



IMMOBILIARE GRANDE DISTRIBUZIONE SOCIETÀ DI INVESTIMENTO IMMOBILIARE QUOTATA S.P.A.

Registered office: Via Trattati Comunitari Europei 1957-2007, n. 13, Bologna

Share capital fully subscribed and paid-in: EUR 749,738,139.26

comprising n. 110,341,903 ordinary shares

Bologna Companies Register and tax identification no. 00397420399

Bologna Chamber of Commerce (R.E.A.) no.: 458582

Company subject to the direction and control of Coop Alleanza 3.0 Soc. Coop.

EXTRAORDINARY SHAREHOLDERS' MEETING OF IGD SIIQ SPA

11-12 NOVEMBER 2019

EXPLANATORY NOTES RELATIVE TO THE SOLE ITEM ON THE AGENDA PREPARED BY THE BOARD OF DIRECTORS IN ACCORDANCE WITH ARTICLES 125-TER AND 154-TER OF LEGISLATIVE DECREE N. 58/1998 AS WELL AS ART. 73 OF THE CONSOB REGULATION ADOPTED BY RESOLUTION N. 11971/1999

* * *

1. Voluntary reduction of the share capital in accordance with and pursuant to Art. 2445 of the Italian Civil Code, from EUR 749,738,139.26 to EUR 650,000,000.00, for a total amount of EUR 99,738,139.26, to be allocated to the legal reserve for up to one fifth of the share capital and, for the remainder, to a distributable capital reserve. Related and consequent resolutions.

* * *

Item of the Agenda of the Extraordinary Shareholders' Meeting

1. Voluntary reduction of the share capital in accordance with and pursuant to Art. 2445 of the Italian Civil Code, from EUR 749,738,139.26 to EUR 650,000,000.00, for a total amount of EUR 99,738,139.26, to be allocated to the legal reserve for up to one fifth of the share capital and, for the remainder, to a distributable capital reserve. Related and consequent resolutions.

Dear Shareholders,

you were called to an extraordinary shareholders' meeting to resolve on the proposal to reduce the share capital of IGD Siiq Spa (the "**Company**") from EUR 749,738,139.26 to EUR 650,000,000.00, for a total amount of EUR 99,738,139.26, to be allocated:

- to the legal reserve for up to one fifth of the share capital, for a total amount of EUR 8,154,918.00 and
- to a distributable capital reserve, for a total amount of EUR 91,583,221.26, without repaying any capital to the shareholders.

This report was prepared in accordance with Art. 125-*ter* of Legislative Decree n. 58/1998, as well as Art. 72 of the CONSOB Regulation adopted by Resolution 11971/1999, and based on Annex 3A, Schedule n. 3, of the same CONSOB Regulation, in order to explain the reasons for the proposal to reduce the share capital.

1. Reasons for the proposed share capital reduction

The special Siiq (*Società di Investimento Immobiliare Quotate*) or REIT (Real Estate Investment Trust) regime was introduced in Art. 1, paragraphs 119 to 141, of Law n. 296 of 27 December 2006, n. 296 ("Budget law 2007") and is also governed by the Ministry of Economics and Finance's Decree n. 174 dated 7 September 2007 ("the Implementing Regulation") and Legislative Decree n. 133 of 12 September 2017, converted as amended into Law n. 164 of 11 November 2014.

As is common knowledge, 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").

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 “distributable income stemming from exempt operations” is the income generated by IGD Siiq Spa’s exempt operations adjusted to reflect the net change in the fair value reserve recorded in the year.

The payment of dividends is, therefore, connected to a large degree to recurring earnings, as well as the composition of specific capital reserves, and is consistent with:

- the corporate structure chosen (*Società di investimento immobiliare quotata*), which imposes a mandatory minimum distribution requirement;
- the methods used frequently by the market to value REIT stocks, like the dividend yield.

The above mentioned voluntary share capital reduction would, therefore, be useful and opportune to establishing a more flexible capital structure by creating an undistributable legal reserve and an available distributable reserve, as well as reconciling the peculiarities of the SIIQ regime (distribution requirement) with the expectations of the capital markets (return on invested capital or dividend yield).

The priority of allocating the above mentioned reduction to the legal reserve for up to one fifth of the share capital and up to limits established by law, reflects the need to further increase this reserve as a guarantee for the company’s creditors.

At the same time, the creation of a distributable capital reserve makes it possible to improve the company’s capital structure which, at the date of the most recent financial report (30 June 2019), does not include any substantial retained earnings or other types of reserves that are both available and distributable.

The proposed share capital reduction will leave the company’s total net equity, as well as the total number of shares issued, unchanged as no shares will be cancelled nor will any capital be repaid to shareholders.

The structure of IGD Siiq Spa’s net equity at the most recent reporting date (30 June 2019) is shown below:

	30/06/2019	31/12/2018	Change
Share capital	749,738,139	749,738,139	0
Share premium reserve	30,058,204	31,504,094	(1,445,890)
Other reserve	416,278,900	414,680,080	1,598,820
Legal reserve	121,845,082	119,952,056	1,893,026
Merger surplus reserve	0	557,177	(557,177)
Trasury share reserve	(331,812)	(491,610)	159,798
Cash Flow Hedge reserve	(15,204,819)	(13,376,327)	(1,828,492)
Bond issue reserve	14,864,755	14,864,755	0
Share capital increase cost reserve	(10,327,951)	(10,327,951)	0
Result from treasury share sale	(33,315)	(33,315)	0
FTA IFRS 9 reserve	(4,353,720)	(4,353,720)	0
FTA IFRS 16 reserve	(1,449,971)	0	(1,449,971)
Recalculation of defined benefit plans	153,092	153,092	0
Fair Value reserve	311,117,559	307,735,923	3,381,636
Profit	6,932,677	58,425,167	(51,492,490)
Profit (loss) carried forward	616	17,183,003	0
Profit (loss) for the period	6,932,061	41,242,164	0
Total net equity	1,203,007,920	1,254,347,480	(51,339,560)

Nature/description	Amount	Possibility of utilization	Available quota	Distributable quota
Capital	749,738,139			
Capital reserves:				
Share premium reserve	28,102,545	A, B	28,102,545	
Share premium reserve	1,955,658	A, B, C	1,955,658	1,955,658
Treasury share reserve	(331,812)	A, B, C **	(331,812)	(331,812)
Effect from treasury share sale	(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	44,557,832		44,557,832	
Profit reserves:				
Legal reserve*	121,845,082	B		
Fair Value reserve	311,117,559	B		
FTA IFRS 9 reserve	(4,353,720)	A, B, C **	(4,353,720)	(4,353,720)
FTA IFRS 16 reserve	(1,449,971)	A, B, C **	(1,449,971)	(1,449,971)
Cash Flow Hedge reserve	(15,204,819)	---		
Share capital increase reserve	(10,327,951)	A, B, C **	(10,327,951)	(10,327,951)
Recalculation of defined benefit plan	153,092	---		
Profit/Loss carried forward	616	A, B, C	616	616
Total profit reserve	401,779,888		(16,131,026)	
Total reserve	446,337,720		28,426,806	324,260
Interim profit/loss	6,932,061			
Total net equity	1,203,007,920			

Legends:

A: for capital increase

B: for losses coverage

C: to be distributed to the shareholders

* Legal reserve includes capital reserves for EUR 107,604,018

** Negative reserves reduce the available positive reserves

For the sake of better understanding, the pro-forma structure of IGD Siiq Spa's net equity after the proposed

share capital reduction is shown below:

	post share capital reduction	30/06/2019	31/12/2018
Share capital	650,000,000	749,738,139	749,738,139
Share premium reserve	30,058,204	30,058,204	31,504,094
Other reserve	516,017,039	416,278,900	414,680,080
Legal reserve	130,000,000	121,845,082	119,952,056
Meger surplus reserve	0	0	557,177
Treasury share reserve	(331,812)	(331,812)	(491,610)
Cash Flow Hedge reserve	(15,204,819)	(15,204,819)	(13,376,327)
Bond issue reserve	14,864,755	14,864,755	14,864,755
Share capital increase costs reserve	(10,327,951)	(10,327,951)	(10,327,951)
Result from treasury share sale	(33,315)	(33,315)	(33,315)
FTA lfrs 9 reserve	(4,353,720)	(4,353,720)	(4,353,720)
FTA lfrs 16 reserve	(1,449,971)	(1,449,971)	0
Recalculation of defined benefit plans	153,092	153,092	153,092
Fair Value reserve	311,117,559	311,117,559	307,735,923
Available reserve	91,583,221		0
Profit	6,932,677	6,932,677	58,425,167
Profit (Loss) carried forward	616	616	17,183,003
Profit (Loss) for the period	6,932,061	6,932,061	41,242,164
Total net equity	1,203,007,920	1,203,007,920	1,254,347,480

Please note that the capital reduction may take place, in accordance with Art. 2445, paragraph 3, of the Italian Civil Code, only ninety days after the resolution of the Extraordinary Shareholders' Meeting has been recorded in the Company Registry as long as none of the Company's creditors (at the time of the registration) have objected.

Pursuant to Art. 2445, paragraph 4, Italian Civil Code, in the event objections are received within this timeframe, the courts may allow the company to proceed with the transaction if the court finds that danger that creditors may be damaged is unfounded or if the Company provides adequate guarantees.

2. Amendments to the corporate bylaws

In the event the proposed share capital reduction described in this report is approved, it will become necessary to amend Art. 6 of the corporate bylaws as follows:

CURRENT TEXT	PROPOSED TEXT
6.1 The share capital is EUR 749,738,139.26 (seven hundred forty-nine million, seven hundred thirty-eight thousand, one hundred thirty-nine and twenty-six hundredths), represented by 110,341,903 (one hundred ten million, three hundred forty-nine thousand, nine hundred three) ordinary shares without a stated par value.	6.1 The share capital is EUR 650,000,000.00 (six hundred fifty million and zero hundredths), represented by 110,341,903 (one hundred ten million, three hundred forty-one thousand, nine hundred three) ordinary shares without a stated par value. (*).
<i>Omissis.</i>	<i>Omissis.</i>

(*) Text following the approval of the sole item on the agenda.

3. Exclusion of the right of withdrawal

The capital reduction proposed does not grant the Company's shareholders the right of withdrawal as none of the conditions provided for in Art. 2437 of the Italian Civil Code and other legal provisions will have been met.

* * *

In light of the above, the Board of Directors submits the following proposal to you for approval:

"The extraordinary shareholders' meeting of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A., having examined the Board of Directors' report prepared in accordance with Art. 125-ter of Legislative Decree n. 58/1998, as well as Art. 72 of the regulation adopted by CONSOB in resolution n. 11971/1999,

resolves

1. *to reduce share capital from EUR 749,738,139.26 to EUR 650,000,000.00 and, therefore by a total of EUR 99,738,139.26, allocating EUR 8,154,918.00, to the legal reserve for up to one fifth of the share capital, and the remaining EUR 91,583,221.26 to an available capital reserve, the "Available Reserve", without repaying any capital to shareholders and without prejudice to the number of shares outstanding without a stated par value;*
2. *to acknowledge that, pursuant to Art. 2445, paragraph 3, of the Italian Civil Code, the share capital reduction approved may only be executed ninety days after the recording of the resolution in the Bologna Company Register, unless the circumstances described in the Art. 2445, paragraph 4, of the Italian Civil Code prevail;*
3. *to amend Art. 6 of the corporate bylaws as follows "the share capital is EUR 650,000,000.00 (six*

- hundred fifty million and zero hundredths) broken down in 110,341,903 (one hundred ten million, three hundred forty-one thousand, nine hundred three) ordinary shares without a stated par value”;*
4. *to grant the Board of Directors – and, on its behalf the Chairman and the Chief Executive Officer, including separately amongst themselves – the amplest of powers needed to execute this resolution, including, the power to request recording of the resolution in the relative Corporate Register, with the power to accept and introduce, including through unilateral acts, any formal and unsubstantive amendments and/or additions needed when recording the resolution or, at any rate, deemed necessary by the authorities, and in general carry out any and all acts needed to execute the resolution”.*

Carlo Barban, IGD S.p.A.'s Financial Reporting Officer, declares pursuant to para. 2, article 154-bis of Legislative Decree n. 58/1998 (“Testo Unico della Finanza” or TUF) that the information found in this report corresponds to the underlying records, ledgers and accounting entries.

Bologna, 18 October 2019

On the behalf of the Board of Directors

The Chairman

Elio Gasperoni