefin Asti	I Bricchi shopping mall	Mortgage	31/03/24					
08 Carisbo Guidonia IGD	Tiburtino shopping center	Mortgage	27/03/24	Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity	0.90			
09 Interbanca IGD	Centro d'Abruzzo shopping center (Hypermarket); Porto Grande shopping center (Mall, Hypermarket); Globo shopping center (Hypermarket); Le Porte di Napoli shopping center (Hypermarket); Il Maestrale shopping center (hypermarket); Leonardo shopping center (hypermarket); Miralfiore shopping center (hypermarket)	Loan	05/10/21	Consolidated financial statement: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 2, from 31/12/2006 to maturity	0.90			
10 Mediocredito Faenza IGD	Le Maioliche shopping center (Ipermercato)	Loan	30/06/29	IGD SIIQ S.p.A.: ratio of external net debt to equity + intercompany loans must not exceed 2.7	0.89			
14 MPS Palermo	La Torre shopping center (Mall)	Mortgage	30/11/25	Consolidated financial statement: 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%	0.90	39.42%		
15 CentroBanca Cone Gall	Conè shopping center (Mall)	Mortgage	31/12/25	Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity no higher than 2	0.90			
13 CR Veneto Mondovi	Mondovicino Retail Park	Mortgage	01/11/24	Certified consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6	0.90			
17 Carige Palermo IGD	La Torre shopping center (Hypermarket)	Mortgage	30/06/27					

NAME	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	FINANCIAL "COVENANT"	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
29 Iccrea Chirografario	none	Unsecured loan	30/06/21	Consolidated financial statements: i) Ratio of net debt (excluding derivative liabilities) to equity must not exceed 1.60, from 31/12/2017 to maturity; ii) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%	0.88	45.34%		
30 Ubi 1 lame_rp_fav	La Favorita shopping center (mall and Retail Park)and Lame shopping center (Mall)	Mortgage guarantee loan	17/07/23					
31 Ubi 2 lame_rp_fav	La Favorita shopping center (mall and Retail Park)and Lame shopping center (Mall)	Mortgage guarantee loan	18/10/21					
32 Ubi 3 rp	La Favorita shopping center (Retail Park)	Mortagage	18/10/21					
33 Ubi 5 Leonardo	Leonardo shopping center (Mall) and Luna shopping center (Mall)	Loan	17/10/23	Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity not higher than 1	0.90			
24 Notes 3,875% - Due 07/01/2019	unsecured	Bond	07/01/19	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	45.34%	3.81	15.01%	1.97
26 Notes 2,65% - 21/04/2022	unsecured	Bond	21/04/22	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	45.34%	3.81	15.01%	1.97
27 Notes 2,50% - 31/05/2021	unsecured	Bond	31/05/21	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	45.34%	3.81	15.01%	1.97
28 Notes 2,25% - 11/01/2024	unsecured	Bond	11/01/24	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	45.34%	3.81	15.01%	1.97

Note 28) Provision for employee severance indemnities

	BALANCE AT 01/01/2017	USEFUL LOSS /(PROFIT)	UTILIZATION	ALLOCATION	IAS 19 FINANCIAL CHARGES	BALANCE AT 31/12/2017
Provision for employees severance indemnities	**1,563,146**	**(137,715)**	**(44,703)**	**196,624**	**24,995**	**1,602,347**

	BALANCE AT 01/01/2018	USEFUL LOSS /(PROFIT)	UTILIZATION	ALLOCATION	IAS 19 FINANCIAL CHARGES	BALANCE AT 31/12/2018
Provision for employees severance indemnities	**1,602,347**	**(169,373)**	**(56,269)**	**182,198**	**25,345**	**1,584,248**

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	2018
Cost of living increase	1.50%
Discount rate	1.97%
Increase in total compensation	Executives 2.5% White collar/Middle managers 1.0% Blue collar 1.0%
Increase in severance indemnity provision	2.625%

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

Additional information

- sensitivity analysis, showing the impact in absolute terms of each reasonably possible change in actuarial hypotheses at the close of the year;
- amount of contribution for the following year;
- average financial duration of the liability for defined benefit plans;
- estimated payouts.

SENSITIVITY ANALYSYS OF MAIN VARIABLES ON DATA AT 31 DECEMBER 2018

	€
Inflation rate +0.25% - TFR provision:	1,624,332.64
Inflation rate -0.25% - TFR provision:	1,545,592.19
Discount rate +0.25% - TFR provision:	1,534,079.00
Discount rate -0.25% - TFR provision:	1,636,998.33
Turnover rate +1% - TFR provision:	1,574,728.64
Turnover rate -1% - TFR provision:	1,595,218.18

	€
Service Cost 2019	162,176.66

	years
Plan duration	18.00

	€
Estimated payouts, year 1	62,315.29
Estimated payouts, year 2	144,631.36
Estimated payouts, year 3	57,268.15
Estimated payouts, year 4	61,519.16
Estimated payouts, year 5	65,780.20

Note 29) General provisions

	31/12/2017	USES	ALLOCATION	31/12/2018
Provision for taxation	1,556,535	0	283,500	1,840,035
Provision for variable salary	602,172	(602,172)	599,336	599,336
Other general provisions	2,782,782	0	0	2,782,782
General provisions	**4,941,489**	**(602,172)**	**882,836**	**5,222,153**

Provision for taxation

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

Bonus provision

The bonus provision covers the variable compensation that will be paid to employees in 2019 on the basis of the Group's 2018 estimated results. The utilization refers to the payment made in the first half of 2018.

Other general provisions

These cover the risks arising from litigation in course, as well as probable future expenses. See Note 44 for further information.

Note 30) Sundry payables and other non-current liabilities

	31/12/2018	31/12/2017	CHANGE
Payables due to substitute tax	1,470,734	2,912,784	(1,442,050)
Other liabilities	10,714	10,714	0
Sundry payables and other non current liabilties	**1,481,448**	**2,923,498**	**(1,442,050)**

Payables for substitute tax include the non-current portion of the substitute tax accrued to the merged company Punta di Ferro SIINQ S.p.A. when it obtained SIINQ status at the end of the 2015 administrative year. Punta di Ferro opted to pay the tax in five annual installments, so the figure shown refers to the amount due in 2020.
Related party payables are shown below:

	31/12/2018	31/12/2017	CHANGE
Security deposits from Coop Alleanza 3.0 Soc. Coop.	11,362,499	11,386,499	(24,000)
Security deposits from Unicoop Tirreno Soc. Coop.	25,000	25,000	0
Security deposits from Distribuzione Centro Sud S.r.l.	450,000	450,000	0
Security deposits from i Alleanza Luce e Gas S.r.l.	55,000	30,000	25,000
Related parties sundry payables and other non-current liabilities	**11,892,499**	**11,891,499**	**1,000**

Security deposits refer to sums received for the leasing of hypermarkets and malls. They pay interest at the rates provided for by law. During the year, Coop Alleanza 3.0 terminated its lease for the rental of various rooms on the third floor of the building that houses IGD's head office. The rooms were rented to Alleanza Luce e Gas S.r.l.; Coop Alleanza 3.0's security deposit of €25,000 was returned to it and a new deposit of the same amount was received from Alleanza Luce e Gas. Transactions with Coop Alleanza 3.0 also include its payment of a €1,000 security deposit to secure the rental of a room at Lame shopping center. See Note 39 for additional information.

Note 31) Current financial liabilities

	DURATION	31/12/2018	31/12/2017	CHANGE
Carisbo - Hot Money	14/12/2017 - 15/01/2018	0	8,500,000	(8,500,000)
Bnl - Bologna - Hot money	12/12/2019 - 29/03/2019	10,008,161	11,000,000	(991,839)
Cassa risp. Firenze - Hot money	12/12/2019 - 29/03/2019	11,000,000	2,800,000	8,200,000
Ubi Banca - Hot money	12/12/2019 - 29/03/2019	20,000,000	9,000,000	11,000,000
Banca Popolare Emilia Romagna c/c	at sight	261,409	386,233	(124,824)
Emilbanca c/c	at sight	1,494,254	1,495,293	(1,039)
Total due to banks		**42,763,824**	**33,181,526**	**9,582,298**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	2,001,077	2,001,272	(195)
05 BreBanca IGD MONDOVICINO (Malls)	23/11/2006 - 10/01/2023	1,121,825	1,063,348	58,477
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	680,952	640,929	40,023
09 Interbanca IGD	25/09/2006 - 05/10/2021	14,147,021	13,636,424	510,597
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	4,132,473	4,133,198	(725)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	1,608,466	1,508,032	100,434
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,702,611	1,706,990	(4,379)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	933,333	934,287	(954)
14 MPS Palermo (Malls)	21/12/2010 - 30/11/2025	2,065,712	2,013,207	52,505
17 Carige Palermo IGD (Hyper)	12/07/2011 - 30/06/2027	1,641,190	1,607,516	33,674
15 CentroBanca Cone (Malls)	22/12/2010 - 31/12/2025	2,640,000	2,640,000	0
Loan UBI 5 Leonardo	19/04/2018 - 17/10/2023	2,106,425	0	2,106,425
Loan UBI 1 Lame RP Fav	19/04/2018 - 17/07/2023	2,583,875	0	2,583,875
Loan UBI 2 Lame RP Fav	19/04/2018 - 17/10/2021	1,580,127	0	1,580,127
Loan UBI 3 RP	19/04/2018 - 17/10/2021	3,357,958	0	3,357,958
Total mortgage loans		**42,303,045**	**31,885,203**	**10,417,842**
Leasing Igd Headquarters	30/04/2009 - 30/04/2027	333,845	323,198	10,647
Total due to other source of finance		**333,845**	**323,198**	**10,647**
Bond 100 ML	11/01/2017 - 11/01/2024	1,056,250	1,057,745	(1,495)
Bond 150 ML	07/05/2014 - 07/01/2019	129,638,179	4,747,097	124,891,082
Bond 162 ML	21/04/2015 - 21/04/2022	2,969,325	2,987,458	(18,133)
Bond 300 ML	31/05/2016 - 31/05/2021	4,375,000	4,397,260	(22,260)
Total due to bonds		**138,038,754**	**13,189,560**	**124,849,194**
Current financial liabilities		**223,439,468**	**78,579,487**	**144,859,981**
Total related parties current financial liabilities		**1,703,932**	**1,487,851**	**216,081**

Movements current financial liabilities are as follows:

CURRENT FINANCIAL LIABILITIES	31/12/2017	ACQUISITION OF 4 BUSINESS BRANCHES EFFECT	COUPON OF THE YEAR	INCREASES	REPAYMENTS	AMORTIZED COST	RECLASSIFI-CATION	31/12/2018
Payables due to banks	33,181,526	0	0	19,202,378	(9,620,080)	0	0	42,763,824
Payables due to mortgage	31,885,203	9,208,334	0	0	(35,632,934)	0	36,842,442	42,303,045
Payables due to bond	13,189,560	0	18,859,080	0	(18,882,875)	337,486	124,535,503	138,038,754
Payables due to other source of finance	323,198	0	0	0	(323,197)	0	333,844	333,845
TOTAL	**78,579,487**	**9,208,334**	**18,859,080**	**19,202,378**	**(64,459,086)**	**337,486**	**161,711,789**	**223,439,468**

Current financial liabilities with third parties include the current portion of lease payments on the new head office, the current portion of outstanding mortgage and bond loans (including interest accrued), short-term bank borrowings, and financial payables to related parties in connection with the use of a pooled treasury account. The principal changes in current financial liabilities relate to:

- the increase in ultra-short-term credit lines;
- the repayment of principal falling due during the period on mortgage loans existing at the close of the previous year, and the reclassification of payments due within 12 months from non-current financial liabilities;
- the payment of principal falling due during the period and the recognition of amounts due within 12 months on the loans brought in with the acquired companies, whose main characteristics are described in the note on non-current financial liabilities;
- the reclassification to current liabilities of the €150 bond loan maturing on 7 January 2019. As explained in greater detail in the Directors' Report, that loan was reimbursed through the disbursement of tranche A of a syndicated loan headed by BNP Paribas taken out on 16 October 2018;
- the increase in related party liabilities due essentially to the current account payable to the subsidiary IGD Management S.r.l., which rose from €1,487,390 to €1,702,911 plus interest at 31 December 2018.

Note 32) Net financial position

The table below presents the net financial position at 31 December 2018 and 31 December 2017. At neither date does it include derivatives held for hedging purposes, which by nature do not constitute monetary assets or liabilities.

NET FINANCIAL POSITION	31/12/2018	31/12/2017
Cash and cash equivalents	(1,461,535)	(1,460,490)
Related parties financial receivables and other current financial assets	(98,767,426)	(90,529,742)
LIQUIDITY	**(100,228,961)**	**(91,990,232)**
Related parties current financial liabilities	1,703,932	1,487,851
Current financial liabilities	42,763,823	33,181,526
Current portion of mortgage loans	42,303,045	31,885,203
Current portion of leasing	333,845	323,198
Current portion of bonds	138,038,755	13,189,560
CURRENT DEBT	**225,143,400**	**80,067,338**
CURRENT NET DEBT	**124,914,439**	**(11,922,894)**
Non current financial assets	0	(100,000)
Non current portion of leasing	3,593,748	3,927,593
Non current financial liabilities	260,919,682	220,160,413
Bonds	557,303,993	676,086,774
NON CURRENT NET DEBT	**821,817,423**	**900,074,780**
NET FINANCIAL POSITION	**946,731,862**	**888,151,886**

The rise in net financial position is due chiefly to the acquisition of four businesses and the capital increase.

Note 33) Trade and other payables

	31/12/2018	31/12/2017	CHANGE
Trade and other payables	**11,611,986**	**11,428,177**	**183,809**

This item was roughly in line with the previous year.

Note 34) Related party trade and other payables

	31/12/2018	31/12/2017	CHANGE
Coop Alleanza 3.0 Soc. Coop.	216,161	177,954	38,207
IGD Management S.r.l.	12,851	10,438	2,414
Alleanza Luce e Gas s.r.l.	158	30	128
Robintur S.p.A.	4,582	0	4,582
Consorzio Lame	47,442	74,190	(26,748)
Consorzio La Torre	138,559	50,000	88,559
Consorzio Cone'	14,240	(3,821)	18,061
Consorzio Katané	63,805	65,180	(1,375)
Consorzio Porta a Mare	34,353	4,026	30,327
Consorzio Leonardo	89,966	9,977	79,989
Consorzio I Bricchi	0	29,364	(29,364)
Consorzio Puntadiferro	58,000	0	58,000
Unicoop Tirreno Soc. Coop.	0	823	(823)
Consorzio Centro Le Maioliche	727	29,345	(28,618)
DistribuzioneCentro Sud S.r.l.	1,350	1,350	0
Distribuzione Lazio Umbria s.r.l.	0	785	(785)
Consorzio CC ESP	3,529	4,268	(739)
Consorzio Crema	0	(1,236)	1,236
Consorzio prop. Fonti del Corallo	7,460	12,002	(4,542)
Related parties trade and other payables	**693,184**	**464,675**	**228,509**

Related party payables increased by €228,509K. See Note 39 for details.

Note 35) Current tax liabilities

	31/12/2018	31/12/2017	CHANGE
Irpef including regional and municipal surtax	398,051	371,666	26,385
Payables due to substitute tax	1,470,735	1,535,888	(65,153)
Current tax liabilities	**1,868,786**	**1,907,554**	**(38,768)**

The decrease in current tax liabilities relates to the substitute tax, which went down as a result of payments made in June in relation to:

- the fifth and final installment of the substitute tax on the capital gain from the 2013 sale of the Centro Lame hypermarket (€79,876);
- the third installment of the substitute tax for the acquisition of SIINQ status by the absorbed company Punta di Ferro SIINQ S.p.A. at the end of 2015, in the amount of €1,463,504, and the reclassification of the fourth installment of €1,470,735 (due in June 2019) from non-current liabilities.

Note 36) Other current liabilities

	31/12/2018	31/12/2017	CHANGE
Social security	226,282	204,507	21,775
Accrued liabilities	392,858	187,715	205,143
Insurance	9,000	8,000	1,000
Due to employees	373,629	343,879	29,750
Security deposits	5,689,487	4,283,110	1,406,377
Unclaimed dividends	1,095	1,057	38
due to Directors for emoluments	235,104	205,344	29,760
Other liabilities	1,048,317	1,112,215	(63,898)
Other current liabilities	**7,975,772**	**6,345,827**	**1,629,945**

These consist mainly of security deposits received from tenants. Most of the increase is due to the acquisition, as the deposits from tenants of the newly acquired malls have been transferred to IGD.

Note 37) Related party other current liabilities

	31/12/2018	31/12/2017	CHANGE
Due to tax consolidation	360,645	142,237	218,408
In detail:			
IGD Management S.r.l.	*52,210*	*79,264*	*(27,054)*
Porta Medicea S.r.l.	*308,435*	*62,973*	*245,462*
Other payables	0	14,484	(14,484)
Related parties current liabilities	**360,645**	**156,721**	**203,924**

The increase in this item concerns liabilities for the tax consolidation, which went up as a result of Porta Medicea S.r.l.'s transfer to the tax consolidation scheme of a greater loss (net of IRES credits for tax withheld on interest income) than it had transferred in 2017.

Note 38) Dividends

During the year, as resolved by the annual general meeting of shareholders held to approve the 2017 financial statements on 1 June 2018, a dividend of €0.50 was paid for each of the 110,341,903 shares outstanding as of 24 April 2018, for a total of €55,170,951.50.

Note 39) Related party disclosures

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

RELATED PARTIES DISCLOSURES	RECEIVABLES AND OTHER CURRENT ASSETS	FINANCIAL RECEIVABLES	PAYABLES AND OTHER CURRENT LIABILITIES	PAYBALES AND OTHER NON CURRENT LIABILITIES	FINANCIAL PAYABLES	SUNDRY RECEIVABLES AND OTHER NON CURRENT ASSETS	FIXED ASSETS INCREASES
Coop Alleanza 3.0 Soc. Coop.	69,001	0	216,161	11,362,499	0	0	0
Robintur S.p.A.	183	0	4,582	0	0	0	0
Librerie.Coop S.p.A.	10,376	0	0	0	0	0	0
Alleanza Luce e Gas S.r.l.	26,390	0	158	55,000	0	0	0
Unicoop Tirreno Soc. Coop.	736,210	0	0	25,000	0	0	140,000
Consorzio prop. Fonti del Corallo	0	0	7,460	0	0	0	245,975
Consorzio Cone'	1,708	0	14,240	0	0	0	0
Consorzio Katané	0	0	63,805	0	0	0	0
Consorzio Lame	0	0	47,442	0	0	0	61,712
Consorzio Leonardo	0	0	89,966	0	0	0	0
Consorzio La Torre	0	0	138,559	0	0	0	64,100
Consorzio Punta di Ferro	0	0	58,000	0	0	0	0
Consorzio Porta a Mare	0	0	34,353	0	0	0	0
DistribuzioneCentro Sud S.r.l.	0	0	1,350	450,000	0	0	0
Consorzio del Commendone	1,708	0	0	0	0	0	0
Consorzio Centro Le Maioliche	(809)	0	727	0	0	0	0
Rgd ferrara 2013 S.r.l.	393,010	95,692	0	0	0	0	0
IGD Management S.r.l.	243,994	91,475,210	65,061	0	1,703,400	0	0
Millennium Gallery S.r.l.	114,183	4,082,946	0	0	532	0	0
Consorzio CC ESP	0	0	3,529	0	0	0	0
Porta Medicea S.r.l.	38,686	151,316	308,435	0	0	0	0
Winmarkt Management S.r.l.	85,611	0	0	0	0	0	0
Win Magazin S.A.	8,000	0	0	0	0	0	0
Arco Campus s.r.l.	5,769	2,962,261	0	0	0	0	0
Total	**1,734,021**	**98,767,426**	**1,053,828**	**11,892,499**	**1,703,932**	**0**	**511,787**
Amount reported	**13,738,185**	**98,767,426**	**20,641,587**	**13,373,947**	**1,046,960,823**	**71,978**	
Total increase/decrease of the period							**222,465,296**
% out of the total	**12.62%**	**100.00%**	**5.11%**	**88.92%**	**0.16%**	**0.00%**	**0.23%**

IGD SIIQ S.p.A. 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 (Robintur S.p.A., Librerie Coop S.p.A., R.P.T. Robintur Travel Partner S.r.l. and Alleanza Luce e Gas S.r.l.); with Unicoop Tirreno Soc. Coop., Distribuzione Lazio Umbria S.r.l. (owned 100% by Unicoop Tirreno Soc. Coop., absorbed by Unicoop on 31 December 2018) 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 2018, including for retail premises, amounted to €33.2 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 year ended 31 December 2018, €222K

RELATED PARTY DISCLOSURE	REVENUES AND OTHER INCOME	FINANCIAL INCOME	COSTS	FINANCIAL CHARGES
Coop Alleanza 3.0 Soc. Coop.	33,236,780	0	431,255	34,120
Robintur S.p.A.	221,857	0	0	0
Librerie.Coop S.p.A.	711,472	0	0	0
Alleanza Luce e Gas S.r.l.	175,742	0	0	128
Unicoop Tirreno Soc. Coop.	5,967,679	0	46,063	0
Consorzio Cone'	1,400	0	152,451	0
Consorzio Clodì	0	0	100,226	0
Consorzio I Bricchi	0	0	516,792	0
Consorzio Katané	1,213	0	433,095	0
Consorzio Lame	(3,030)	0	8,986	0
Consorzio Leonardo	0	0	3,149	0
Consorzio La Torre	505	0	331,500	0
Consorzio Punta di Ferro	10,000	0	185,176	0
Consorzio Porta a Mare	0	0	206,392	0
DistribuzioneCentro Sud S.r.l.	1,535,022	0	0	1,350
Consorzio Centro Luna	18,307	0	1,074	0
Consorzio del Commendone	1,400	0	65,704	0
Consorzio Centro La Favorita	0	0	5,678	0
Consorzio Centro Le Maioliche	0	0	94,488	0
R.P.T. Robintur Travel Partner S.r.l.	15,255	0	0	0
Rgd ferrara 2013 S.r.l.	530,962	2,898	0	0
IGD Management S.r.l.	118,549	160,651	2,400	1,712
Millennium Gallery S.r.l.	3,436,630	9,109	0	837
Consorzio CC ESP	0	0	194,963	0
Porta Medicea S.r.l.	136,242	584	0	0
Win Magazin S.A.	20,000	0	0	0
Winmarkt Management S.r.l.	60,000	0	0	0
Arco Campus s.r.l.	5,000	2,789	0	0
Total	**46,200,985**	**176,030**	**2,779,392**	**38,147**
Amount reported	**124,888,689**	**197,947**	**27,374,014**	**31,697,182**
% out of the total	**36.99%**	**88.93%**	**10.15%**	**0.12%**

in rent was received from Robintur S.p.A. and €15K from R.P.T. Robintur Travel Partner S.r.l.
Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the year, the Company received €711K under these arrangements.
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 year, the Company received €176K under this arrangement, and also has payables for security deposits received.
Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0. Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.) refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.
As mentioned in Section 2.5 of the Directors' Report, on 7 November 2018 IGD's Board of Directors approved a framework agreement with Coop Alleanza 3.0 that entails the following:

- termination and re-issuance of the leases for 13 hypermarkets, extending the end date to 2037;
- termination and re-issuance of the leases for 6 hypermarkets, extending the end date to 2037 and redetermining rent;
- termination and re-issuance of the leases for 5 hypermarkets, extending the end date to 2037, reducing the GLA of each one and consequently redetermining the rent.

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. Rent received under the above leases amounted to €3.4 million for the year (including the balance from Distribuzione Lazio Umbria S.r.l.).

Transactions with Distribution Lazio Umbria S.r.l. (held 99.86% by Unicoop Tirreno, absorbed by Unicoop with effect from 31 December 2019) concern its rental of the Civita Castellana supermarket and the Casilino hypermarket for €31 million.
On 3 August 2018 IGD's Board of Directors approved a framework agreement with Unicoop Tirreno that calls for the termination and re-issuance of the lease for the hypermarket at Fonti del Corallo shopping center in Livorno, extending the end date to 2037, reducing the hypermarket's GLA and consequently redetermining the rent.

Transactions with other Group companies

Transactions with the direct and indirect subsidiaries IGD Management S.r.l., Millennium Gallery S.r.l., Porta Medicea S.r.l., Arco Campus S.r.l. and Win Magazin S.A. concern the following: *(i)* administrative, technical and financial services provided by IGD; *(ii)* loans granted to the subsidiaries IGD Management S.r.l., Arco Campus S.r.l. and Millennium Gallery S.r.l., and financial payables to the subsidiary IGD Management S.r.l. for use of the pooled account; *(iii)* the tax consolidation agreement with IGD Management S.r.l., Millennium Gallery S.r.l. and Porta Medicea S.r.l.; *(iv)* the preliminary agreement for the purchase from a related party of the retail "Officine" portion of the Porta a Mare project in Livorno, for an original amount of €46.3 million, of which advances have been paid in the amount of €22.4 million.

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 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 2018 amounted to €531K) and *(ii)* an interest-bearing loan in the amount of €96K, with interest charged at the 3-month Euribor plus a spread of 350 basis points.

Note 40) Management of financial risk

Management of financial risk

In the course of business, IGD is exposed to various financial risks. To map and assess its risks, IGD SIIQ S.p.A. has developed an integrated risk management model based on the international Enterprise Risk Management standards (see section 2.11 of the Directors' Report). The Board of Directors reviews and agrees on policies to manage these risks.

Market risk

Market risk is the potential for changes in exchange rates, interest rates or prices to negatively affect the value of assets, liabilities or cash flows.

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 Company finances its operations through short-term borrowings, long-term secured and unsecured 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 92.5% of the Company's exposure to rate fluctuations on long-term loans, including bonds. The Finance department analyzes and measures interest rate and liquidity risk while constantly evaluating the best means of implementation of the risk management model, and conducts routine scouting activities to find opportunities to reduce the cost of debt with banks and/or the capital markets.
See Note 41 for quantitative information on derivatives.
The following table presents the sensitivity analysis of interest rate risk, showing the impact on equity and profit/loss, as required by IFRS 7.
The sensitivity analysis was conducted in consideration of the financial statement items that generate interest at floating rates or that are exposed to fair value changes, assuming parallel increases or decreases in the interest rate curves of each currency.

INTEREST RATE RISK EXPOSURE AND SENSITIVITY ANALYSIS	BENCH-MARK	INCOME STATEMENT				NET EQUITY			
		SHOCK UP		SHOCK DOWN		SHOCK UP		SHOCK DOWN	
		31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Interest-bearing assets	Euribor	14,615	14,243	-1,462	-1,424				
Ultra short-term borrowings	Euribor	-427,638	-331,815	42,764	33,182				
Financial liabilities at variable rate	Euribor	-3,036,690	-2,532,336	299,349	248,558				
Derivatives									
- cash flow		1,727,517	1,993,963	-172,752	-199,396				
- fair value						7,782,699	7,564,004	-803,145	-783,284
Total		**-1,722,196**	**-855,945**	**167,899**	**80,920**	**7,782,699**	**7,564,004**	**-803,145**	**-783,284**

The assumptions underlying the sensitivity analysis are as follows:
- medium- and long-term mortgage loans were analyzed according to exposure at the reporting date;
- ultra-short-term borrowings and deposits were analyzed according to exposure at the end of the year;
- the initial shift in the interest rate curve was assumed to be +100/-10 basis points (unchanged since the previous year);
- in determining changes associated with floating-rate financial instruments, it was assumed that no interest rates have already been set;
- the values affecting equity have been calculated as the difference between the fair values calculated with the shock-modified curve and the fair values of derivatives at the balance sheet date;
- The analysis assumes that all other risk variables remain constant.
- For the sake of comparison, the same measurement was conducted on this and the prior year.

The method used to analyze and determine significant variables did not change since the previous period.

Foreign exchange risk

IGD uses the euro as its accounting currency for all purchases and sales.

Price risk

The Company is exposed to the risk of changes in the rent charged on leasehold properties. The domestic and international real estate market is cyclical in nature and influenced by several macroeconomic variables, relating for example to general economic conditions, interest rates, inflation, tax laws, market liquidity, and the presence of other profitable investments.

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 constantly monitors its credit positions and uses an ad hoc program to assess each tenant's track record, 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.

The maximum credit risk on the Company's other financial assets, including cash and cash equivalents and certain derivative instruments, is the carrying value of these assets in the event of the counterparty's insolvency. The maximum exposure is presented gross of any mitigation through the use of various kinds of hedge.

The table below presents the maximum exposure to credit risk for balance sheet components, divided into categories, including derivatives with a positive fair value.

Where financial instruments are measured at fair value, the amounts shown represent current credit risk, but not the maximum exposure to credit risk that could arise in the future due to changes in fair value.

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2018	31/12/2017
Receivables and loans		
Sundry receivables and other assets	71,978	50,029
Financial assets	-	-
Trade and other receivables	8,022,046	7,017,607
Related party trade and other receivables	1,439,057	1,644,663
Other assets	3,080,596	802,130
Cash and cash equivalents	1,420,609	1,424,257
Financial receivables and other financial assets	98,767,426	90,629,742
Due from third parties (securities)		
Hedging instruments	**-**	**-**
Guarantees		
Total	**112,801,712**	**101,568,428**

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.
Most long-term loans and outstanding bond 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.

Maturities are broken down below on the basis of undiscounted cash flows; the amounts shown take account of the first date on which payment can be requested. The assumptions underlying the maturity analysis are as follows:

- for the future cash flows of long-term floating-rate payables, the forward rate curve at 31 December has been used;
- for the future cash flows of the fixed-rate bonds, the contractual flows have been used;
- for derivatives, the analysis includes those representing assets at 31 December, for which both outflows and inflows are shown, as their purpose is to hedge financial liabilities. At the balance sheet date, all derivatives had a negative fair value;
- amounts include cash flows from both the interest and the principal component.

The method used to analyze and determine significant variables did not change since the previous year.

MATURITY ANALYSIS AT 31/12/2018 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	7,102,253	3,043,815	12,338,706	22,677,849	45,929,574	149,762,597	82,420,557	323,275,351
Leasing	31,726	63,626	95,852	193,250	395,153	1,268,144	2,287,946	4,335,697
Bonds	130,864,875	0	11,793,000	1,125,000	14,043,000	484,836,000	101,125,000	743,786,875
Short-term credit lines	42,763,824	0	0	0	0	0	0	42,763,824
Related party payables	1,703,932	0	0	0	0	0	0	1,703,932
Total	**182,466,610**	**3,107,441**	**24,227,558**	**23,996,099**	**60,367,727**	**635,866,741**	**185,833,503**	**1,115,865,679**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	674,074	693,876	1,710,190	2,906,297	4,725,493	6,138,882	-259,772	16,589,040
Total	**674,074**	**693,876**	**1,710,190**	**2,906,297**	**4,725,493**	**6,138,882**	**-259,772**	**16,589,040**
EXPOSURE AT 31/12/2018	**183,140,684**	**3,801,317**	**25,937,748**	**26,902,396**	**65,093,220**	**642,005,623**	**185,573,731**	**1,132,454,719**

MATURITY ANALYSIS AT 31/12/2017 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	4,420,187	3,045,177	9,678,397	17,318,427	35,376,023	98,458,179	105,355,944	273,652,334
Leasing	31,165	62,465	94,066	189,851	391,258	1,264,303	2,737,243	4,770,351
Bonds	5,964,875	0	11,793,000	1125000	143,782,875	496,629,000	103,375,000	762,669,750
Short-term credit lines	33,181,527	0	0	0	0	0	0	33,181,527
Related party payables	1,487,851	0	0	0	0	0	0	1,487,851
Total	**45,085,604**	**3,107,642**	**21,565,463**	**18,633,278**	**179,550,156**	**596,351,482**	**211,468,187**	**1,075,761,812**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	662,575	781,464	1,762,480	2,980,680	4,961,941	7,688,718	1,808,889	20,646,748
Total	**662,575**	**781,464**	**1,762,480**	**2,980,680**	**4,961,941**	**7,688,718**	**1,808,889**	**20,646,748**
EXPOSURE AT 31/12/2017	**45,748,180**	**3,889,106**	**23,327,943**	**21,613,958**	**184,512,097**	**604,040,200**	**213,277,076**	**1,096,408,560**

Note 41) Derivative instruments

The Company has engaged in derivative contracts for the use of interest rate swaps. The fair value of interest rate swaps for which no active market exists is determined with assistance from specialized firms according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

FAIR VALUE - HIERARCHY	31/12/2018	31/12/2017	CHANGE	LEVEL
Derivative assets	0	0	0	2
Derivative liabilities	(17,110,619)	(20,362,400)	3,251,781	2
IRS net effect	**(17,110,619)**	**(20,362,400)**	**3,251,781**	

The contracts are detailed below:

CONTRACTS DETAIL	IRS 07 - BANCA ALETTI 3.420%	IRS 09 - BNP PARIBAS 3.439%	IRS 10 - EX MPS 3.439%	IRS 08 - EX MPS 3.420%	IRS 06 - CARISBO 3.3495%	IRS 12 - CARISBO 3.177%	IRS 11 - EX MPS 3.175%
Nominal amount	7,334,688	7,334,688	7,334,688	7,334,688	5,515,427	7,334,688	7,334,688
Inception date	10/06/2009	10/06/2009	11/06/2009	12/06/2009	12/02/2009	27/10/2009	28/10/2009
Maturity	05/10/2021	05/10/2021	05/10/2021	05/10/2021	10/01/2023	05/10/2021	05/10/2021
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 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	5,618,733	10,994,250	7,491,644	7,016,986	5,618,733	10,994,250	10,994,250
Inception date	28/04/2010	27/08/2010	28/04/2010	28/04/2010	30/04/2010	31/08/2010	27/08/2010
Maturity	31/03/2024	27/03/2024	28/03/2024	29/12/2023	28/03/2024	27/03/2024	27/03/2024
Irs frequency	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	3.29%	2.30%	3.27%	3.41%	3.25%	2.30%	2.30%

CONTRACTS DETAIL	IRS 20 - CARISBO 2.285%	IRS 21 - MPS 2.80%	IRS 22 - CARISBO 3.25%	IRS 24 - CARISBO 2.429%	IRS 23 - CARISBO 2.429%	IRS 25 - ALETTI 2.427%	IRS UBI 49M
Nominal amount	10,994,250	7,500,000	17,625,000	14,190,000	5,676,000	8,514,000	49,000,000
Inception date	27/08/2010	12/07/2011	12/07/2011	12/09/2011	12/09/2011	12/09/2011	08/11/2018
Maturity	27/03/2024	31/03/2024	01/11/2024	31/12/2025	31/12/2025	31/12/2025	17/10/2023
Irs frequency	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	2.29%	2.80%	3.25%	2.43%	2.43%	2.43%	0.33%

CONTRACTS DETAIL	125M BNL D20209417
Nominal amount	125,000,000
Inception date	06/08/2018
Maturity	01/10/2021
Irs frequency	Quarterly
Bank rate	Euribor 3 months
Customer rate	0.05%

Note 42) Subsequent events

On 2 January 2019, IGD SIIQ received Tranche A of the loan contracted on 16 October 2018, in the amount of €125,000,000. On 7 January 2019, IGD SIIQ used the loan to reimburse bonds originally amounting to €150 million, whose outstanding balance at 31 December 2018 was €124.9 million.

Note 43) Commitments

At 31 December 2018 the Company had the following significant commitments:

- Preliminary agreement for the purchase from a related party (Porta Medicea S.r.l.) of the retail portion ("Officine") of the Porta a Mare project in Livorno, for an original amount of €46.3 million, of which advances have been paid in the amount of €22.4 million;
- Contract for the restyling of the Casilino shopping center, for a remaining amount of €2,565K;
- Contract for the restyling of the Fonti del Corallo shopping center, for a remaining amount of €2,323K;
- Contract for earthquake proofing upgrades at Centro d'Abruzzo shopping center, for a remaining amount of €1,397K;
- Rent due for the Fonti del Corallo mall: the estimated liability to be settled within two months comes to €3,325K, in addition to €13,300K due from the second to the fifth year and €9,975K from the sixth to the eighth. See Note 1) with regard to revenue earned from this mall.

Note 44) Disputes

Darsena

Due to the dissolution of the joint venture with Beni Stabili S.p.A. SIIQ (now Covivio) 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

Given the receivables accrued to Beni Stabili S.p.A. SIIQ, over time and in agreement with IGD, 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 had 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 received through enforcement of the bank guarantee issued in its favor). The adversaries were also ordered to reimburse the Company for some legal expenses and for three quarters of the arbitration costs.

In rulings dated 26 and 29 July 2013, the Court of Ferrara acted on a joint complaint from Beni Stabili S.p.A. SIIQ and IGD and declared Magazzini Darsena and Darsena FM to be bankrupt.

Further to those rulings, IGD 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 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 challenged the July 2013 arbitration judgment before the Appeals Court of Milan.

In a decision published on 29 October 2015, the Appeals Court ruled in favor of Beni Stabili S.p.A. SIIQ on the grounds that the challenge had been filed too late. On 11 February 2016, Partxco (now known as Fallimento Partxco S.p.A., as it had gone bankrupt in the meantime) served notice of its appeal to the Court of Cassation, to which Beni Stabili S.p.A. promptly filed a response. On 18 April 2018 the Court of Cassation rejected Fallimento Partxco's appeal and ordered it to pay all court fees.

Actions against IGD

In 2012 IGD was summoned to court by Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A. regarding the management agreement of Darsena City shopping center. IGD appeared in court and filed a statement and related pleadings. Because IGD'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 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 was also suspended at the hearing of 18 December 2018, subject to resumption by the receiver within the three months provided for by law. IGD's lawyers remain 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 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 the purchase 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.
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. 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 clarify the matters brought up by IGD.
Following the hearing of 26 September, the court at first withheld judgment and then, on 25 November 2017, ordered the expert witness to perform additional steps as requested by IGD and scheduled a review of the findings for 14 March 2018. The expert witness filed the supplementary report on 7 February 2018 and added additional information on 12 February.
In the supplementary report, the expert witness calculated, with some inaccuracies, the annual rent pertaining to the period in question, as ordered by the Court at IGD's request.
The report confirmed that on the basis of the parameters set by the Court: *(i)* the rent accrued during the period in question (October 30, 2013 to October 29, 2014) and collected by the end of that period would entail a price supplement of 0 (zero); *(ii)* the rent accrued during the period (without considering how much was actually collected by October 29, 2014) would entail a price supplement (because annual rent exceeded the contractual threshold of €4,075,000.00), albeit of a drastically smaller amount than stated in the initial report.
The expert witness then hypothesized various methods of quantifying the price supplement, some consistent with the query and others not; all such hypotheses, in any case, would be moot if the Court agrees that the threshold above which a price supplement applies refers only to the rent "received," hence the amount accrued from October 30, 2013 to October 29, 2014 that was actually collected by the end of that period, as would also seem clear from the wording of the query.
Once the expert report was filed, the Court set the deadlines for submitting concluding statements, which were filed by the parties on time. The Court's decision is therefore pending.
The interpretation of the price supple-

ment clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

Centro Sarca

An accident that occurred at Centro Sarca shopping center on 15 September 2018 has triggered a pending criminal case before the Court of Monza, currently in the preliminary investigation stage. Under investigation are IGD's general manager in his capacity as legal representative of the subsidiary IGD Management, and the regional manager for Northern Italy in his capacity as legal representative of Consorzio Propietari Centro Sarca.
The defense attorney's opinion is that the measures taken by the Company absolve these two parties of liability, and that in the absence of specific complaints, the subsidiary will also be found not liable.

Note 45) Tax litigation

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, a ruling that became definitive on 14 June 2018.
For both proceedings, the Commission ordered the revenue office to reimburse IGD's legal expenses in the amount of €6,000.00 total.
On 29 September 2017 the Emilia Romagna regional authorities appealed the VAT decision (254/17) and on 28 November IGD filed its counterarguments against that appeal; it awaits the date of the next hearing.
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 2016. 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).
On 2 August 2018 IGD received an assessment notice containing the following two findings:
- the disallowance of an €80,000 deduction for IRES purposes;
- reduction of the allowed deduction for the ACE (Aiuto alla Crescita Economica) program by €14,780.

This resulted in additional taxable income of €94,780 on the consolidated tax return.

On 11 October 2018, the Company filed the proper tax form for using prior losses to cover taxable income resulting from an assessment, and upon conclusion of the assessment process, on 20 November 2018, was notified that the losses had been correctly deducted.
No deferred tax assets had been recognized on the losses used.

Note 46) IFRS 7 - "Financial Instruments: Disclosures"

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with accounting standard IFRS 9.

For this purpose, financial assets are split into four categories:
- Financial assets measured at fair value through profit and loss: at 31 December 2018 the Company had no financial instruments in this category;
- Held to maturity investments: the Company has no financial instruments belonging to this category;
- Loans and receivables: in this category the Company has trade, financial and other receivables, and cash and deposits. They mature within 12 months and are therefore carried at face value (net of any impairment).
- Available for sale financial assets: the Company has no financial instruments belonging to this category.

There are only two categories of financial liability:
- Financial liabilities measured at fair value through profit and loss. At 31 December 2018 the Company had no financial instruments in this category;
- Financial liabilities measured at amortized cost.

Classification in the statement of financial position

The Company's financial instruments are included in the statement of financial position as follows. The item "Other non-current assets" covers sundry receivables and other non-current assets, including derivative instruments. The item "Current assets" includes trade receivables, other current receivables, and cash and cash equivalents. "Cash and cash equivalents" include bank and post office deposits and cash and valuables on hand. The other assets consist of investments outstanding at the balance sheet date. The item "Non-current liabilities" includes mortgage loans from banks, derivatives, the bond loan, sundry payables and security deposits. The item "Current liabilities" covers short-term payables to banks, the current portion of medium/long-term loans, trade payables and other current payables. The items in the statement of financial position are classified below according to the categories required by IAS 39 at 31 December 2018 and 31 December 2017:

CLASSIFICATION 31/12/2018	CARRYING VALUE										
	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			71,978					71,978		71,978	71,978
Equity investments			186,473,918					186,473,918		186,473,918	186,473,918
Non-current financial assets			0					0		0	0
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			8,022,046					8,022,046	8,022,046		8,022,046
Related party trade and other receivables			1,439,057					1,439,057	1,439,057		1,439,057
Other current assets			3,080,596					3,080,596	3,080,596		3,080,596
Related party financial receivables and other current financial assets			98,767,426					98,767,426	98,767,426		98,767,426
Financial receivables and other current financial assets			0	0				0	0		0
Cash and cash equivalents			1,461,534					1,461,534	1,461,534		1,461,534
TOTAL FINANCIAL ASSETS	**0**	**0**	**299,316,555**	**0**	**0**	**0**	**0**	**299,316,555**	**112,770,659**	**186,545,896**	**299,316,555**
LIABILITIES											
Financial liabilities											
Derivative liabilities							17,110,619	17,110,619		17,110,619	17,110,619
Due to banks						42,763,824		42,763,824	42,763,824		42,763,824
Leasing						3,927,594		3,927,594	333,845	3,593,749	3,772,975
Bonds						695,342,747		695,342,747	138,038,754	557,303,993	700,033,966
Due to other sources of finance						0		0	0	0	0
Mortgage loans						303,222,726		303,222,726	42,303,045	260,919,681	295,043,023
Related party financial liabilities						1,703,932		1,703,932	1,703,932		1,703,932
Non-current liabilities											
Sundry payables and other non-current liabilities						10,714		10,714		10,714	10,714
Related party sundry payables and other non-current liabilities						11,892,499		11,892,499		11,892,499	11,892,499
Current liabilities											
Trade and other payables						11,611,986		11,611,986	11,611,986		11,611,986
Related party trade and other payables						693,184		693,184	693,184		693,184
Other current liabilities						7,916,262		7,916,262	7,916,262		7,916,262
Related party other current liabilities						0		0	0		0
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,079,085,468**	**17,110,619**	**1,096,196,087**	**245,364,832**	**850,831,255**	**1,092,552,984**

CLASSIFICATION 31/12/2017	CARRYING VALUE										
	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			50,029					50,029		50,029	50,029
Equity investments			186,446,078					186,446,078		186,446,078	186,446,078
Non-current financial assets			100,000					100,000		100,000	100,000
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			7,017,607					7,017,607	7,017,607		7,017,607
Related party trade and other receivables			1,644,663					1,644,663	1,644,663		1,644,663
Other current assets			802,130					802,130	802,130		802,130
Related party financial receivables and other current financial assets			90,529,742					90,529,742	90,529,742		90,529,742
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			1,460,490					1,460,490	1,460,490		1,460,490
TOTAL FINANCIAL ASSETS	**0**	**0**	**288,050,739**	**0**	**0**	**0**	**0**	**288,050,739**	**101,454,632**	**186,596,107**	**288,050,739**
LIABILITIES											
Financial liabilities											
Derivative liabilities							20,362,400	20,362,400		20,362,400	20,362,400
Due to banks						33,181,526		33,181,526	33,181,526		33,181,526
Leasing						4,250,791		4,250,791	323,198	3,927,593	4,130,706
Bonds						689,276,334		689,276,334	13,189,560	676,086,774	705,504,037
Due to other sources of finance						0		0	0	0	0
Mortgage loans						252,045,616		252,045,616	31,885,203	220,160,413	247,881,389
Related party financial liabilities						1,487,851		1,487,851	1,487,851		1,487,851
Non-current liabilities											
Sundry payables and other non-current liabilities						10,714		10,714		10,714	10,714
Related party sundry payables and other non-current liabilities						11,891,499		11,891,499		11,891,499	11,891,499
Current liabilities											
Trade and other payables						11,428,177		11,428,177	11,428,177		11,428,177
Related party trade and other payables						464,675		464,675	464,675		464,675
Other current liabilities						5,797,441		5,797,441	5,797,441		5,797,441
Related party other current liabilities						14,484		14,484	14,484		14,484
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,009,849,108**	**20,362,400**	**1,030,211,508**	**97,772,115**	**932,439,393**	**1,042,154,898**

For each financial instrument, both carrying value and fair value are indicated. The two values coincide for most instruments, as their maturity is short term. They differ for long-term instruments, such as mortgage loans, leasing installments and the convertible bond. To calculate the fair value of liabilities measured at amortized cost, the Company has discounted future cash flows to present value using a risk-free (zero coupon) curve estimated at 31 December, as reported by Bloomberg. The calculation takes account of the credit spread that banks would currently grant to IGD. The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market. The fair value of financial liabilities was calculated using the credit spread that banks would grant to IGD SIIQ S.p.A. as of the measurement date. At 31 December 2018 the estimated credit spread was 2.50% (2.15% the previous year).

Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

COLLATERAL GIVEN	CARRYING VALUE	
	31/12/2018	31/12/2017
Security deposits		
- Sundry receivables and other assets	71,978	50,029

The following table shows the impairment of trade receivables:

IMPAIRMENT	IMPAIRMENT OF TRADE RECEIVABLES	
	31/12/2018	31/12/2017
Opening balance	10,998,116	10,400,271
Allocations		
- for individual writedowns	666,137	761,205
Utilizations	-1,325,722	-1,217,976
Impairment reversals		
Other movements	96,809	1,054,616
Total	**10,435,340**	**10,998,116**

Gains and losses from financial instruments

The table below reports the gains and losses from financial instruments held. These derive from securities trading, the impairment of trade receivables, and hedge derivatives.

For hedge derivatives, the table shows the amount of the differentials paid and collected. The effects of fair value changes charged to the cash flow hedge reserve under equity (net of the tax effects) came to +€2,671,453 in 2018 and to +€5,315,830 in 2017.

2018 INCOME STATEMENT NET GAIN (LOSS)	CARRYING VALUE						
	Financial assets/ liabilities measured at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments
Financial assets/liabilities							-6,040,711
Trade and other receivables			-666,137				
Total	**0**	**0**	**-666,137**	**0**	**0**	**0**	**-6,040,711**

2017 INCOME STATEMENT NET GAIN (LOSS)	CARRYING VALUE						
	Financial assets/ liabilities measured at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments
Financial assets/liabilities							-6,941,453
Trade and other receivables			-761,205				
Total	**0**	**0**	**-761,205**	**0**	**0**	**0**	**-6,941,453**

The next table shows income and charges from financial assets and liabilities not measured at fair value:

INTEREST INCOME	2018	2017
Interest income on financial assets not measured at fair value		
- Deposits	21,917	33,423
- From affiliates	176,030	159,074

INTEREST EXPENSE	2018	2017
Interest expense on financial assets not measured at fair value		
- Security deposits	35,597	13,614
- Sundry payables and other liabilities	962,669	918,188
- To parent	-	-
- Due to subsidiaries	2,550	693
- Financial liabilities		
- Mortgage loans	3,675,974	3,223,726
- Leasing	52,121	55,928
- Bonds	20,923,045	21,888,361
- Interest capitalized	0	0
- Short-term borrowings	4,514	7,625

5.7
PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS, ALLOCATE THE NET PROFIT AND DISTRIBUTE DIVIDENDS

Dear Shareholders,

We submit for your approval the separate financial statements of IGD SIIQ S.p.A. at 31 December 2018, which close with a net profit of €41,242,164. Subject to approval of the financial statements for the year ending 31 December 2018 and the Report of the Board of Directors, we propose:

- ✓ allocating €3,381,636 of the net profit to the fair value reserve, for the appraisal at market value of the real estate portfolio. Consequently, the fair value reserve will increase from €307,735,923 to €311,117,559;
- ✓ allocating €1,778,459 of the net profit to the legal reserve, specifying that this sum derives from exempt operations;
- ✓ allocating €114,567 of the net profit to the legal reserve, specifying that this sum derives from taxable operations;
- ✓ allocating €33,790,720 of the net profit to dividends, specifying that this sum derives from exempt operations;
- ✓ allocating €2,176,782 to dividends, specifying that this sum derives from taxable operations.

The total dividend payout, calculated based on the number of the Company's shares outstanding (110,276,800), amounts to €55,138,400 to be taken from:

- ✓ for €33,790,720.29, distributable income derived entirely from exempt operations;
- ✓ for €15,304,621.34, profits carried forward from exempt operations;
  The income distributed from exempt operations amounts to €49,095,341.63 or €0.445201 per share;
- ✓ for €2,176,781.55, distributable income derived entirely from taxable operations;
- ✓ for €2,434,994.22, profits carried forward from taxable operations, as well as generated prior to becoming a SIIQ;
  The earnings distributed subject to ordinary income tax amount to €4,611,775.77 or €0.041820 per share;
- ✓ for €1,431,282.60, or €0.012979 per share, partial utilization of the share premium reserve.

The Board of Directors grants the Chairman and the Chief Executive Officer, jointly or severally, the power to determine the exact number of shares entitled to receive dividends and the exact amount of the dividend to be distributed.

Bologna, 26 February 2019
THE CHAIRMAN
ELIO GASPERONI

5.8
MANAGEMENT AND COORDINATION

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. of Villanova di Castenaso (province of Bologna) and is under the management and coordination of that company.

Pursuant to Article 2497 *bis* (4) of the Italian Civil Code, key figures from the latest approved financial statements of Coop Alleanza 3.0 Soc. Coop. are presented below:

FINANCIAL STATEMENTS COOP ALLEANZA 3.0	YEAR 2017	YEAR 2016
BALANCE SHEET (ex art. 2424 C.C.)		
ASSETS		
A) - SUBSCRIBED CAPITAL UNPAID	442,177	
B) - FIXED ASSETS	4,190,805,870	4,255,955,528
C) - CURRENT ASSETS	4,451,752,240	4,740,933,677
D) - ACCRUED INCOME AND PREPAYMENTS	1,148,496	11,581,372
TOTAL ASSETS	**8,644,148,783**	**9,008,470,577**
LIABILITIES		
A) - NET EQUITY	2,358,221,190	2,469,479,621
B) - GENERAL PROVISIONS	76,818,746	65,854,158
C) - PROVISION FOR EMPLOYEES SEVERANCE INDEMNITIES	143,363,446	148,178,844
D) - PAYABLES	6,069,778,776	6,306,986,503
E) - ACCRUED INCOME AND PREPAYMENTS	6,766,625	17,971,451
TOTAL NET EQUITY AND LIABILITIES	**8,654,948,783**	**9,008,470,577**
MEMORANDUM ACCOUNT		
INCOME STATEMENT (ex art. 2425 C.C.)		
A) - PRODUCTION VALUE	4,155,265,332	4,098,875,015
B) - PRODUCTION COST	-4,297,412,798	-4,193,478,002
C) - FINANCIAL INCOME AND CHARGES	198,503,203	197,959,354
D) - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-87,723,587	-99,197,940
E) - EXTRAORDINARY INCOME AND CHARGES		
Income taxes	-6,227,688	2,460,159
PROFIT (LOSS) FOR THE PERIOD	**-37,595,538**	**6,618,586**

5.9
INFORMATION PURSUANT TO ART. 149 *DUODECIES* OF CONSOB'S REGULATIONS FOR ISSUERS

The following chart, prepared in accordance with Art. 149 duodecies of Consob's regulations for issuers, shows the fees pertaining to 2018 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Amounts in Euro	SERVICE PROVIDER	RECIPIENT	2018 FEES
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	132,291
Sustainability report auditing	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	25,000
Other services	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	2,000
Services for the share capital increase (*)	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	252,750
Total			**412,041**

(*) The fees paid to PricewaterhouseCoopers S.p.A. in connection with the capital increase approved on 12 February 2018 are accounted for under capital increase costs in shareholders' equity.

5.10 CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

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

1. We, the undersigned, Claudio Albertini as chief executive officer and Carlo Barban as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:
   - the adequacy of in relation to the characteristics of the business; and
   - the company's due compliance with

     the administrative and accounting procedures for the preparation of the separate financial statements during the year 2018.

2. We also confirm that:

   2.1. the separate financial statements:

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

   b) correspond to the ledgers and accounting entries;

   c) provide fair and truthful disclosure of the financial status and performance of the issuer;

   2.2. the directors' report contains a reliable analysis of the performance, results, and current situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

Bologna, 26 February 2019

Claudio Albertini
Chief Executive Officer

Carlo Barban
Financial Reporting Officer

5.11
ATTACHMENTS

CERTIFICATION PURSUANT TO ART. 16
CONSOB RESOLUTION 20249/2017

*in accordance with Art. 2.6.2 of the Regulations for Markets
Organized and Managed by Borsa Italiana S.p.A.*

Pursuant to Article 2.6.2 of the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A., it is hereby declared that Immobiliare Grande Distribuzione SIIQ S.p.A., under the management and control of Coop Alleanza 3.0 S.c.a.r.l., meets the listing conditions stated in Art. 16 of Consob Resolution 20249 of 28 December 2017.

26 February 2019

Elio Gasperoni
Chairman of the Board of Directors

List of equity investments

NAME	REGISTERED OFFICE	NATION	SHARE CAPITAL	NET PROFIT (EURO)	NET EQUITY (EURO)	% HELD	CONTROL	NO OF SHARES/ QUOTE	CARRYING VALUE (EURO)
IGD Management S.r.l.	Ravenna via Villa Glori 4	Italia	75.071.221 (euro)	111,750	142,554,921	100%	IGD SIIQ S.p.A.	75,071,221	170,183,477
Millennium Gallery S.r.l	Ravenna via Villa Glori 4	Italia	100.000 (euro)	326,239	964,057	100%	IGD SIIQ S.p.A.	100,000	14,463,025
Porta Medicea S.r.l.	Bologna via Trattati Comunitari Europei 1957-2007	Italia	60.000.000 (euro)	(978,595)	46,530,425	100%	IGD Management s.r.l.	60,000,000	49,717,060
Win Magazin S.A.	Bucarest	Romania	113715,3 (lei)	2,510,142	88,970,203	99.99%	IGD Management s.r.l.	114	185,618
						0.01%	IGD SIIQ S.p.A.	113,602	157,221,548
Winmarkt management S.r.l.	Bucarest	Romania	1001000 (lei)	6,403	228,318	100%	Win Magazin S.A.	1,001,000	158,340
Arco Campus S.r.l.	Bologna via dell'Arcoveggio n.49/2	Italia	1.500.000 (euro)	9,436	1,425,169	100%	IGD SIIQ S.p.A.	1,500,000	1,440,509
RGD Ferrara 2013 S.r.l.	Roma, via Piemonte 38	Italia	100.000 (euro)	(28,765)	108,504	50.00%	IGD SIIQ S.p.A.	50,000	54,251
Consorzio I Bricchi	Isola D'Asti (Loc.Molini) Via prato boschiero	Italia	6.000 (euro)	0	5,998	72.25%	IGD SIIQ S.p.A.	4,335	4,335
Consorzio proprietari C.C. Leonardo	Imola (Bologna) Via Amendola 129	Italia	100.000 (euro)	0	100,000	52.00%	IGD SIIQ S.p.A.	52,000	52,000
Consorzio proprietari C.C. Fonti del Corallo	Livorno Via Gino Garziani 6	Italia	10.000 (euro)	0	12,400	68.00%	IGD SIIQ S.p.A.	6,800	6,800
Consorzio proprietari del Compendio commerciale del Commendone	Grosseto Via Ecuador	Italia	10.000 (euro)	0	10,000	52.60%	IGD SIIQ S.p.A.	5,260	6,039
Consorzio Puntadiferro	Forlì, Piazzale della Cooperazione 4	Italia	10.000 (euro)	0	10,000	62.34%	IGD SIIQ S.p.A.	6,234	6,234

5.12
EXTERNAL AUDITORS REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the illustrative notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2018 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of this report. We are independent of Immobiliare Grande Distribuzione SIIQ SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of investment properties and assets under construction *See notes 12 and 15 and paragraphs "Summary of accounting standards" and "Use of estimates" of the notes to the separate financial statements as of 31 December 2018.* As of 31 December 2018, Immobiliare Grande Distribuzione SIIQ SpA's investment properties and assets under construction are equal to, respectively, Euro 2,019.2 million and Euro 26.3 million, totaling Euro 2,045.5 million, which represented 86,6% of total assets. Investment properties are measured at fair value in accordance with IAS 40 as endorsed by the European Union and assets under construction are valued at cost less impairments, or at fair value if the procedure for obtaining administrative permits has been completed and construction is underway. The fair value of Company's investment properties and assets under construction, which is based on appraisals carried out by independent experts (hereinafter, also the "Appraisers"), was of particular importance in auditing the Company's separate financial statements and is a key audit matters of the audit as it is based on a complex process of estimate as well as on the use of assumptions that are impacted by future market conditions, specifically in relation to the estimated rental value, the estimated vacancy rates (i.e. the forecast percentage of investment property space that remains vacant), the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount the cash flows relating to each investment property.	Our approach in auditing such financial statements items firstly included the understanding and evaluating of the methodologies and procedures defined by the Company and approved by the Board of Directors on 19 December 2013 to verify the independence and the competence of the independent the Appraisers engaged to determine the fair value of investment properties and assets under construction, as well as the procedures dealing with the selection and rotation of the Appraisers and the sharing of information between Company Management responsible for managing the real estate portfolio and the Appraisers. The audit approach therefore included testing of controls put in place by Company over the aforementioned processes and procedures in order to verify the fair value measurement models prepared by the Appraisers as well as the results of such models. Based on our understanding, evaluating and testing of aforementioned controls, we therefore planned and performed substantive auditing tests on such financial statement line items. In this respect, we highlight that the tests of details on the real estate portfolio were performed on a sample of investments considered to be significant based on the risk and size of each investments, with the aim to cover all kinds of investments and all the Appraisers involved, as well as to rotate the

real estate portfolio selected by us. Specifically, we verified the reasonableness of the methodologies adopted and of the main assumptions reflected in the valuation models (discounted cash flow) through review and analysis of the appraisals prepared by the independent experts and discussions with Company Management and the independent experts; such analyses and discussions were conducted involving the PwC experts in real estate valuation. Particular emphasis was placed on verifying the reasonableness of those variables that have the most significant impact in determining the fair value, like the estimated rental value, the estimated vacancy rate, the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount cash flows related to each investment property, with respect to the best practices normally adopted for the valuation of similar investment properties in the same real estate sector of the Company. With regard to assets under construction, we also verified the consistency between the estimated costs to complete the constructions, included in the valuation model, and the budget of costs approved by the Company's Board of Directors. We also verified on a sample basis the consistency between the cash flows included in the valuation models and the rents arising from the contracts signed with tenants and between figures relating to insurance costs and the IMU property tax and related supporting documentation.

For those investments selected, we also verified the mathematical accuracy of the valuation models prepared by the independent experts.

Finally, taking into account that the fair value measurement of investment properties and assets under construction is based on the use

	of measurement models with unobservable inputs (Level 3 in the fair value hierarchy included in IFRS 13 as endorsed by the European Union), we verified the Company's disclosures in the illustrative notes to the separate financial statements regarding the methodology adopted to determine fair value, the estimate of inputs, the results of valuations and the sensitivity analysis performed.

Other matters

As required by law, the Company included in the illustrative notes to the separate financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the separate financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 18 April 2013, the shareholders of Immobiliare Grande Distribuzione SIIQ SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

Management of Immobiliare Grande Distribuzione SIIQ SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2018, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 18 March 2019

PricewaterhouseCoopers SpA

Signed by

Roberto Sollevanti
(Partner)

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

5.13
REPORT OF THE BOARD OF STATUTORY AUDITORS

IMMOBILIARE GRANDE DISTRIBUZIONE

SOCIETA' DI INVESTIMENTO IMMOBILIARE QUOTATA S.P.A.

Registered Office Via Trattati Comunitari Europei 1957-2007 n. 13 Bologna, Italy

REA 458582 Company Register no. 00397420399

Share capital subscribed and paid-in €. 749,738,139.26

Company under the management and control of Coop Alleanza 3.0 Soc. Coop.

Statutory auditors' report to the Shareholders' Meeting of IGD Immobiliare Grande Distribuzione Società di investimento immobiliare quotata (SIIQ) S.p.A. pursuant to Art. 153 of Legislative Decree 58/1998 and Art. 2429 of the Italian Civil Code

* * * * *

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Art. 153 of Legislative Decree 58 of 24 February 1998 and Art. 2429 of the Italian Civil Code, is required to report to the shareholders during the general meeting on the board's supervisory activities during the year and on any findings of omission or inappropriate conduct. The Board of Statutory Auditors is also called upon to comment on any proposals relating to the financial statements, the relative approval and the items included on the Agenda for the Annual General Meeting. During the year the Board of Statutory Auditors carried out its duties in accordance with the Italian Civil Code, Legislative Decrees n. 58/1998 and n. 39/2010, statutes, as well as applicable special laws and the provisions issued by the stock exchange regulator (Commissione Nazionale per le Società e la Borsa or Consob) while also taking into account the recommendations of the Italian Accounting Profession. Through the date on which this report was prepared, we have proceeded with the control and supervisory activities assigned to us by law in compliance with the instructions issued by Consob on the subject of corporate control.

During the year the Board of Statutory Auditors received the information necessary to fulfil its duties through meetings with corporate bodies; at meetings of the Board of Directors which the statutory auditors always attended; through the exchange of information with the external auditor PriceWaterhouseCoopers S.p.A., the Internal Audit division, the Financial Reporting Officer and the Supervisory Board; and by attending the meetings of the Control and Risk Committee, the Nominations and Compensation Committee and the Related Party Transactions Committee.

Firstly, the Board of Statutory Auditors notes that the separate and consolidated financial statements for the year closed 31 December 2018, were prepared in accordance with the international accounting standards IAS – IFRS (International Accounting Standards and International Financial Reporting Standard) issued by the International Accounting Standards Board – IASB (International Accounting Standards Board), ratified by the European Commission and currently in effect. When necessary, reference was made to the guidelines issued by the IASB (International Accounting Standards Board) or the IFRIC (International Financial Reporting Interpretations Committee), or the documents prepared by the Italian Accounting Profession (*OIC* or *Organismo Italiano di Contabilità*).
Without prejudice to the above, the information called for in Consob Bulletin n.1025664 of 6 April 2001, as subsequently amended, is provided below.
As was the case in last year's report (2017), we have essentially followed the format and numbering specified in the above mentioned Consob bulletin.

I. DESCRIPTION OF TRANSACTIONS WITH A MAJOR IMPACT ON THE COMPANY'S BALANCE SHEET, INCOME STATEMENT AND FINANCIAL POSITION

The most relevant corporate events in 2018 are summarized below:

- During the Extraordinary Shareholders' Meeting held on 12 February 2018 shareholders approved the proposal to increase share capital, against payment, on one or more occasions, by up to a maximum of €150 million, to be completed on or before 31 December 2018, through the issue of ordinary shares with dividends rights and without a stated par value, to be offered to shareholders in accordance with Art. 2441, first paragraph, of the Italian Civil Code, in proportion to the number of shares held. During the same meeting held in extraordinary session, shareholders also approved the reverse stock split of ordinary shares at a ratio of 1 new ordinary share with dividend rights for every 10 ordinary shares held.
- On 19 February 2018, in execution of the shareholders' resolution of 12 February 2018, the reverse stock split of all 813,045,631 outstanding shares at a ratio of 1 new ordinary share, without a stated par value, for every 10 ordinary shares held, without a stated par value, was completed. With a view to a balanced transaction 1 ordinary share held by Coop Alleanza 3.0 Soc. Coop. was cancelled without a reduction in share capital. As a result of this transaction the share capital is unchanged at €599,760,278.16 and comprises 81,304,563 ordinary shares without a stated par value.

- On 22 February 2018 the Board of Directors approved the draft separate and consolidated financial statements for FY 2018 and the Corporate Sustainability Report which was the first edition to have received certification from PricewaterhouseCoopers for compliance with the most important international standards (the GRI Standards). The Board of Directors also approved the Annual Report on Corporate Governance and Ownership Structure and the Board of Director's Compensation Report.
- On 21 March 2018 the Board of Directors approved the final terms and conditions of the share capital increase for a maximum of up to €150 million approved during the Extraordinary Shareholders' meeting held on 12 February 2018. The capital increase will result in the issue of up to a maximum of 29,037,340 ordinary shares, without a stated par value and with dividend rights, at the subscription ratio of 5 new shares for every 14 ordinary shares held, at an issue price equal to €5.165 per each new share, for a total amount of €149,977,861.10. The Board of Directors also resolved to propose that shareholders, in the event the capital increase is successfully completed, approve payment of a dividend of € 0.50 per share. On 22 March 2018 Consob approved the Registration Document, the Securities Note and the Summary Note relating to the rights issue and the listing of the shares issued as a result of the cash capital increase approved during the Shareholders' Meeting held on 12 February 2018;
- On 18 April 2018, pursuant to the preliminary agreement disclosed on 15 December 2017, the definitive agreement for the purchase from Eurocommercial Properties Group of 4 businesses holding a portfolio of 4 shopping malls and a retail park found in northern Italy (Leonardo Shopping Center in Imola, Lame Shopping Center in Bologna, La Favorita Shopping Center and Retail Park in Mantua and Centro Luna in Sarzana) was finalized. The total transaction costs were financed for €104,639,872 with proceeds from the capital increase concluded in April 2018 and for €88,541,667 by taking over 5 loans. The difference between book and fair value had a net positive impact on the income statement of €12,857,270 recognized in "Net revaluation from acquisition". After this acquisition, revenue rose by € 9.4 million.
- On 23 April 2018 the rights offer of 29,037,340 newly issued shares was completed. During the offering period, which started on 26 March 2018 and ended on 13 April 2018, 79,668,540 option rights were exercised and 28,453,050 new shares were subscribed or 97.99% of the total offering, for a total amount equal to €146,960,003.50. Pursuant to Article 2441, paragraph 3, of the Italian Civil Code, at the end of the option period the 1,636,012 unexercised rights were auctioned on the

stock exchange. All the rights were sold during the first trading session of the rights auction on 18 April 2018 and, subsequently, were all exercised resulting in the issue of 584,290 new shares, for a total of €3,017,857.85. The value of the sale of these rights, €1,532,943.24 based on the reference accounting standards, was recognized in the share premium reserve. The offer was, therefore, completed with the full subscription of the new shares for a total amount of €149,977,861.10. The new share capital now amounts to €749,738,139.26, divided into 110,341,903 ordinary shares without a stated par value.

- On 9 May 2018 the Board of Directors examined and approved the Interim Financial Report at 31 March 2018.
- During the Annual General Meeting held on 1 June 2018 IGD's shareholders approved the 2017 financial statements for IGD SIIQ S.p.A., as presented during the Board of Directors meeting held on 22 February 2018, which closed with a net profit of €86.5 million, and also resolved to pay a dividend of €0.50 per share. The dividend was payable as from 13 June 2018 with shares going ex-div (detachment of coupon n. 2) on 11 June 2018. The total dividend payable amounted to €55,170,951.50 (€0.50 per share) and was taken from:
    - for €36,704,390, distributable income generated by exempt operations which is equal to 70% of the distributable income from these operations subject to mandatory distribution;
    - for €12,628,022, partial utilization of the reserve for retained earnings from exempt operations arising from the merger by incorporation of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A., which equals 70% of these reserves and subject to mandatory distribution;
    - for €5,838,539.50, partial utilization of the reserve for retained earnings from exempt operations.

Shareholders also set the number of Board members at 11 and appointed the new Board of Directors which will remain in office for the three-year period 2018 -2020, through the Annual General Meeting called to approve the 2020 Annual Report. During the same meeting, shareholders also appointed the new Board of Statutory Auditors and approved the relative compensation. Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 22 February 2018, pursuant to Art. 123-ter of Legislative Decree. 58/98, and renewed the Board of Director's authorization to purchase and sell treasury shares, on one or more occasions, up to the maximum allowed under the law.

- On 6 June 2018 the Board of Directors confirmed Elio Gasperoni as Chairman of the Board of Directors and Claudio Albertini as Chief Executive Officer. Director Rossella Saoncella was also appointed Vice Chairman of the Board of Directors. The Board confirmed the pre-existing powers, granting the Chairman Elio Gasperoni and the Chief Executive Officer Claudio Albertini the same powers held during the prior term of office. The Board of Directors also appointed the Board Committees.
- On 3 August 2018 the Board of Directors examined and approved the Half-Year Financial Report at 30 June 2018.
- On 16 October 2018 IGD executed a facility agreement with a pool of lenders, including BNP Paribas, based on which the lenders provided the Company with a 3-year EUR 200 million senior unsecured facility which may be extended by the Company up to five years. As per the "Commitment and Underwriting Letter" signed by IGD on 6 September 2018, the facility will be split in two tranches: "Tranche 1" of EUR 125,000,000, which will be used to refinance the outstanding EUR 124,900,00 of the EUR 150,000,000 bond issued by IGD, maturing on 7 January, and "Tranche 2" of EUR 75,000,000, which will be used to extinguish a few of the Company's short-term lines of credit, as well as to pursue the IGD Group's general corporate purposes.
- On 24 October 2018 Moody's confirmed IGD's rating of "Baa3"; with a Negative outlook.
- On 7 November 2018 the Board of Directors examined and approved the interim financial report at 30 September 2018 and the Business Plan 2019-2021 as the Business Plan 2016 – 2018 had come to an end and basically all the targets set had been achieved. On the same date, the Board of Directors also approved the signing of a framework agreement with Coop Alleanza 3.0 which calls for:
    - with respect to the leases on the hypermarkets in the Porto Grande, Le Maioliche, Coné, Katané and La Torre shopping centers, the early termination of 5 leases and the re-issuance of 5 new 18-year leases, expiring in 2037; the reduction of the GLA of each hypermarket (Coop Alleanza 3.0 is responsible for the work in this regard), and the consequent recalculation of the rents;
    - with respect to the leases on the hypermarkets in the Centro d'Abruzzo, Centro Borgo, Il Maestrale, Centro Leonardo, I Malatesta, Il Globo, ESP, Lungo Savio, Città delle Stelle , Lame, Miralfiore and Schio (Schio) shopping centers, and the business lease relative to the hypermarket in the Retail Park Clodì (Chioggia), the early termination of 13 leases and the re-issuance of 13 new

18-year leases, expiring in 2037; the recalculation of the rents in 6 of the leases, and the extension of the end date of the business lease.

As a result of this transaction the end date of all the leases is 2037 and the average duration of the new leases is 18 years versus the previous 7.1. The signing of the agreement with the parent company Coop Alleanza 3.0 was considered a material related party transaction by IGD and, therefore, was approved by the Board of Directors after having received a favorable opinion from the Committee for Related Party Transactions.

- On 13 December 2018 the Board of Directors approved the Internal Audit and ERM plans for 2019.
- On 26 February 2019 the Board of Statutory Auditors informed the Board of Directors of the positive outcome of the self-assessment carried out relating to the independence of its members and the criteria and procedures used by the Board in the assessment of its members.

The most relevant events pertaining to the Parent Company in 2018 are summarized below:

The financial statements for the year ending 31 December 2018 were impacted positively by the purchase of the 4 businesses, finalized on 18 April 2018, which resulted in a €9.4 million increase in revenue and the recognition of a €12.9 million gain in "Net revaluation from acquisition" which partially offset the negative change in fair value of €35.6 million recognized in the income statement.

The financial statements submitted to the shareholders for approval show a net profit of €41.2 million, a decrease of 51.7% compared to 2017 due largely to the impact of the year-end property appraisals.

Financial charges amounted to €31.5 million at 31 December 2018, a decrease of €1.4 million compared to 2017 attributable mainly to the lower financial charges on the amortized cost of bonds, due to the adoption of the new accounting standard IFRS 9, which increased liabilities for bond loans while reducing their interest expense, and less utilization of short term credit lines.

The net financial position was higher than in 2017 as a result of the acquisition transaction, which was partially offset by the capital increase completed in April 2018.

In 2018 the Board of Statutory Auditors received information about the transactions with a major impact on the balance sheet, income statement and financial position, carried out by the Company and its subsidiaries by attending Board of Director meetings and meeting with

top management, as well as with Internal Audit and with the financial audit company (PWC).
The Board of Statutory Auditors, to the extent of its knowledge, has verified that these transactions were not manifestly imprudent or hazardous, or presented a potential conflict of interest, or in violation of shareholder resolutions, or liable to compromise the company's financial soundness.
The Directors' Report on Operations submitted to you, provides ample and complete information about these transactions. Please refer to the Directors' report for information about the transactions, reasons why they were undertaken by the Board of Directors which were approved in accordance with the law and the company bylaws. The Board of Statutory Auditors acknowledges the content of this report and has no particular observations to make in this regard.
The Board of Statutory Auditors also acknowledges that at 31 December 2017 the Company IGD SIIQ SpA still complied with the subjective, statutory, and objective requirements called for under the special SIIQ or società di investimento immobiliare quotate (REIT or real estate investment trust) regime introduced in Art. 1 of Law n. 296 of 27 December 2006 – the 2007 Budget Law – as well as Art. 3 of Ministerial Decree n.174 of 7 September 2007.
On 1 June 2018 the Company's shareholders approved the distribution of income generated by exempt operations which was in line with the legal requirements. More in detail, as said before, shareholders approved the payment of €55,170,951.50 (€0.50 per share).

II. UNUSUAL AND/OR ATYPICAL TRANSACTIONS, INCLUDING TRANSACTIONS WITH OTHER GROUP COMPANIES AND RELATED PARTIES AND EVALUATION OF THE INFORMATION PROVIDED BY THE DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Based on the Directors' report and the information provided by the Board of Directors, or received from the Chief Executive Officers, or the Company's management, as well as by the statutory auditors of the subsidiaries – and, at any rate, gathered during the Statutory Auditors' supervisory activities - the Board of Statutory Auditors found that no unusual or atypical transactions were carried out with group companies, third parties or related parties.
The Committee for Related Party Transactions met 5 (five) times in 2018 as the Committee was called upon to express an opinion relative to the signing of the Framework Agreement with Coop Alleanza, IGD's related party, approved by the Board of Directors on 7 November 2018. In light of the transaction's value and considering that Coop Alleanza controls the Company as per art. 93 of TUF and that IGD is subject to the management and control of the

parent as defined in art. 2497 of the Italian Civil Code, for IGD and in accordance with the Procedure for Related Party Transactions approved by the Company's Board of Directors on 11 November 2010, this transaction was a material transaction. The transaction was, therefore, approved by the Board of Directors after having received a positive opinion from the Committee for Related Party Transactions which agreed unanimously that signing the Framework Agreement was in the best interest of the Company and that the conditions were fair and correct.

In accordance with Corporate Governance Code recommendations, particularly with regard to price sensitive information pursuant to Art. 114.1 of TUF, in December 2006, the Company adopted an internal procedure for the management, handling and disclosure of price sensitive information and documents. In June 2006 the Company also, in accordance with art. 115-*bis* of TUF, instituted a register of persons with access to price sensitive information.

After the EU Regulation 596/2014 ("**MAR**") took effect the Company adopted a Procedure for the Management, Handling and Public Disclosure of Confidential and Price Sensitive Information and the Registry of Insiders.

On 3 August 2018, the Company updated this procedure in order to comply with the guidelines for the management of price sensitive information adopted by Consob in October 2017.

IV. COMMENTS AND PROPOSALS RELATING TO THE FINDINGS FOUND IN THE EXTERNAL AUDITORS' REPORTS AND THE ADDITIONAL REPORT

Please note that the financial audit assignment was granted to PriceWaterhouseCoopers S.p.A. (the "External Auditors") for the period 2013 – 2021, during the Annual General Meeting held on 18 April 2013 based on the Board of Statutory Auditors' motivated proposal and technical-economic analyses in accordance with the law.

The consolidated and separate financial statements as at 31.12.2018 were audited by PriceWaterhouseCoopers S.p.A. and the reports, prepared pursuant to article 14 of Legislative Decree n. 39 of 27 January 2010 and article 10, paragraph 39e, of EU Regulation n. 537/2014, were issued on 18 March 2019.

With regard to the opinions and the certifications relative to the financial statements included in the audit report, the external auditors:

- confirmed that the separate and consolidated financial statements IGD SIIQ S.p.A. and the IGD Group correctly and truthfully represent the company's financial position, performance and cash flows for the year ended on 31 December 2018, in accordance with the IFRS adopted by the European Union, as well as the provisions passed in implementation of art. 9 of Legislative Decree n. 38/2005;

- stated that the report on operations relating to the separate and consolidated financial statements at 31 December 2018 and specific information contained in the report on corporate governance and ownership structure drafted pursuant to art.123-*bis* , paragraph 4 of TUF, were prepared in accordance with the law;
- stated, pursuant to art. 14 paragraph 2e) of Legislative Decree 39/2010, based on the knowledge and understanding of the business acquired during the audit that it has nothing to report.

On 18 March 2019 the external auditors presented another report to the Board of Statutory Auditors in accordance with art. 11 of EU Regulation n. 537/2014 based on which no significant deficiencies in the internal control system relating to the financial reporting process worthy of being pointed out to the heads of governance were found.
In the additional report the external auditors, in accordance with art. 6 of EU Regulation n. 537/2014, also informed the Board of Statutory Auditors that not situations compromising independence had materialized.

V. INAPPROPRIATE CONDUCT AND ACTIONS TAKEN UNDER ARTICLE 2408 OF THE ITALIAN CIVIL CODE

In 2018 and up to this writing, the Board of Statutory Auditors received no reports from shareholders of inappropriate conduct pursuant to Art. 2408 of the Italian Civil Code, hence no actions were taken in this regard.

VI. COMPLAINTS RECEIVED AND ACTIONS TAKEN

In 2018 and up to this writing, the Board of Statutory Auditors did not receive any reports or complaints from shareholders and/or third parties; nor is it aware that the company received any reports or complaints from shareholders and/or third parties, hence no actions were taken in this regard.

VII. ADDITIONAL ASSIGNMENTS GRANTED TO THE EXTERNAL AUDITORS AND THEIR COSTS

PriceWaterhouseCoopers Spa was granted the financial audit assignment relative to the separate and consolidated financial statements effective as of the approval of the 2018 annual

report along with the opinion about the accuracy of the Report on Operations pursuant to paragraph 1 letters c, d, f, l, m and paragraph 2 letter b of art. 123 *bis* of Legislative Decree 58/1998 included in the Report on Corporate Governance and Ownership Structure. The fees matured for these activities over the relative period in 2018 amounted to €132 thousand. The external auditors and/or other entities belonging to the same Group also received: (i) €25 thousand for auditing the Corporate Sustainability Report; (ii)€2 thousand for filing the VAT credit application, and (iii) €253 thousand for work carried out related to the capital increase.
The financial audit of the Romanian subsidiaries (Win Magazin S.A. e Winmarkt Management S.A.) was performed by PriceWaterhouseCoopers Audit Srl which received fees of €26 thousand for completing the assignment.
PriceWaterhouseCoopers S.p.A. also carried out the financial audit activities of the following subsidiaries: (i) IGD Management srl; (ii) Millennium Gallery Srl; (iii) Porta Medicea Srl. A total of €35 thousand was paid for these services.
The Board of Statutory Auditors acknowledges that the directors, in compliance with Art. 149 *duodecies* of the Regulations for Issuers, disclosed the entire amount paid in 2018 to PriceWaterhouseCoopers S.p.A. and/or other entities belonging to the same Group for both audit and other services which amounted to €473 thousand.

VIII. ASSIGNMENTS GRANTED TO COMPANIES AFFILIATED WITH THE EXTERNAL AUDITORS AND THEIR COSTS

The Board of Statutory Auditors is not aware of any assignments made in 2018 to companies connected to the financial audit company PriceWaterhouseCoopers S.p.A. on a continuous basis.

IX. OPINIONS ISSUED BY THE BOARD OF STATUTORY AUDITORS IN 2018 AS REQUIRED BY THE LAW

In 2018 the Board of Statutory Auditors issued opinions when required by law, the bylaws or Consob regulations; the opinions issued and main observations made, include:

- the opinion issued pursuant to art. 5.4 of EU Regulation n. 537/2014 relative to services other than financial audit linked to assignments granted during the capital increase for which fees of €253 thousand were incurred;
- the opinion issued relating to the variable compensation paid in 2018 to the Chief Executive Officer, the Chief Operating Officer and Executives with strategic responsibilities;

- the opinion issued relating to the appointment of the new Financial Reporting Officer;
- the opinion issued relating to the approval of the report on the remuneration paid Directors, as well as the Chief Executive Officer, General Managers and Executives with strategic responsibilities.

X. FREQUENCY AND NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

Typically the Board of Directors meets in accordance with the financial calendar disclosed to the market in accordance with stock exchange regulations. The Board also meets as needed and when deemed opportune to examine specific topics which could impact the company's operations. In 2018 7 (seven) meetings were held.

The Board of Directors may invite Company executives to attend the Board meetings in order to provide in depth information about the items on the Agenda. The Board of Directors may also invite external consultants to attend when deemed appropriate and/or necessary in order to provide specialized information and/or opinions.

The current composition of the Board of Directors complies with the law relating to equal gender opportunity (L. 120/2011).

The Board of Directors hired Egon Zehnder International S.p.A. to perform a board review in order to assess the size, composition and functioning of the Board of Directors and its committees as in the prior year.

The results of the review were presented during the Board of Directors meeting held on 26 February 2019 and are reported on the Report on Corporate Governance and Ownership Structure.

The Board of Statutory Auditors met 9 (nine) times in 2018 in accordance with Art. 2429 of the Italian Civil Code. The Board of Statutory Auditors also attended the meetings of the Board of Directors, the annual general meeting, and: i) eight out of eight meetings of the Risk and Control Committee; (ii) five out of six meetings of the Nominations and Compensation Committee; iii) and four out of five meetings of the Committee for Related Party Transactions. The Board of Statutory Auditors also sponsored and attended the meetings held with the Company's Top Management, Company representatives and Internal Auditing.

The Board of Statutory Auditors also coordinates and guides the Internal Control Committee and internal audit pursuant to art.19 of Legislative Decree 39/2010.

The Company, in accordance with the recommendations found in article 7 of the Corporate Governance Code, included operating methods in its own Governance rules which strive to simplify coordination of control functions and also call for all of the control functions to meet at least once a year in order to discuss any problems encountered during the year. In 2018 two meetings were organized, one relative to the Half-Year Financial Report and one relative to the consolidated and separate financial statements at 31 December 2018.

XI. OBSERVATIONS REGARDING COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION, THE LAW AND THE CORPORATE BYLAWS

It is the opinion of this Board of Statutory Auditors that the company is run competently and in accordance with the law and the company's bylaws. The structure of powers and delegated authority is deemed appropriate to the company's size and operations and is adequately described in the directors' report. Regarding the directors' activities and actions, we have nothing to report. We wish to emphasize that we did verify, within the limits of our responsibilities, compliance with the principles of correct administration through direct inspections, information received from department heads, and meetings with the Financial Reporting Officer, Internal Audit, the Control and Risk Committee, the Committee for Related Party Transactions, as well as through information exchanged with the external auditors. More in detail, the Board of Statutory Auditors attended the Board of Directors' meetings in order to verify that the resolutions approved by the directors were in compliance with the law and the company's bylaws and were supported by appropriate opinions and studies generated internally or, when necessary, by professionals and/or external experts, particularly with regard to the economic and financial feasibility of the transactions and their compatibility with the company's best interests.

We remind that the Chief Operating Officer and the Financial Reporting Officer were entitled to or invited to attend the Board meeting in order to describe and analysis the items on the agenda. Other managers also attended the meetings based on the specific topics included in the agenda.

XII. COMMENTS ON THE ORGANIZATIONAL STRUCTURE

The Board of Statutory Auditors also verified and monitored, to the extent of its responsibility, the adequacy and proper functioning of the company's organizational structure. The Company's organizational structure appears to be adequate and to meet the company's needs. We have no comments nor anything to report regarding the company's organizational structure.

We did not find any particular deficiencies, critical areas or situations worth mentioning in this report with respect to the functioning of the corporate bodies, divisions, systems and business processes, having acknowledged the constant improvements sought in connection with the company's growth and business needs, and its ongoing efforts to strengthen and refine procedures.

The organization and services, both internal and outsourced, were found to be adequate and in compliance with the law and to guarantee correct, effective and efficient operations.

The Statutory Auditors found no problem areas and/or significant development to report on relative the Company's organizational structure. No deficiencies were found, namely situations to report relating to the effective functioning of corporate bodies, divisions, systems and procedures.

XIII. COMMENTS ON THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

The Board of Statutory Auditors evaluated and verified the adequacy of the internal control system including through periodic meetings with (i) the financial reporting officer, (ii) Internal Audit, (iii) the Risk and Control Committee, (iv) the Supervisory Board; v) the head external auditor (vi) Director in charge of the internal control and risk management system, as well as through documentation provided by the company and discussions with top management, and has nothing to report in this regard.

The internal audit activities were outsourced to a company specialized in this area which periodically reported to the Board of Statutory Auditors, the Internal Control Committee, now the Control and Risk Committee, and the Supervisory Board on its actions and progress, mentioning specific operational needs wherever necessary and recommending the most appropriate means of implementing the Work Plan.

The Head of Internal Audit also coordinates the *Enterprise Risk Management* ("ERM") process, ensuring that reports are provided to the Director in charge of the internal control and risk management system, the Risk and Control Committee and, if necessary, the Board of Directors. In 2018 the audit of the controls called for in Risk Control Matrix 262 was carried out on behalf of the Financial Reporting Officer by Internal Audit which is outsourced to Francesco Pastore, Chief Executive Officer of Grant Thornton Consultants Srl. The yearly report prepared by the Financial Reporting Officer states that all the processes, risks and controls of all the in-scope companies of the IGD Group, as well as in Romania, were mapped.

The Control and Risk Committee and the Decree 231/2001 Supervisory Board made their reports available during the year.

Based on the controls performed and the information obtained during periodic meetings with the Control and Risk Committee, Internal Audit, the external auditors, the financial reporting officer, the director in charge of risk and control, and on comments received from the Supervisory Board created as part of the Organizational Model pursuant to Legislative Decree 231/01, we found that the internal control system adequately meets the company's needs and is reliable, timely, and able to manage information correctly, enabling an accurate and timely analysis of business trends and performance.

Data and documentation related to the proposed agendas of the Board of Directors meetings and the various committee meetings was provided ahead of time in the most efficient and discrete way possible.

Based on the evaluations made during its supervisory activities, as well as after having examined the work done by the Control and Risk Committee, at the end of 2018 the Board of Statutory Auditors had nothing of concern to report and found the overall internal control system to be adequate. In the Board of Statutory Auditors opinion the internal control system does not present significant deficiencies, while controls and revisions of the methods used and organizational structures should continue, and it was found to be reliable, effective and efficient.

XIV. COMMENTS ON THE ADMINISTRATIVE - ACCOUNTING SYSTEM AND ITS ABILITY TO PROVIDE A FAIR REPRESENTATION OF THE PERFORMANCE.

The Board of Statutory Auditors evaluated and verified the adequacy of the administrative-accounting system and its ability to represent performance correctly, through information provided by company divisions, direct inspection of the most significant company documentation, examination of the reports provided by the external auditor PriceWaterhouseCoopers Spa, as well as internal audit.

The administrative-accounting system was found to be adequate and to have met the Company's needs in 2018, in terms of both resources dedicated and the level of professionalism.

The external auditors above tested the accounting and administrative procedures and found these to be reliable. They also noted that the accounting records of operations were correct and that the information and accounting standards used to prepare the parent company and consolidated financial statements were complete, and had no complaints or observations in this regard. PriceWaterhouseCoopers Spa also validated the completeness of the financial information provided, as well as the accounting standards used to prepare the consolidated and separate financial statements, and had no particular comments to make in this regard. The firm also validated the completeness and accuracy of the Directors' Report on

Operations.

Though the statutory auditors are not specifically responsible for financial audit duties under Art. 2409 *bis* of the Italian Civil Code, which are assigned to the external auditors, we found on the basis of information received and inspections made pursuant to Civil Code Articles 2403 *et seq.* that as a whole, the administrative-accounting system is adequate and reliable and that results of operations are accurately and promptly recorded.

The Chief Executive Officer and Financial Reporting Officer certified the accounting information contained in the separate and consolidated financial statements at 31 December 2018, without reservation and the information found in the Directors' report relating to performance and the operating results, as well as the description of the risks and uncertainties to which the Company is exposed and provided the certification called for in Art. 81-ter of Consob Regulation 11971 of 14 May 1999, as amended.

XV. COMMENTS ON THE ADEQUACY OF INFORMATION PROVIDED TO SUBSIDIARIES UNDER ART. 114 OF LEGISLATIVE DECREE 58/1998 – MANAGEMENT AND COORDINATION ACTIVITIES

The Board of Statutory Auditors verified the adequacy of the information provided by the company to its subsidiaries pursuant Art. 114 of Legislative Decree 58/98 and found that the disclosure requirements provided for by law had been satisfied.

With regard to close functional and operational ties and the presence of key IGD SIIQ SPA personnel at the subsidiaries, the Company guarantees a correct and adequate flow of information supported by suitable documentation and accounting records.

The Company is, therefore, able to fulfil all reporting requirements related to significant events and consolidation provided for under the law.

The Company is fully able to exercise management and coordination of its subsidiaries as specified under the law.

The Board of Statutory Auditors also acknowledges that IGD SIIQ S.p.A. is subject to the management and coordination of shareholder Coop Alleanza 3.0 Soc. Coop..

XVI. COMMENTS ON MEETINGS HELD WITH THE EXTERNAL AUDITORS

The Board of Statutory Auditors, through direct inspections and information obtained from the external auditor PriceWaterhouseCoopers Spa, verified compliance with all current laws and regulations regarding the preparation and drawing up of the separate and consolidated financial statements as well as the accompanying Directors' Report.

The statutory auditors met with the external auditors responsible for both the accounting controls under Art. 2409 *bis* of the Italian Civil Code and the audit of the consolidated and separate financial statements, exchanging information as required under Art. 150 of Legislative Decree 58 dated 24 February 1998.

With the auditors attention was paid, in particular, to the application of the accounting standards both already implemented and soon to be implemented, to the most effective way to recognize the significant economic and financial items in the financial statements. Nothing that needed to be reported pursuant to art. 155, paragraph 2, of Legislative Decree n. 58 of 24 February1998 emerged during these periodic meetings.

During these meetings the external auditors reported no irregularities, problem areas or omissions in the company's accounts. On these occasions we informed the external auditors of the Board of Statutory Auditors' activities and of the relevant and significant corporate events of which we are aware.

XVII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE CORPORATE GOVERNANCE COMMITTEE.

The Company, since its IPO (11 February 2005), has complied with the standards and recommendations included in the Corporate Governance Code published by the Borsa Italiana's Committee for the Corporate Governance of Listed Companies through the adoption of its own Corporate Governance rules, in order to regulate, in accordance with laws and regulations, the composition, responsibilities and role of the corporate bodies in charge of the company's management.

Over the years, the Company has changed its Governance rules in order to comply with the latest version of the Corporate Governance Code.

In full compliance with the Code recommendations, the Board of Directors instituted Board committees with advisory functions: the Risk and Control Committee, the Nominations and Compensation Committee and the Committee for Related Party Transactions.

As the Company is subject to the management and coordination of shareholder Coop Alleanza 3.0 Soc. Coop., based on art. 2497 of the Italian Civil Code IGD is subject to the provisions of art. 16.4 of Consob's Market Regulations which call for all committees instituted as per the Corporate Governance Code to be comprised solely of independent directors.

The members of the above mentioned committees were appointed during the Board of Directors' meeting held on 6 June 2018 after shareholders appointed the new Board of Directors during the AGM held on 1 June 2018.

More specifically, given the ownership structure and the Company's governance, it was deemed no longer necessary to institute a Chairman's Committee. The following Committees remain:

- the Nominations and Compensation Committee was formed in 2012; in order to comply with the Corporate Governance Code, the Board of Directors resolved to combine the Compensation and the Nominations Committees into a single "Nominations and Compensation Committee". The Committee consists of three non-executive independent directors, Rossella Saoncella who acts as Chairman, Livia Salvini and Timothy Guy Santini who act as members. The Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer are entitled to attend committee meetings and the Chairman of the Board of Statutory Auditors may be invited to attend. The Committee met 6 (six) times in 2018 and the Chairman of the Board of Statutory Auditors attended 5 (five) out of 6 (six) meetings.
- the Control and Risk Committee is comprised of three non-executive and independent directors, Elisabetta Gualandri who acts as Chairman, Luca Dondi Dall'Orologio and Sergio Lugaresi who act as members. In 2018 the committee held meetings with continuity and in keeping with the Company's needs. It met 8 (eight) times during the year. The Chairman of the Board of Statutory Auditors, or another statutory auditor appointed by him, attends the meetings of the Control and Risk Committee as does the Chairman of the Board of Directors as Director in Charge of the Internal Control and Risk Management System. The Vice Chairman of the Board of Directors and the Chief Executive Officer may also be invited to attend Committee meetings. The Chairman of the Board of Statutory Auditors, and on occasion some of the statutory auditors, attended all the meetings held in 2018.
- the Committee for Related Party Transactions was formed in order to comply with art. 2391 *bis* of the Italian Civil Code and art. 4 of Consob's Regulations for Related Party Transactions and is currently comprised of three independent directors, Luca Dondi Dall'Orologio who acts as Chairman, Livia Salvini and Eric Jean Vèron who act as members. In 2018 the committee met 5 (fives) times. The Chairman of the Board of Statutory Auditors attended 4 (four) out of 5 (five) meetings.

The Company deemed it useful and opportune to describe the methods used to coordinate the control activities as described below.

The Chairman of the Risk and Control Committee and the Chairman of the Board of Statutory Auditors (including in his role of Committee for Internal Control and Financial Audit), at least one a year, met as convened by the Chairman of the Board of Statutory Auditors, to compare the results of their respective control activities and to assess planning and any coordination of their operations. Toward this end, the Chairman of the Board of Statutory Auditors not only coordinated the work of the statutory auditors but also as a reference point for other corporate bodies involved in control systems. As mentioned above, the Chairman called two meetings of all the control bodies in 2018.

The company also instituted a Supervisory Board comprised of three members, Gilberto Coffari who acts as Chairman, Paolo Maestri and Alessandra De Martino who act as members. In 2018 it met 6 (six) times and it worked with Internal Audit on monitoring and limiting risk exposure

The Board of Directors also hired, as it has done since 2007, Egon Zehnder International S.p.A., headquartered in Milan, to perform a "board review". The purpose of this review is the yearly assessment of the size, composition and functioning of the Board of Directors and its committees. An analysis of the "Board Review" results was presented by the staff of Egon Zehnder International S.p.A. in a summary report which was discussed during the Board of Directors meeting held on 26 February 2019. The methodology used in the Board Review provides an adequate means of self-assessing the composition and functioning of the Board of Directors and its committees

At the end of the above discussion, and after having verified operations during the year, the Board of Statutory Auditors expressed a positive opinion of the Company's corporate governance

XVIII. CLOSING REMARKS.

Dear Shareholders,

We conclude this report by confirming that all of the corporate bodies, the heads of the administrative and operating departments, Internal Audit, and the external auditor PriceWaterhouseCoopers S.p.A. cooperated with us fully during our supervisory activities.

We have found no omissions, inappropriate conduct, imprudent transactions, or irregularities worthy of mention, thus there are no circumstances discovered during our work that require reporting to the supervisory authorities or disclosure in this report.

We have no comments to make in this regard.

The Directors' Report also contains information about the compensation policy and the remuneration paid to the Board of Directors, Board of Statutory Auditors, the Chief Operating Officer and the Managers with Strategic Responsibilities, as well as information about the shares held by the latter in the company. Again, we have no comments to make in this regard.

* * * * *

Dear Shareholders,

In concluding this report, we would like to express our sincerest thanks to all those who have assisted us in the course of our work and for the vote of confidence you expressed by appointing us.

Bologna, 19 March 2019

The Board of Statutory Auditors

(Anna Maria Allievi)

(Daniela Preite)

(Roberto Chiusoli)

06 GLOSSARY

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

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

AVERAGE EFFECTIVE COST OF DEBT
Refers to the average cost, taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt. The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

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

DEVELOPMENT PIPELINE
Program of investments in development.

DIRECT COSTS
Costs directly attributable to the shopping centers.

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

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

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

EBITDA MARGIN (INCLUDING CORE BUSINESS)
This indicator is calculated by dividing Ebitda by operating income.

EPRA
European Public Real Estate Association.

EPRA NET INITIAL YIELD / NIY
EPRA NIY is a performance measurement index and it is calculated as the annualized rental income based on the cash rents passing at the balance sheet date (including one-off and variable income), less non-recoverable property operating expenses, divided by the gross market value of property, net of development property.

EPRA “TOPPED-UP” NIY
The EPRA topped-up NIY is a performance measurement index obtained by making an adjustment to the EPRA NIY with annualized and full term rental income (including one-off and variable income), ie excluding unexpired lease incentives such as discounted rent periods and step rents.

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 publicly 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.

Graphics and layout **R. Bertuccioli**

CENTRO NOVA
BOLOGNA

Opening 1995
Extension 2008
Mall GLA sqm 12,740
Food anchor GLA sqm 18,188

4,311,357 visitors in 2018

igd SIIQ
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