

**Immobiliare Grande Distribuzione Società di  
Investimento Immobiliare Quotata S.p.A.**

**Independent Auditors' Report pursuant to article 2441,  
fourth paragraph, second sentence of the Italian Civil Code**

## INDEPENDENT AUDITORS' REPORT

pursuant to article 2441, fourth paragraph, second sentence of the Italian Civil Code  
(Translation from the original Italian text)

To the Shareholders of  
Immobiliare Grande Distribuzione  
Società di Investimento Immobiliare Quotata S.p.A.

### 1. OBJECT, SUBJECT AND SCOPE OF THE ENGAGEMENT

We have been informed by the Board of Directors of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A. (hereinafter "IGD" or the "Company") of the decision to call an Extraordinary General Meeting, with the first call scheduled for 19 April 2012 and the second for 20 April 2012, in order to submit for its approval, a share capital increase in cash reserved exclusively to the shareholders entitled to receive the 2011 dividends, for a total amount of up to a maximum of € 19,089,451, including any premiums (the "Capital Increase"). The Capital Increase will be for a maximum of 10% of the Company's pre-existing share capital, through the issue of ordinary shares without a stated par value, with dividend rights, excluding pre-emption rights, pursuant to article 2441, fourth paragraph, second sentence of the Italian Civil Code. This is subject to amendment of the corporate bylaws making it possible to remove the share par value.

This Capital Increase, which shall be for a maximum amount of 80% of the total profit that will be distributed to its shareholders as a dividend for 2011, is exclusively reserved to 2011 dividend recipients, who may use the amounts received as dividends to subscribe to the new shares issued for the purposes of the Capital Increase, and allowing the Company to strengthen its capital structure.

With reference to the above, we received the report issued by the Board of Directors regarding the reserved share capital increase, excluding pre-emption rights. Such report was approved on 8 March 2012, when the Board of Directors established the criteria to be used in order to determine the issue price of the shares.

With reference to the share issue price, the Board of Directors decided to propose to the General Meeting not to establish the final issue price of the shares at the meeting, but to establish the criteria that the Board of Directors would then use to determine the issue price of the shares.

In our capacity as independent auditors of the stand-alone and consolidated financial statements of the Company, pursuant to Legislative Decree no. 39 of 27 January 2010, we hereby issue our report on the correspondence of the issue price of the new Immobiliare Grande Distribuzione shares to the market value of the shares pursuant to article 2441, fourth paragraph, second sentence of the Italian Civil Code. In view of the specificity and characteristics of the transaction as described below, our report is exclusively expressed with reference to the adequacy of the criteria used by the Directors in order to determine the issue price of the shares that corresponds to their market value at the same time as the execution of the capital increase.

This report therefore illustrates the criteria used by the Directors to determine the issue price of the new shares; it also contains our conclusion on the adequacy under the circumstances of such criteria in terms of reasonableness and lack of arbitrariness.

We did not carry out an economic valuation of the Company in order to examine the criteria proposed by the Directors in determining the issue price of the shares.

## **2. DESCRIPTION OF THE TRANSACTION AND THE CRITERIA USED TO DETERMINE THE ISSUE PRICE OF THE SHARES**

At the meeting of 8 March 2012, the Board of Directors decided to call an Extraordinary General Meeting to submit for its approval the proposal to increase the share capital of the Company, in cash, reserved exclusively for those entitled to receive the 2011 dividend, for a total amount of up to a maximum of €19,089,451, including any premiums. The Capital Increase will be for a maximum of 10% of the Company's pre-existing share capital, and will be completed by issuing ordinary shares without a stated par value, with dividend rights, excluding pre-exemption rights, pursuant to article 2441, fourth paragraph, second sentence of the Italian Civil Code.

The newly issued shares will be offered for subscription by the Company, through the detach of a non negotiable and non transferable coupon, to those entitled to receive the 2011 dividend.

With reference to the issue price of the shares, the Board of Directors decided to propose that the General Meeting should not establish the final issue price of the shares at the meeting, but should establish the criteria to be used to determine the issue price of the shares when increasing the share capital.

The proposal of the Board of Directors was for the Extraordinary General Meeting to determine the criteria that the Board of Directors itself would have to use, at a meeting to be called immediately prior to the beginning of the subscription offer period, in order to fix the final issue price of the shares.

This choice reflects common market practice, and the Directors believe that it is advisable considering the provisions of the law that provide that the issue price must "*correspond to the market value of the shares*" when the share capital is being increased in accordance with article 2441, fourth paragraph, second sentence of the Italian Civil Code. In view of the time period between the approval of the Capital Increase and its execution, it appears appropriate to the Directors, close to the time of the offering of the shares, that the market value of the shares,



determined in accordance with the criteria established below, is verified at the time of the execution of the Capital Increase. If the share issue price was established immediately, the Board of Directors believes that there would be a risk that the price would no longer correspond to its market value at the time the Capital Increase is executed.

In order to obtain a detailed support on the transaction and an analysis regarding the more suitable criteria to determine an issue price that corresponds to market value of the shares, the Board of Directors called upon *Mediobanca - Banca di Credito Finanziario S.p.A.*, a leading financial institution with significant experience in the placement of shares, to act as financial advisor, and *Chiomenti Studio Legale* to act as legal advisor.

With this objective, given the lack of similar transactions in Italy, the Board of Directors deemed it opportune to concentrate the analysis on transactions carried out by European listed companies who have provided their shareholders with the possibility of reinvesting all or part of their dividends in newly issued shares. More specifically, the Board of Directors analysed the shares issued recently by certain French and Spanish issuers, connected to the distribution of dividends. In such instances, the price was determined on the basis of the average prices over a certain period of time, which varied between 5 to 20 open trading days.

In this case, on the basis of the analysis performed, the Board of Directors considered that in order to identify an issue price "*corresponding to the market value of the shares*", it could not disregard the most recent IGD share price, since this reflects the value investors attribute to the Company at the time and it is the result of numerous trading transactions. Considering the characteristics of the IGD share, the Board of Directors considered it opportune to take an average of the official prices recorded in a time frame that can vary between 5 to 10 open trading days as the reference, in order to avoid the impact of single sessions that could reflect limited liquidity in trading activities.

More specifically, the Board of Directors identified, as the objective parameter to use to determine the issue price, the arithmetic average of the official closing price of IGD stock recorded in the 8 open trading days prior to the date in which the Board of Directors will fix the above-mentioned price.

Such price, so identified, will be adjusted, in line with the market practice, by subtracting the 2011 dividend payment - which is expected to be distributed after the issue price has been determined by the Board of Directors - and by applying a certain discount.

Based on the analysis of similar transactions completed in France, it resulted that the discount applied to the average trading prices was on average about 10%; this discount was also applied to mitigate the risk that the price of the stock could drop between the fixing date and the time when the shareholder can exercise its option to request newly issued shares instead of a cash dividend.

In this case, when setting the discount, it would be appropriate to take into account the stock's volatility, the lapse of time between the price determination and adhesion to the increase, the lack of tax incentives for reinvestment - element that characterizes the French and Spanish tax rules, and, therefore, the above-mentioned precedents - in addition to the current market conditions and the market practice on placements.

In view of the above, the Board of Directors decided to propose to the General Meeting that the criteria to set the issue price of the shares resulting from the Capital Increase should be the arithmetic average of the official closing prices of IGD share recorded in the 8 open trading sessions prior to the date in which the Board of Directors sets the above-mentioned price, adjusted by (i) subtracting the 2011 dividend amount and (ii) applying a discount of up to a maximum of 10%.

The Board of Directors also deemed it opportune to determine the minimum share issue price, proposing to the General Meeting that the issue price may not be lower than Euro 0.62, which corresponds to the arithmetic average of the share's official closing prices recorded in the three-months period prior to 8 March 2012 - the date on which the Directors' report was approved - adjusted by subtracting the 2011 dividend amount and applying a 12% discount, and, therefore, the maximum theoretic number of shares to be issued is 30,789,437.

### 3. DOCUMENTATION UTILIZED AND WORK DONE

We obtained the documentation and information considered necessary in order to perform our work. With that purpose, we analysed the following documentation:

- a) the report by the Board of Directors regarding the Capital Increase approved on 8 March 2012;
- b) the draft resolutions to be discussed at the Extraordinary General Meeting to be held on 19 April 2012, on first call, regarding the aforementioned reserved share capital increase, with the necessary amendments to the corporate by-laws;
- c) the audited consolidated financial statements of the Company for the year ended 31 December 2011 on which we issued our independent auditors' report dated 23 March 2012;
- d) the corporate by-laws in effect;
- e) additional accounting or non-accounting information as deemed necessary for the purposes of this report.

Our work included the following:

- critical analysis of the criteria established by the Board of Directors to determine the issue price of the shares, for the purposes of verify its reasonable, motivated and non-arbitrary content, and its compliance with the provisions of article 2441, fourth paragraph, second sentence of the Italian Civil Code;
- evaluative and analytical considerations performed as deemed necessary to verify the reasonableness of the criteria established by the Board of Directors of the Company (object of the approval by the Extraordinary General Meeting to be held on 19 April 2012) to determine the issue price of the shares;



- verification of the stock price performance of the Company up to the date of issue of this report, and analysis of other information such as, by way of example, the stock volatility and average daily traded volumes;
- analysis of similar market transactions to ensure that the market price determination criteria and the percentage discount are in line with those generally applied by other companies for similar transactions;
- information gathering, through discussion with company management, on any subsequent events occurred after the closing of the consolidated financial statements for the year ended 31 December 2011, that could have a significant effect on determination of the criteria under consideration;
- reading the minutes of the meetings of the Board of Directors of the Company held in 2012 up to today.

We have also obtained written confirmation from the Company's Management, that as far as it is aware, there were no significant changes to the data or information that were considered in performing our analysis.

#### **4. COMMENTS ON THE SUITABILITY OF THE CRITERIA USED TO DETERMINE THE SHARE ISSUE PRICE**

In the hypothesis that the pre-exemption rights are excluded, the provisions of article 2441, fourth paragraph of the Italian Civil Code establish that the share issue price must "correspond to the market value of the shares". In accordance with an accepted practice, this provision should be interpreted to mean that the market value criteria should replace the two parameters of net equity and stock performance in the most recent half-year period, provided under the sixth paragraph of the aforesaid article, reversing the rule that indicates that the net equity criteria is the fundamental one in establishing the price, with stock performance merely acting as a corrective factor.

There are certain difficulties in interpreting the concepts of "market value" and its "correspondence" to the issue price of the shares pursuant to the provisions of article 2441, fourth paragraph of the Italian Civil Code, which was introduced relatively recently. However, in accordance with certain accepted doctrinal interpretation, this provision should be interpreted to mean that the issue price of the shares does not necessarily have to correspond to the specific price of the shares "at the date" of assignment; this leaves a certain discretionary margin to the Directors, who could issue the new shares at a price that does not correspond with the stock market value of the shares at that date. Similarly, it is considered that the legal reference to the share market value provides to the Directors the freedom of choice in the identification of the share value that they consider to be more representative of the market performance in the period considered.

The choice made by the Directors on the criteria to determine the share issue price in application of article 2441, fourth paragraph, second sentence of the Italian Civil Code, would seem to reconcile the considerations of both certain legal interpretations which consider acceptable, with certain level of floating levels, to use criteria that refer to the stock prices for limited periods closed to the issue, and other legal interpretations which remind the opportunity, in general terms, to use average market values, partly in order to minimise the risks resulting from significant short term fluctuations of stock market prices. However, there is limited legal theory available on this matter, being still at the early stage, and there is no consolidated consensus on the issue. In addition, the choice operated by the Directors appears motivated and consistent with the current characteristics of the transaction, of the shares, of the issuer, and of the placement target.

With regard to market value, the Directors indicated in their report that the stock market price needs to be interpreted as effectively representative of the market value of the shares at that time. Therefore, they indicated as reasonable to have, as reference value, the most recent stock market price, establishing *"the arithmetic average of the official closing prices of IGD share recorded in the 8 trading sessions prior to the date in which the Board of Directors is to set the above mentioned price"* as the market price, that shall therefore represent the reference point for the valuation, since it is representative of the value attributed to the company by the market at the time, and is the result of the numerous trading transactions agreed. This average will be duly adjusted by *"subtracting the 2011 dividend amount"*.

In addition, even though the reference to the market value by article 2441, fourth paragraph, second sentence of the Italian Civil Code would seem to generally imply a reference to the stock market prices, it does not exclude the applicability to these of a corrective factor. With this regards, existing doctrine, supported by the European markets practice, tends to consider that the "correspondence of the share issue price to market value" does not have to be intended as the exact and absolute coincidence of such amounts. In fact, it is recognized that the issue price could be slightly different from the exact market value: for example due to application of a discount from the current market price, also in consideration of the terms of the offer and of the nature of the addressees of the increase, in this case those entitled to receive the 2011 dividend. With reference to the above, the option to apply a discount by the Directors when identifying the issue price would seem to be reasonable and not arbitrary in the circumstances.

In order to provide greater protection to the current shareholders against the risk of diluting the value of their shares, the Directors established that the share issue price determined using the above-mentioned criteria may not *"in any case be lower than Euro 0.62, equal to the arithmetic average of IGD share's official closing prices recorded in the 3-months period prior to 8 March 2012 - the date of approval of the Directors' report- adjusted by subtracting the 2011 dividend amount and applying a 12% discount"* and therefore the maximum theoretic number of shares to be issued is 30,789,437.

In view of the above considerations, the criteria used to determine the share issue price established by the Directors would appear to be consistent with the law rationale, and the criteria generally used in other similar transactions.



## 5. SPECIFIC LIMITATIONS AND OTHER SIGNIFICANT ASPECTS ENCOUNTERED IN CARRYING OUT THE ENGAGEMENT

As previously indicated, in the execution of our work we utilized data, documents and information provided to us by the Company, assuming the truthfulness, correctness and completeness, without performing specific control procedures on them. Similarly, we have not performed, since they were out of the scope of our engagement, control procedures and/or examination procedures on the validity and/or legal effectiveness of the boards' decisions regarding the transaction, or regarding any tax implications of the proposed transaction.

As noted above, the proposal to increase the share capital as proposed by the Board of Directors, having established the maximum number of shares to be issued, does not indicate the issue price of the aforementioned shares, but rather the criteria to determine such price. Therefore, this report is not related to the correspondence of the share issue price, not yet established, to its market value, but to the adequacy of the criteria proposed by the Directors to determine the share issue price corresponding to its market value at the time the capital increase is executed.

The execution of the share capital increase will be implemented by the Board of Directors, that will be responsible for the execution of the mandate given by the general meeting, by identifying the share issue price, in accordance with the criteria established by the general meeting. Since the issue price determination criteria is linked to future market performance, the execution of the decision to increase the share capital shall therefore refer to the share market value updated at the date of execution. However, given the time frame in which the share capital increase will be carried out, it cannot be excluded that, in the event that the considerations, on which the criteria adopted by the Directors were based, are changed, the conclusions of this report regarding the adequacy of the criteria may not necessarily be still applicable at the date of the execution of the Capital Increase. It should also be noted that the stock market price criteria, which is particularly suitable for companies with high levels of capitalisation, may be affected by factors outside the control of the company, such as highly volatile financial markets, speculative pressures, temporary adjustments by institutional investors of their investment portfolios, or specific sales or purchase orders when there are reduced exchange volumes of the shares, or unusual circumstances, such as the market context which recently has been subject to high levels of uncertainty and turbulence, that could limit the ability of the market prices to reflect the intrinsic value of the shares. The application of this method could therefore result less significant in the event of unusual circumstances or speculative pressures.

Finally, we should note that the Directors did not adopt any analytical control methods using prospective economic and financial data provided by business plans approved by the Company's Directors to determine the issue price of the new shares, but exclusively used stock price criteria as provided by the law.

## 6. CONCLUSIONS

Based on the above, on the basis of the documentation we have examined and the procedures described above, considering the nature and extent of our work as indicated in this report and without prejudice to the provisions of paragraph 5 above, we believe that the criteria established



by the Directors in relation to the above-described share capital increase, excluding pre-exemption rights, are, under the circumstances, reasonable and non-arbitrary, to determine a share issue price corresponding to its market value, as established by the aforementioned article 2441, fourth paragraph, second sentence of the Italian Civil Code.

Bologna, 28 March 2012

Reconta Ernst & Young S.p.A.  
Signed by: Gianluca Focaccia, Partner

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