DRAFT

ANNUAL REPORT 2019

igd SIIQ

SPACES TO BE LIVED IN

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

Registered office in Bologna, Via Trattati Comunitari Europei1957-2007 n.13,
VAT, Bologna Company Register no. 00397420399
Bologna Chamber of Commerce Registration no. 458582
Share capital subscribed and paid-in: € 650,000,000.00

The IGD Group and IGD Siiq S.p.A.: 2019 Annual Report

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// THE IGD GROUP
DETAILED INDEX

IGD GROUP
1.1 LETTER TO THE SHAREHOLDERS

1. IGD GROUP

1.1 // Letter to the Shareholders

Dear Shareholders,

2019 was the **first year of the three-year Business Plan 2019-2021**. Aware of the challenging path we have undertaken in a weak global environment and an increasingly complex scenario for retail, in this first year we completed a significant number of investment projects and finalized a series of debt optimization transactions which have put us **in a position to benefit as quickly as possible from the growth in FFO** that these initiatives should trigger.

After a decade of intense growth fueled by new openings and acquisitions which resulted in buoyant growth rates in rental income and FFO, today we are working on **consolidation** which will lead to solid and sustainable growth, albeit at different rates than in the past.

> In 2019 our operating performance, specifically FFO, was in line with our guidance, while property values fell slightly due to the market conditions.

The main performance indicators in the 2019 Annual Report confirm IGD's ability to achieve positive results even in the face of **modest economic growth in Italy**. ISTAT estimates GDP growth of +0.2% YoY. **Funds from Operations**, in fact, grew **4.5%**, to €83.3 million. This figure is in line with the guidance disclosed last August when we forecast an increase in FFO of between 4% and 5% YoY.

Core business EBITDA rose 10.1% in 2019 to **€125.2 million** (net the effects of IFRS16[1] the figure comes to €114.9 million, +1.0%), **driven by rental income** which rose **2.3%**. The **EBITDA Margin** was 56 basis points higher than in 2018, coming in at 77.5%, with the margin for the freehold portfolio reaching almost 80%.

At year-end 2019 the **Fair Value** of IGD SIIQ's real estate portfolio came to **€2,381 million**, a drop of 1.27% compared to year-end 2018 based on the independent appraisals. In Italy the hypermarkets were 0.34% lower, while malls dropped by 1.16%.

The **Loan-to-Value**, which came to 47.6%, remains steady, as does the Interest Cover Ratio (interest expense as a percentage of earnings) which reached 3.8x[2], while net financial expense amounted to €36.8 million in 2019. This figure, net of the accounting impact of the last bond issue and restated in accordance with IFRS16 (€31.4 million), was 3.4% lower than in 2018. The negative carry linked to the refinancing of future maturities also had an impact of around €0.3 million. The Business Plan calls for a Loan-to-Value of below 45% by year-end 2021.

The €31.5 million decrease in adjusted **net profit** posted in 2019 is, therefore, largely linked to the year-end property valuations: write-downs and fair value adjustments showed a negative balance of €60.9 million[1] in 2019 versus €30.2 million in 2018. If you consider that the IGD Group's real estate portfolio is valued at more than €2.4 billion, the impact of the fair value adjustment is, in reality, quite modest.

> The new rules of the game: invest in order to have quality occupancy

Overall IGD's real estate portfolio has proven to be solid even in light of the slight, but generalized, increase in the cap rates used by the four independent appraisers and despite a series of investments made in order to maintain the high quality and appeal of the assets **which do not translate immediately into higher rents.**

In a challenging business environment, IGD benefits from the fact that in the past the company invested consistently in the quality and appeal of its assets and will continue to do so going forward. While in the **short term the valuations may be lower**, in the **long term** IGD will reap the benefits of a **portfolio with sustainable revenue** which, thanks to the innovations introduced and the continuous quest for operating excellence, will maintain a **highly competitive position in the reference catchment areas and deep roots in the local community**.

Given the focus on **quality occupancy**, IGD believes that it is imperative to continue **to have shopping centers which meet the highest environmental and safety standards, which are also welcoming and innovative**, capable of providing shoppers with an **appealing commercial offering**, even though it may not always translate into higher rental income.

Part of the flexibility in asset management and commercial policies called for today stems from the changing needs and **lack of interest in large spaces**. What we have seen today, consistent with sector trends, is that retailers **need less space than in the past**, while the **experience** that a shopping center provides **is extremely important**. **E-commerce** also impacts the business dynamics resulting in shorter life cycles for retail spaces and rapidly changing needs.

While not all retailers have resolved the issue of how to integrate physical and online presences, everyone agrees that **the store still has an indispensable role**: this has caused the brands with strong contractual power to put pressure on the average rents per square meter, an erosion in reversionary potential and an increase in the investments shopping center owners must make in new fit-outs.

In IGD we are well aware that the **layout of the mall spaces must be revisited**, that the **merchandise mix** must be renewed, with targeted investments in entertainment and restaurants. In 2019 we worked to shift our focus to **food courts, services and entertainment,** while we reduced the size of our hypermarkets and midsize stores.

> The investments made resulted in remodeled spaces and a profound transformation in several shopping centers

In 2019 **investments** totaled **€28.6 million**. In fall 2019 we inaugurated **two restyled shopping centers**, Casilino in Rome and Fonti del Corallo in Livorno. The changes made on both the interior and exterior structures radically changed the two centers' ability to meet the visitors' new shopping and entertainment needs. The restyling of the interior and the exterior of the **Gran Rondò Shopping Center** (Crema) was also completed and expansion of the mall is slotted for 2020.

In accordance with the framework agreement signed with Coop Alleanza 3.0 in November 2018, we worked on reducing the size of **three other hypermarkets (Le Maioliche, Conè and Porto Grande)**. The work was completed in 2019. Restyling of the Porto Grande center was also planned for 2020.

As for the **Porta a Mare project in Livorno**, work continued on the **Officine Storiche** section, and in September the sale of the historic **Palazzo Orlando**, an office building, for €12.8 million was finalized. The proceeds covered most of the €13.9 million paid for the remaining 50% of the Darsena City mall in Ferrara (IGD was already joint owner) which was purchased in order to increase the portfolio's focus on the retail segment, the Group's core business.

In September the requalification of the multiplex cinema in Milan's **CentroSarca** was also completed which paved the way for the inauguration of the **multiplex** "Notorious Cinemas – The experience": a new entertainment format which covers more than 5,500 square meters with 10 cinemas and different lounge areas, advanced audiovisual systems, maximum comfort and fully automated ticketing.

> The new institutional communication campaign, conceived to change the perception of the shopping center, helps to increase footfalls

Sales of retailers in Italian malls grew **0.5%** year-on-year, despite the decrease in footfalls stemming from unfavorable weather conditions, specifically in February and May, and the negative performance of a few hypermarkets, particularly those where remodeling was underway.

The **institutional communication campaign** "*I'm possible. The place where everything is possible*", launched in IGD's 7 core shopping centers beginning last fall slowed the drop in footfalls beginning already in December and made it possible to reverse the trend in January 2020. The new positioning of the image of these seven centers, which represent the quintessential IGD shopping center, therefore, proved to be effective. The repositioning focuses on strong emotional engagement through the use of a dreamlike and evocative graphic design as part of a campaign designed to improve footfalls, but which strategically has broader ambitions: make people aware of **the transformation of the shopping center into a place where you can find shopping experiences and entertainment**. The campaign centers around the concept of the shopping center as a place where your dreams can come true, that takes you out of your daily routine, where people can dedicate special time to themselves, their families and friends, in a shopping center that becomes a true "space to be lived in". A message which was well received and has already triggered the first initial changes in perception.

Consistent with changing trends, in 2019 **more space was dedicated to services**, resulting in a new dental office being added to the 20 which were already up and running, the inclusion of **new brands** and the introduction of retailers which provide merchandise that may no longer be available in the hypermarkets. At the same time, vegan and organic formulas were added to the food courts.

__1.__ For the sake of comparison, some of the 2019 figures were restated excluding application of IFRS16 which took effect on 1 January 2019.
__2.__ Net the impact of the latest financing transaction; with these effects the figure reaches 3.4X (adj. IFRS16 around 3.3X).

IGD GROUP
1.1 LETTER TO THE SHAREHOLDERS

> The operating indicators point to a healthy situation

Looking again at the operating indicators, the average **Financial Occupancy** of the Italian portfolio reached **96.9%** in 2019: a high level which was basically unchanged with respect to the 97.2% recorded in 2018. **Rental income in Italy** rose 2.3% in 2019, while net rental income was up 10.1% (+1.8% adj. ex IFRS16). These increases were driven by the inclusion of the portfolio acquired from ECP in April 2018 in the group's perimeter for the entire year and the expanded Gran Rondò center in Crema inaugurated in May 2018. **Like-for-like revenue was also reassuring**, **rising 0.3% YoY** in Italy despite the temporary vacancies of a few midsize stores which were rapidly leased again at higher rates, which will be fully expressed in 2020. The **average upside** on the **new leases** in Italian malls was **1.1%**.

The positive performances recorded in Romania reflect, on the one hand, economic growth driven by family spending, and, on the other, the positive effects of the work done by IGD over the years to upgrade its assets and rethink the merchandising mix. **Occupancy** for the subsidiary Winmarkt reached **97.6%**, higher than the 97.1% reported in 2018. **Rental income** rose **3.2%** in 2019, thanks also to the **average upside of 4% on the new leases**.

> A new digital strategy to transform interaction and build connected experiences

With a view to improving the customer journey as much as possible, we developed a **new digital strategy**, based on key touchpoints which will **allow for more effective and complete interaction with the mall retailers**. The data collected through the new CRM system will also allow us to develop a series of **dedicated proposals** for **each IGD shopping center visitor**, including promotions, events and special offers.

At the same time, we decided to revisit **IGD's entire social media strategy**, paying more attention to the unique regional characteristics. All of IGD's centers in Italy will, therefore, be on Instagram and Facebook in 2020, while the relative websites will be updated in order to strengthen the identity of the IGD brand.

> Great steps taken toward implementing the financial strategy included in the three-year plan

Our **financial management** in the Plan focuses on **three areas**: reducing the financial leverage with an LTV of below 45% by 2021, lowering the cost of debt to 2.4-2.7% and increasing the Interest Cover Ratio to around 4x. In short, we will strive to maintain rigorous financial discipline, consistent with our **investment grade** rating.

Even in a low interest rate environment, we are very clear that **FFO growth will be limited if the LTV is high**. We are, therefore, aware that we need to optimize our capital structure if we want to support revenue growth, above all by **limiting refinancing risk**. In addition, we are firmly committed to improving the liquidity of our debt, maintaining a significant percentage of long-term debt, and to maintaining the utmost flexibility in financing, well balanced between bank debt and corporate issues.

Thanks to the liability management transactions carried out in **2019** we were able to deliver a large part of the relative targets included in the Plan: the **average cost of debt** fell **below 2.35%**, while **the hedging** of interest rate risk on long term debt and bonds reached **94.8%**.

As we can count on the €200 million unsecured senior facility entered into year-end 2018 at a cost of 2.1%, in January 2019 **we repaid the €125 million bond** (coupon 3.875%). The investment grade rating, **BBB-**, received from two agencies - S&P Global Ratings in April and Fitch Ratings in October – made it possible for us to place a new fixed rate 5-year €400 million bond (coupon 2.125%) in November. The new issue was well received by the market, with the participation of high profile domestic and international investors, and oversubscribed three times. The proceeds were used to **repurchase part of two outstanding issues**, expiring in 2021 and 2022, and lengthen existing financial maturities.

The bond market, moreover, is confident in the **stability of our cash flow** as demonstrated by the success of the transactions we completed in 2019.

> Sustainability fully integrated, which speaks to our leadership and will sustain it over time

The idea of sustainability drives the choices that IGD, a top tier player in retail real estate, makes and the way the company does things. The commitment to "**becoming G.R.E.A.T.**", namely Green, Responsible, Ethical, Attractive, Together, is an integral part of the strategy and daily operations, which, while already clear today, will become even clearer going forward and will make a difference in the long term.

We are following a path which over time will lead us to have a **carbon neutral real estate portfolio**. Already today we have a portfolio that is 95% ISO 14001 certified; five of our shopping centers also have BREEAM in USE certification of at least "Very Good". That's not all: we invested €5 million in improving the energy efficiency of our buildings, in addition to the €6 million we had already invested in measures that included new LED lighting systems and which contributed to **lowering the consumption of electricity by 3.2%** in 2019.

Today we already use energy generated **100% by renewable sources**, including marine geothermal energy. This was not enough for us: in 2019 we also installed photovoltaic systems in Crema and Catania, bringing the total centers with solar panels to seven.

The attention we pay to the environmental sustainability of our properties also resulted in concrete support of **sustainable mobility**. Thanks to the agreements with Enerhub and Tesla we installed charging stations for electric cars in 18 shopping centers, while in Clodì we installed the first charging station for 24 e-bikes powered by solar energy. As our properties are, on average, 4.5 km from the city centers, we want to encourage the use of bicycles.

We are also continuing with initiatives designed to promote the development of a **circular economy**, like the project Waste2Value, which is now operative, along with greater focus on waste management and recycling.

As the population becomes increasingly sensitive to environmental issues and the most important retailers view compliance with environmental standards as a prerequisite to leasing space, IGD will be even better positioned as a real leader in sustainability in its reference market, capable of making "**wellbeing**" a key feature of its shopping centers.

In honor of the **10-year anniversary of our first Corporate Sustainability Report**, on 22 April we will host an event in which we will look back at **what we have done and what we intend to do over the next few years**. This will mark the launch of a communication campaign involving our shopping centers designed to **increase visitors' awareness** of the **philosophy** underlying each of our initiatives.

> Increasingly stronger governance shaped by specific business needs

Significant progress was also made in terms of Governance.

Great attention was paid to developing a **Succession Plan** for the two top tiers of the organization's management, as per the Board Review completed in February 2019 by a premiere consulting firm, whose work is still underway.

A key change was also made to the **Compensation Policy**. Part of the **variable compensation** was shifted from short to long-term, as it was **deemed more consistent with the ability to achieve the targets found in the Business Plan**.

A careful remapping of IGD's main risks was also carried out as part of the Enterprise Risk Management model that the Company has been using for some time. In 2019 **greater weight was given to strategic risks**, linked to consumer trends and the impact of market sentiment on real estate finance; greater attention was also paid to the risks stemming from the large and midsize stores. The most opportune operational, asset management and financial strategies were developed for each risk.

In 2019 the process was completed which should lead to the **ISO 37001 anticorruption certification** of IGD's Italian portfolio in the first part of 2020.

> IGD continues to provide its shareholders with compelling returns

In our 2019-2021 Plan we committed to providing a **compelling and sustainable dividend** to our shareholders over time. We will work to maintain our promise: the Board of Directors will propose the payment of a **dividend of 50 euro cents** for 2019, unchanged with respect to 2018.

At current prices, around 6 euros, the **dividend yield** comes to **around 8%**. A level which, when compared to the negative interest rates seen in this period, enhances the appeal of our stock, including with respect to other sector companies. The high dividend yield and the 2019 dividend of 50 euro cents confirm that the dividend continues to **be a cornerstone of our equity story**.

In 2019 IGD's stock price rose 15.2%. Anyone who bought the stock at the end of 2018 (at €5.38) realized a **Total Shareholder Return of 24.5%** in 2019.

Despite the price increase recorded in 2019 and the strategy presented clearly in the Plan – in which we stated that we have no M&A in the pipeline financed by capital increases and that we can reasonably achieve further increases in FFO – IGD's stock continues to trade a **very low multiple**. Part of this gap reflects the extremely negative view that the pan-European brokers have of the retail real estate sector going forward; another part is attributable to latent political risk and the danger of economic stagnation that could affect Italy, in particular, which puts pressure on our business returns. The market seems, therefore, to have failed to acknowledge the benefits that this period, in which the cost of funding is so low, may provide to far sighted operators with a clear investment plan.

The sector in which we operate is certainly going through a phase of great change globally, **with new expectations**

and priorities. As **ESG** (Environment, Social and Governance) criteria become increasingly **prevalent** IGD will have a concrete opportunity to highlight see some of its **key strongpoints**.

In the near term we also hope that the changes made to the taxation of the **PIR**, *Piani Individuali di Risparmio*, will result in **new capital** - including from pension funds – being invested in domestic funds, which would also benefit our stock.

The **room for potential upside** in the stock price appears **clear**, not only because of the discount against the EPRA NAREIT NNNAV of €10.92, but also because of the net difference with respect to the brokers' consensus target price which at the end of January 2020 was €7.83 euro. Two analysts had a target price for IGD of more than €9.

> We look ahead to 2020 with confidence, as we have a clear path in front of us

In **2020** the Italian GDP should recover gradually, while lower levels of unemployment, more stable consumer confidence and cuts in the tax rates for many types of employees should fuel **moderate growth in consumption** even if the signs of weakness, along with political instability and the impact of unforeseeable events like the coronavirus, should not be underestimated. We will, however, continue with the execution of **our Business Plan**, calmly and steadfastly. In 2020 **Officine Storiche in Livorno** will also be inaugurated. This is the heart of our most important development project which, by the end of the year, will provide the city with a new area full of restaurants, entertainment, along with areas dedicated to fitness and wellbeing, while we will have a new source of revenue which will sustain the growth in FFO called for in our Plan.

After having **consistently achieved the Business Plan targets of the past decade** – a decade focused largely on growth – today we are committed to **strengthening the leadership position** of our shopping centers in the respective catchment areas. The progress made in 2019 allows us to **confirm the validity of the 2021 targets** found in the three-year Business Plan and to **look ahead to the '20s** with confidence as we are ready to address the market transformations underway and the consumers' new priorities.

> The Chairman
Elio Gasperoni

> The Chief Executive Officer
Claudio Albertini

1.2 // Corporate and Supervisory Bodies - Summary

Board of Directors	Office	Executive	Non Executive	Indipendent	Control and Risk Committee	Compensation and Nominations Committee	Related Party Transcations Coommittee
Elio Gasperoni	**Chairman**	X					
Rossella Saoncella	**Vice Chairman**			X		X	
Claudio Albertini	**Chief Executive Officer**	X					
Gian Maria Menabò	**Director**		X				
Eric Jaen Veron	**Director**			X			X
Livia Salvini	**Director**			X		X	X
Luca Dondi Dall'Orologio	**Director**			X	X		X
Sergio Lugaresi	**Director**			X	X		
Timothy Guy Michele Santini	**Director**			X		X	
Elisabetta Gualandri	**Director**			X	X		
Alessia Savino	**Director**		X				

Board of Statutory Auditors	Office	Standing	Alternate
Anna Maria Allievi	**Chairman**	X	
Roberto Chiusoli	**Auditor**	X	
Daniele Preite	**Auditor**	X	
Pierluigi Brandolini	**Auditor**		X
Laura Macrì	**Auditor**		X
Paolo Prandi	**Auditor**		X

Supervisory Board
Gilberto Coffari (Chairman), Alessandra De Martino, Paolo Maestri.

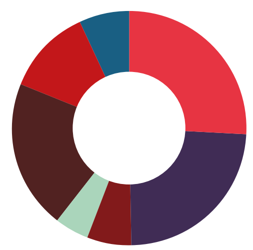
External Auditors
PricewaterhouseCoopers S.p.A.

Financial Reporting Officer
Carlo Barban

1.2.1 // Shareholders

> SHAREHOLDER BASE

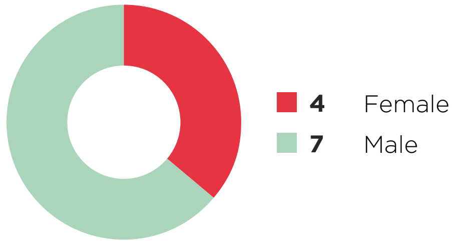
> GEOGRAPHIC BREAKDOWN OF THE INVESTORS BY PERCENTAGE OF MARKET FLOAT*



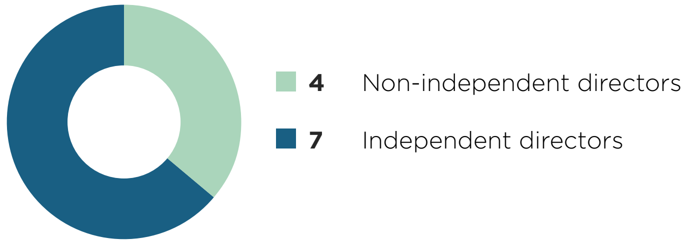
** Source: data processed internally based on dividend recipients*

1.2.2 // Board of Directors

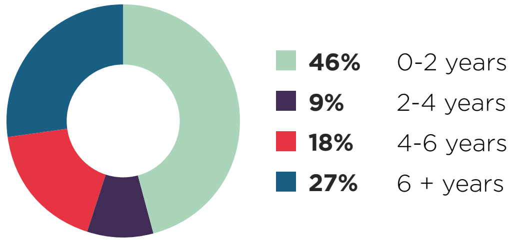
> BREAKDOWN BY GENDER



> INDEPENDENT / NON INDEPENDENT DIRECTORS



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

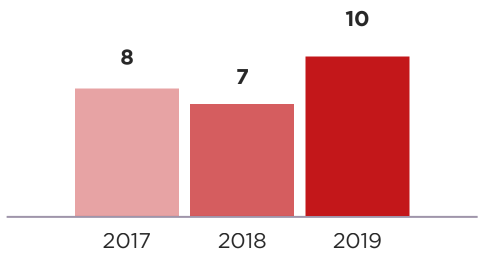


> CHANGES COMPARED TO THE PRIOR MANDATE

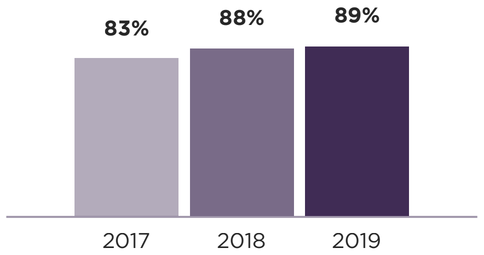
	Prior mandate	Current mandate	FTSE MID CAP
Number of Directors	**13**	**11**	
Directors appointed by minorities	**2**	**4**	
% of women in B.o.D.	**31%**	**36%**	**26.20%**
% of independent Directors	**54%**	**64%**	
Average age of te Directors	**60 years**	**58 years**	**57.1**
Status of the Chairman	**Executive**	**Executive**	
Lead Independent Director (LID)	**No**	**No**	

1.2.3 // Functioning of the Board of Directors

> NUMBER OF BOD MEETINGS



> ATTENDANCE RATE OF THE BOD MEMBERS



Board Evaluation Process

Board evaluation conducted
Yes

Advisor
Egon Zehnder

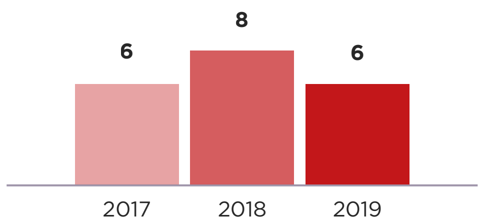
Self-assessment tools
Anonymous questionnaires/ interview

> NUMBER OF COMMITTEE MEETINGS AND DIRECTORS' ATTENDANCE

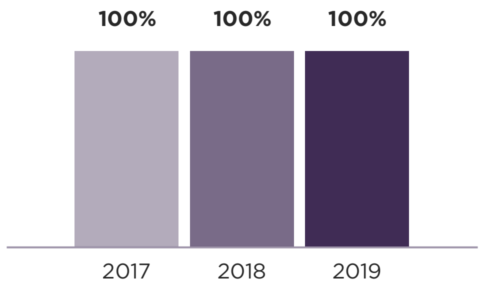
	No. of meetings	Attendance rate	Presence of indipendence members (%)
Nominations and Compensation Comomittee	**5**	**93%**	**100%**
Control and Riisk Committee	**6**	**100%**	**100%**
Related Party Transactions Committee	**2**	**100%**	**100%**

1.2.4 // Control and Risk Management System - Abbout the Committees

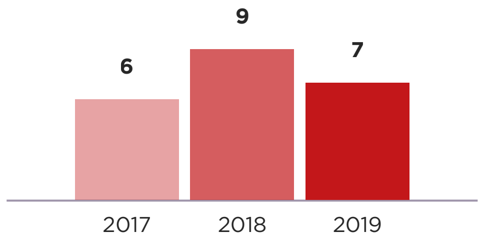
> NUMBER OF CONTROL AND RISK COMMITTEE MEETINGS



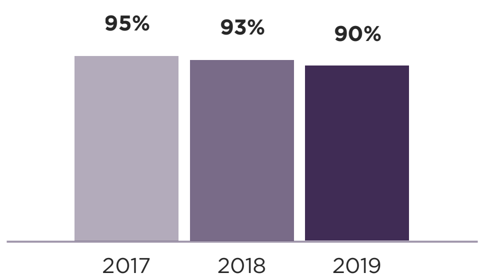
> RATE OF ATTENDANCE AT THE CONTROL AND RISK COMMITTEE MEETINGS



> NUMBER OF BOARD OF STATUTORY AUDITORS MEETINGS



> RATE OF ATTENDANCE AT THE BOARD OF STATUTORY AUDITORS MEETINGS



Main elements of the control system

Risk management division
Yes

Enterprise risk management plan
Yes

Is the ERM plan discussed with the Committee?
Yes

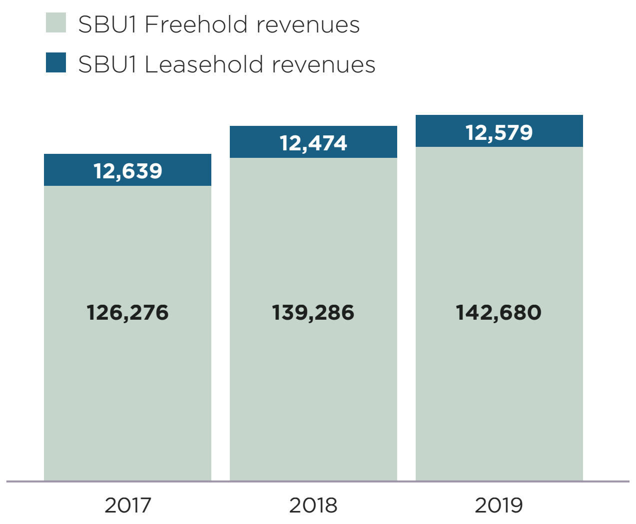
Specific compliance programs in place (Antitrust/Anticorruption/ Whistleblowing...)
Yes

For more information see **Chapter 3: Report on corporate governance and ownership structure.**

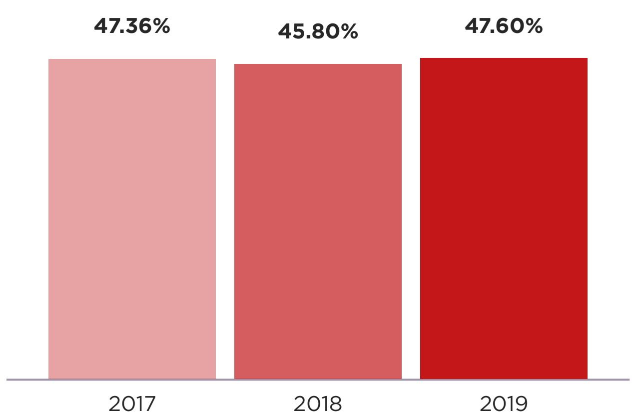
1.3 // Group Highlights

> MARKET VALUE

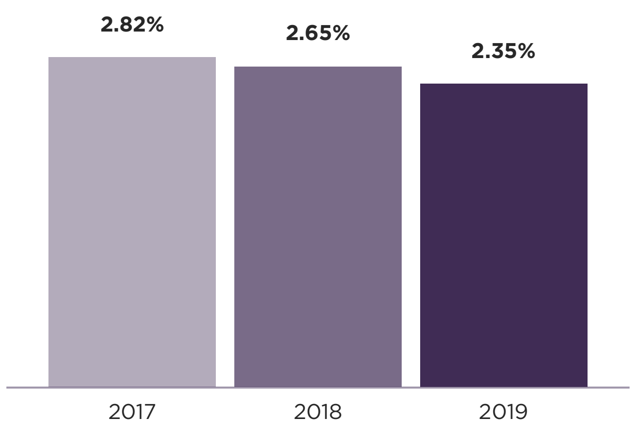
> RENTAL INCOME



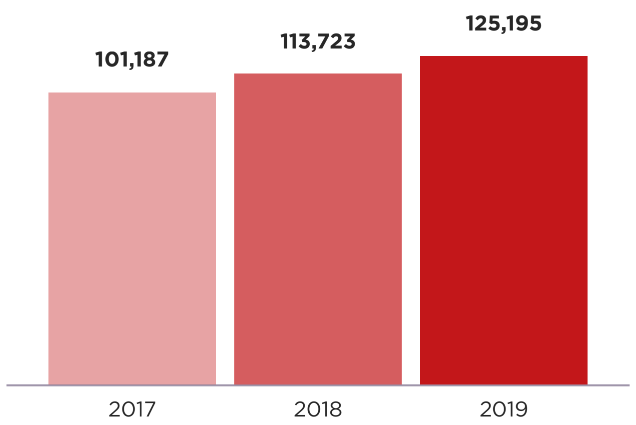
> LOAN TO VALUE



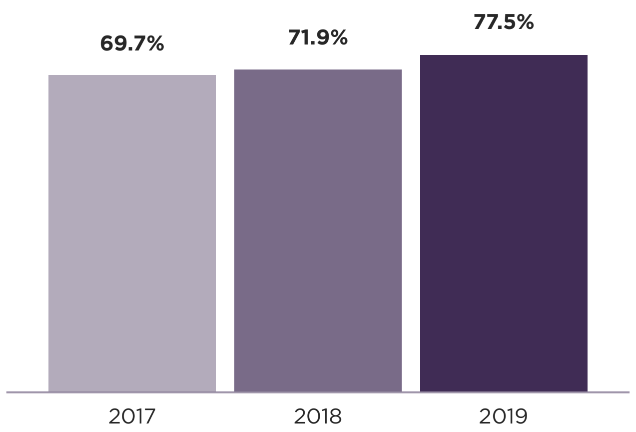
> AVERAGE COST OF DEBT



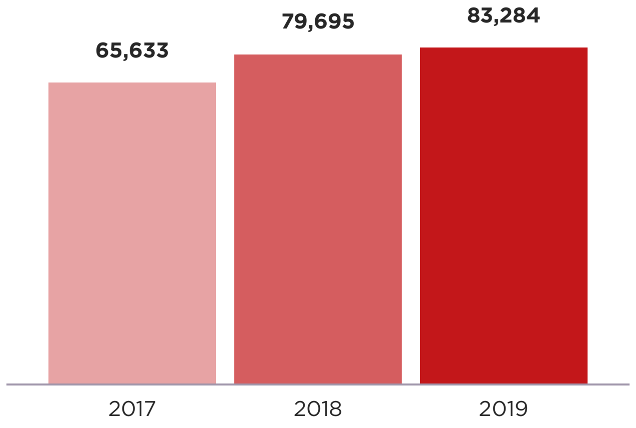
> CORE BUSINESS EBITDA



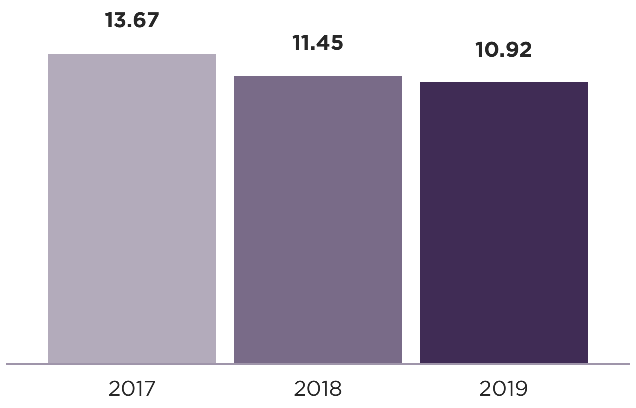
> CORE BUSINESS EBITDA MARGIN



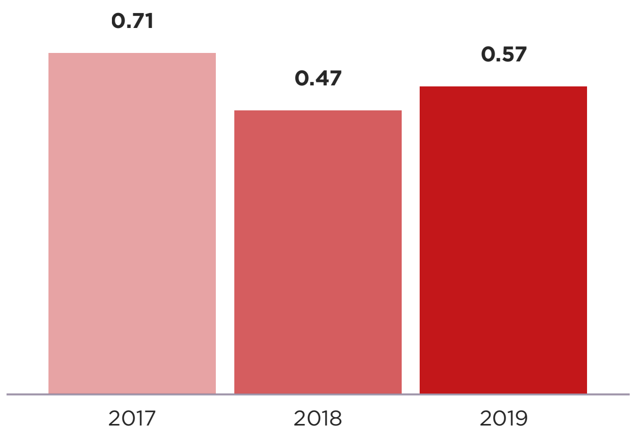
> CORE BUSINESS FFO



> EPRA NNNAV PER SHARE



> STOCK PRICE / EPRA NNNAV



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// DIRECTORS' REPORT
DETAILED INDEX

2. 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 2019 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.

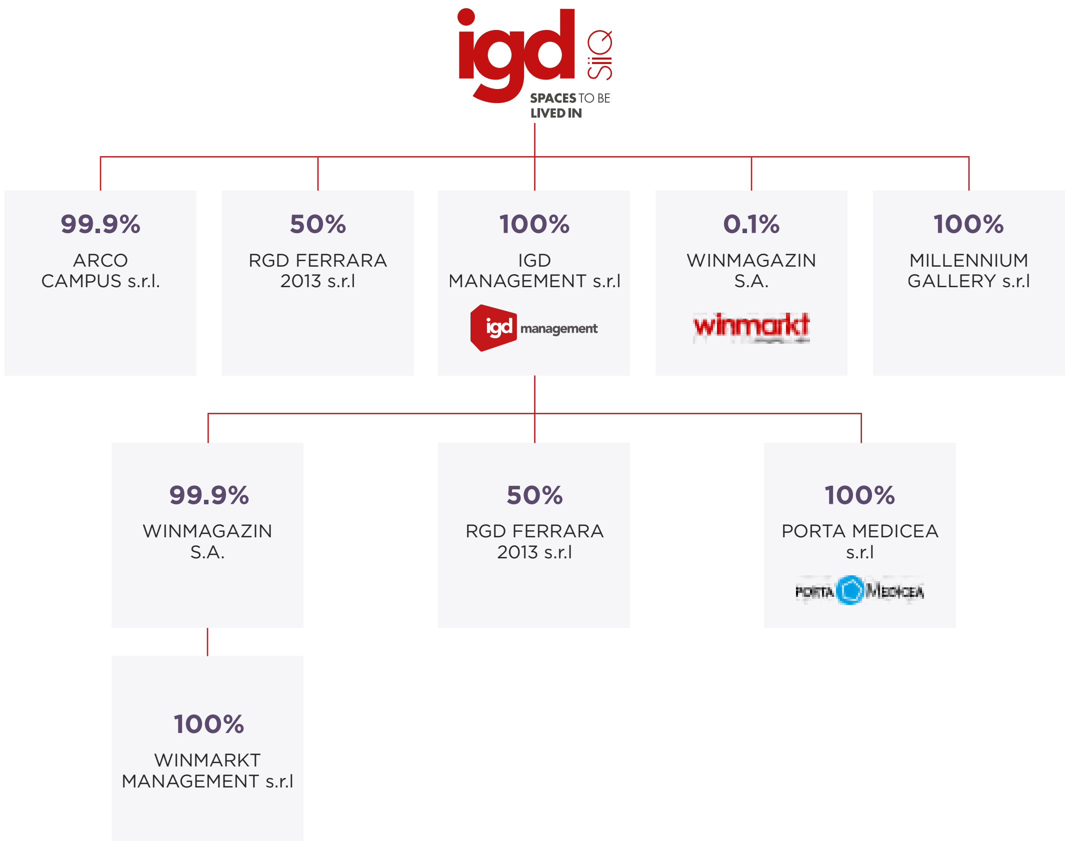
> Alternative Performance Indicators

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 (93.7%). The remainder is in Romania (6.3%), where IGD owns the Winmarkt chain of shopping centers through Win Magazin SA.



IGD SIIQ's perimeter of exempt operations includes the freehold assets found in Italy.

On 30 September 2019 the purchase by IGD Management S.r.l. (a wholly-owned subsidiary of IGD) of 50% of RGD Ferrara 2013 S.r.l. (owner since 2013 of the Darsena City operations) was finalized. As a result of this acquisition the Group owned all of RGD Ferrara 2013 S.r.l.'s share capital at 30 September 2019. For information about the transaction please see sections 2.5 and 4.6.2.2 of this report.

At 31 December 2019 the IGD Group, in addition to the parent company, comprises the following companies:

> Il 100% of Millennium Gallery

Owner of part of the Rovereto shopping mall and a business division in the shopping center in Crema;

> Il 100% of RGD Ferrara 2013

Formed on 30 September 2013, to manage the Darsena City Shopping Center in Ferrara;

> Il 99.9% of Arco Campus S.r.l.

A company dedicated to the sale, leasing and management of properties used for sports, in addition to the development and dissemination of sports;

> Il 100% of IGD Management S.r.l.

Which, in addition to owning the CentroSarca shopping mall in Milan, also holds the majority of the operations which are not included in the SIIQ perimeter;

> Il 100% of Win Magazin SA

The Romanian subsidiary, through which it controls 100% of WinMarktManagement Srl, the company responsible for the team of Romanian managers;

> Il 100% of Porta Medicea S.r.l.

Responsible for the construction of the mixed use real estate development and requalification of Livorno's waterfront;

> Management of the leasehold properties (Centro Nova, Centro Piave and the Fonti del Corallo mall);

> 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;**
- **> International.**

The three divisions, grouped in two areas, report to the Chief Operating Officer.

2.1.1 // Our activities

> 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.

> 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;

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> Agency Management and Pilotage

Which consists in the analysis of the mall's competitive positioning in order to determine the right tenant mix and select the best retailers for each category of merchandise, negotiating with the retailers and managing the relationships with the current tenants.

> Contract management

At the end of 2019 IGD had 1,468 leases in Italy with a total of 732 retailers. During the year the Company signed 234 new leases explained for 138 by renewals and the remaining 105 by turnover.

At the end of 2019 there were 590 active leases in Romania; during the year 390 new leases were signed explained for 230 by renewals and 160 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 analyzing the risk profile of its tenants for some time. The systems assign 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 18.9% of the total rental income generated by malls in 2019, basically the same as the 19.9% reported in 2018. In Romania the ten largest retailers accounted for 36% of the total in 2019, higher than the 29.3% recorded in 2018.

IGD's retail offering is strengthened by the significant number of very appealing brands: in the Italian malls, international brands account for 40.3% of the total rental income, while in Romania these brands represent 38% of the total.

> Marketing

In 2019 IGD opted to make significant investments in 3 areas:

> Launching the "Grande Concorso", a raffle that was held in 25 shopping centers in September with almost a million tickets played which helped to boost retailers' sales;

> Promoting the concept of the shopping center as a place where you can make your dreams come true. In September IGD launched a communication campaign dedicated to repositioning the image of 7 of its key shopping centers in Italy: ESP in Ravenna, Tiburtino in Rome, Centro Sarca in Milan, Katanè in Catania, Centro d'Abruzzo in Chieti, Le Porte di Napoli in Naples and Le Maioliche in Faenza. The message at the heart of the campaign: "I'm possible, the place where everything is possible", was combined with suggestive and engaging graphics; the campaign, which will be reproduced in specific events and also part of the shopping centers' creative elements in 2020, generated good results in terms of footfalls;

> Expanding digital expertise, in order to make the most of the opportunities provided by digital innovation. A new role was also added to the company's staff, a Digital Marketing Specialist.

The marketing activities made a key contribution to enhancing the appeal of the shopping centers and in boosting new footfalls at a time when the food anchor is less attractive than in the past: in 2019 footfalls reached about 82.6 million in IGD's Italian centers, down slightly against the prior year (84.4 million in 2018), but consistent with the figures of the *Consiglio Nazionale dei Centri Commerciali*.

> 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 near motorways, along main roads, which allows for easy access to the centers. Most of the IGD's assets 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 gradually being 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. In 2019, including as a result of the strategic agreement signed with Coop Alleanza 3.0, work was completed on reducing the size of the hypermarkets at Fonti del Corallo in Livorno, Conè in Conegliano and Le Maioliche in Faenza, while work is still underway at the Porto Grande center in Ascoli Piceno. 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.

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

> Strategic guidelines

2019 was the first year of the Business Plan 2019-2021, approved on 7 November 2018, which strives **to further solidify IGD's leadership in the Italian market** and **further strengthen its financial structure**.

The strategy in the plan leverages on 3 pillars which IGD intends to develop internally using company 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 focused on innovation** was developed. A plan 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;

> Implementation of the strategic agreement with Coop Alleanza 3.0;

> Completion of the current pipeline;

> Strategic 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.

Thanks to an intense 2019, several targets were reached already in the first year of the Business Plan, explained also by the issue of a €400,000,000 bond, expiring in 2024, which was used to repurchase part of a €300 million and a €162 million bond issue, expiring in 2021 and 2022, respectively.

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.

DIRECTORS' REPORT
2.2 PERFORMANCE IN 2019

2.2 // Performance in 2019

2.2.1 // Income statement review

2019 was a year of intense activity for the IGD Group, with important business and financial transactions brought to a close in a global market environment of limited growth due to a slowdown in international trade and investments. The prospects for world trade improved in the latter part of the year thanks to the progress made in the US – China trade disputes, but the downside risks linked to current geopolitical tensions remain[1].

In Italy, after a positive, but not stellar, 2018, the economic cycle slowed further in 2019 with growth rates that plateaued at levels slightly above zero: based on ISTAT's preliminary estimates, the cumulative growth rate for GDP reached +0.2% at year-end 2019, lower than the +0.8% recorded in 2018[2]. This slowdown is attributable mainly to the weakness of the manufacturing sector and the drop in investments (particularly in capital goods), while internal demand and, above all, consumer spending[3] made a positive contribution: the rate of unemployment reached 9.8% at year-end, a drop of 0.5% against December 2018[4]. In terms of prices, there was a decided slowdown in 2019 compared to the prior year with an average rate of inflation that came to +0.6% in the year (versus +1.2% in 2018); this slowdown is due mainly to the trend in energy prices[5].

IGD's portfolio succeeded in recording positive results in what was, therefore, not a particularly brilliant environment: retailers' sales in Italian malls were 0.5% higher at 31 December 2019, while footfalls fell slightly against the prior year. Sales, particularly after a negative first quarter, recovered and remained positive in subsequent quarters. Even though the figure was lower than in the prior year, the trend for footfalls was similar, with a particularly negative first quarter and partial recovery in subsequent quarters which continued in January 2020 when footfalls were up 1.4%. First quarter sales were affected by unfavorable weather conditions which weren't in line with seasonal averages (above all in February and, subsequently, in May). These effects were neutralized and reversed during the year, thanks also to the good results of consumer electronics (+5.8%), food and beverage (+3.2%) and services (+8.2%), as well as the introduction of performing tenants and the positive performance of the centers restyled in 2019 (Fonti del Corallo and Casilino). Footfalls were also impacted by the negative performance of a few hypermarkets, particularly those where remodeling and restyling were underway.

Occupancy remained high (96.9%) and basically unchanged compared to year-end 2018 (97.2%).

A good performance was also posted by rental income in Italy: rising 2.3% at 31 December 2019, while net rental income was up 10.1% (+0.2% excluding IFRS16 application). This result reflects the full-year contribution made by the 4 malls and the retail park comprising the portfolio purchased in April 2018, as well as by the expanded Gran Rondò center in Crema inaugurated in May 2018. Like-for-like revenue was also higher (+0.3% against 31 December 2018), despite the temporary vacancies of a few midsize stores which were rapidly leased again (the effects of which will be more visible in 2020): during the year 243 leases (138 renewals and 105 new leases) were signed with an average upside of 1.1%[6].

During the year IGD continued with its asset management activities, consistent with the 2019-2021 Business Plan approved year-end 2018: in the fall two restyled centers were inaugurated, Casilino Shopping Center in Rome and Fonti del Corallo in Livorno: in both instances work was done on the interior and exterior of the centers in order to give them a new vitality and make them even more appealing, welcoming and comfortable for visitors. Remodeling work was also completed inside Le Maioliche (Faenza), Conè (Conegliano Veneto) and Porto Grande (San Benedetto del Tronto), while work continued on creating new retail units in the space previously occupied by the hypermarkets, which the Company is in the process of pre-letting; restyling of the Porto Grande center is also slotted for 2020.

With regard to the Porta a Mare project, IGD's most important mixed-use development project, in September the sale of Palazzo Orlando (an office building that is part of the Mazzini section) was finalized and, at the same time, the remaining 50% of the Darsena City Shopping Center in Ferrara, which was already 50% co-owned by the IGD Group, was purchased. Work continues on the Officine Storiche section, the heart of the project. This section comprises an area of around 20,000 square meters, 15,000 square meters of which will be dedicated to retail with 30 stores, 10 restaurants and 1 fitness center; work is expected to be completed by the end of 2020.

In Romania, the economy continues to grow at a more robust pace than in Italy and above the European average: estimates show that Gross Domestic Product grew 4.0% in 2019, in line with the 4.0%[7] recorded in the prior year. The main growth driver continues to be consumer spending, but investments also picked up due mainly to financial assistance from the European Union[8]. All of this, along with the restyling work and updating of the merchandising mix carried out by IGD over the last few years, translated into good operating results for IGD's shopping centers: occupancy improved further, rising from the 97.1% recorded in 2018 to 97.6% in 2019. The pre-letting and renegotiations carried out during the year resulted in significant upside (4.0%) on new leases. The combination of these factors contributed to the good performance of rental income which was 3.2% higher than in 2018.

In 2019 we also worked intensely on the Group's financial structure: in January IGD used the EUR 200 million senior unsecured facility (rate of 2.1%) granted year-end 2018 to redeem a EUR 125 million bond (coupon 3.875%). IGD also obtained two investment grade ratings from two different agencies: in April S&P Global Ratings assigned IGD a rating of "BBB-" (currently with a negative outlook) and then in October Fitch Ratings Ltd assigned IGD a "BBB-" rating with a stable outlook. In November, lastly, IGD issued €400,000,000 in new notes, expiring 28 November 2024, payable yearly in arrears at a fixed rate of 2.125%. The proceeds from the issue were used, in part, to repurchase part of a €300 million and a €162 million bond issue, expiring in 2021 and 2022, respectively, and, in part, to fully redeem the bond expiring in 2021, as well as for general corporate purposes. The issue was well received by the market and initially oversubscribed by important, accredited domestic and foreign investors. The main purpose of the above transaction was to reduce the cost of debt and extend current financial maturities. The average cost of debt at year-end 2019 was 2.35% versus 2.65% at year-end 2018, while the interest cover ratio or ICR came to 3.4x versus 3.5x at year-end 2018, with an average maturity of 4.1 years.

Net of the fair value adjustments that impacted the Group's net profit, as described below, Funds from Operations showed continuous growth rising 4.5% against 2018 to €83.3 million at 31 December 2019, consistent with the guidance disclosed to the market which called for an increase in the range of +4/5%.

The consolidated operating income statement is shown below:

1. Source: Bank of Italy – Economic Bulletin 1/2020, January 2020
2. Source: Istat – Preliminary GDP Estimates, January 2020
3. Source: Bank of Italy – Economic Bulletin 1/2020, January 2020
4. Source: Istat – Unemployment figures, January 2020
5. Source: Istat – Consumer Prices, January 2020
6. Excluding the lease for the multiplex cinema at Centro Sarca

7. Source: OECD – Economic Outlook, November 2019
8. Source: OECD – Economic Outlook, November 2019

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> CONSOLIDATED OPERATING INCOME STATEMENT

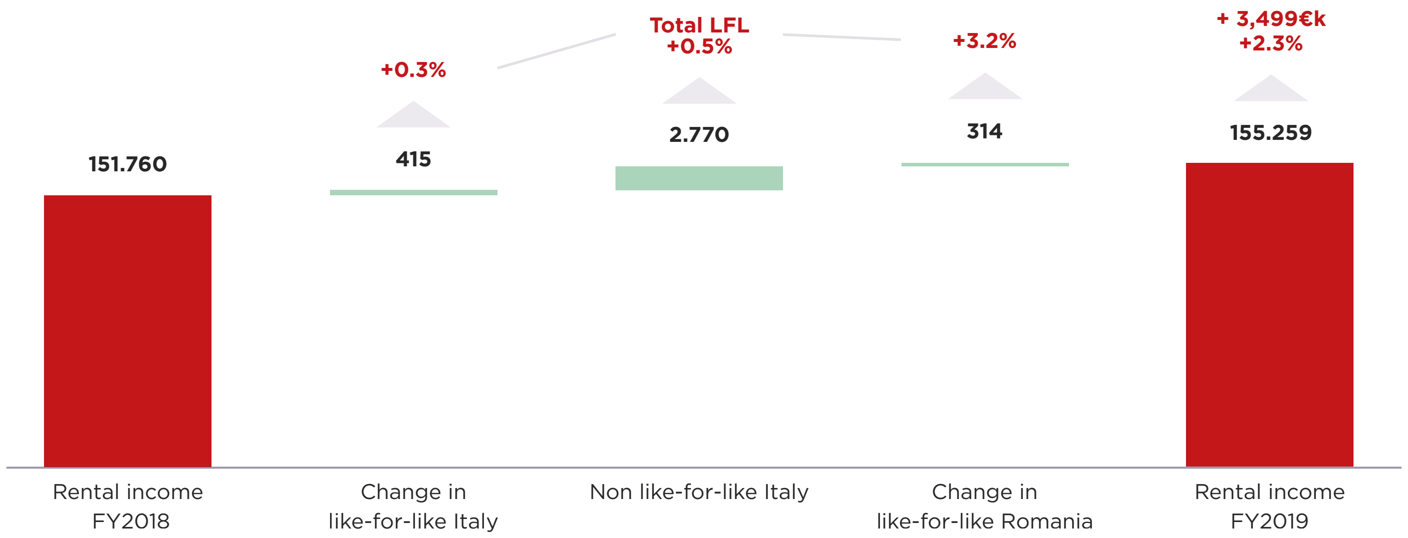
Group Consolidated	(A) 31/12/2019	(B) 31/12/2018	Δ (A)/(B)	Effetti IFRS16 (C)	31/12/2019 adj (A+C)
Revenues from freehold rental activities	142,680	139,286	2.4%	0	142,680
Revenues from leasehold rental activities	12,579	12,474	0.8%	0	12,579
Total income from rental activities	155,259	151,760	2.3%	0	155,259
Rents and payable leases	-3	-10,265	-100%	-10,302	-10,305
Direct costs from rental activities	-18,680	-17,463	7.0%	0	-18,680
Net rental income	136,576	124,032	10.1%	-10,302	126,275
Revenues from service	6,383	6,309	1.2%	0	6,383
Direct costs from services	-5,491	-5,162	6.4%	0	-5,491
Net services income	892	1,147	-22.2%	0	892
HQ Personnel expenses	-6,816	-6,707	1.6%	0	-6,816
G&A expenses	-5,457	-4,749	14.9%	0	-5,457
Core Business EBITDA (Operating income) *Core business Ebitda Margin*	**125,195** *77.5%*	**113,723** *71.9%*	**10.1%**	**-10,302**	**114,894**
Revenues from trading	406	4,445	-90.9%	0	406
Cost of sale and other costs from trading	-1,044	-5,536	-81.1%	0	-1,044
Operating result from trading	-638	-1,091	-41.5%	0	-638
EBITDA *Ebitda Margin*	**124,557** *76.9%*	**112,632** *69.3%*	**10.6%**	**-10,302**	**114,255**
Impaiment and Fair Value adjustments	-72,788	-30,279	n.a.	11,851	-60,937
Depreciations and Provisions	-1,426	-1,106	28.9%	-310	-1,736
EBIT	**50,343**	**81,247**	**-38.0%**	**1,239**	**51,582**
Finncial Management	-36,752	-32,498	13.1%	1,931	-34,823
Extraordinary Management	11	-85	n.a.	0	11
Pre-Tax profit	**13,602**	**48,664**	**-72.0%**	**3,170**	**16,772**
Taxes	-1,011	-2,276	-55.6%	-832	-1,843
Profit for the period	**12,591**	**46,388**	**-72.9%**	**2,338**	**14,929**
(Profit/Loss) for the period related to third parties	0	0	n.a.	0	0
Group Net Profit	**12,591**	**46,388**	**-72.9%**	**2,338**	**14,929**

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.

DIRECTORS' REPORT
2.2 PERFORMANCE IN 2019

NET RENTAL INCOME

Rental income amounted to €155,259 thousand, an increase of 2.3% against the same period of the prior year.



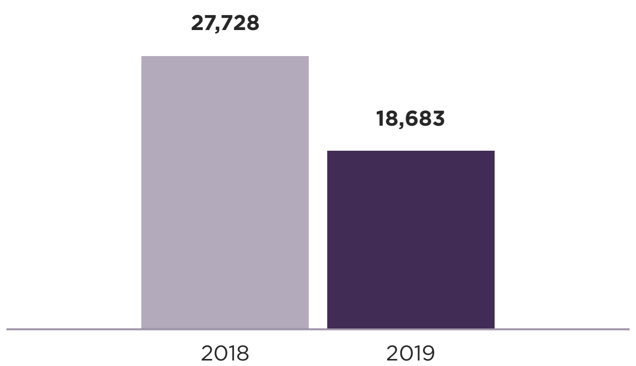
The increase of €3,499 thousand is explained by:

> For around €2,770 thousand, higher revenue not like-for-like attributable to the portfolio purchased from Eurocommercial Properties in April 2018 and the opening of the Grand Rondò mall extension in Crema in May 2018 which was partially offset by the strategic vacancies needed for ongoing fit out work;

> For €415 thousand, the like-for-like increase (+0.3%) in Italy, generated by a real estate portfolio valued at around €2 billion. Malls were up (+0.4%) due to the pre-letting carried out in the last quarter of the year, step-ups and higher revenue from temporary spaces, partially offset by an increase in temporary discounts. Hypermarkets were largely unchanged (+0.1%). 234 new leases were signed with an average upside of +1.1% (excluding the Sarca cinema); adjustments for inflation impacted for around 50 bps;

> For around €314 thousand, higher like-for-like revenue in Romania (+3.2%), including as a result of pre-letting and renegotiations (230 renewals were signed with an average upside of +4.4%, along with 160 new leases linked to turnover). The like-for-like real estate portfolio in Romania was valued at around €150 million.

> Direct costs from rental activities



The **direct costs for the rental business** amounted to €18,683 thousand, a decrease of about 32.6% compared to the same period of the prior year (an increase of 4.5% excluding the impact of IFRS 16; for more information about first-time adoption of IFRS 16 please refer to section 4.6.2.1 of this report). The increase in costs is attributable mainly to condominium fees, property tax (IMU), one-off marketing costs and insurance, linked also to the expanded portfolio.

Net rental income amounted to €136,576 thousand, an increase of 10.1% against the same period of the prior year (+1.8% excluding the impact of IFRS 16).

Net rental income freehold amounted to €124,490 thousand, an increase of 2.0% against the same period of the prior year, with a very sizeable margin of 87.3% of revenue, in line with the prior year.

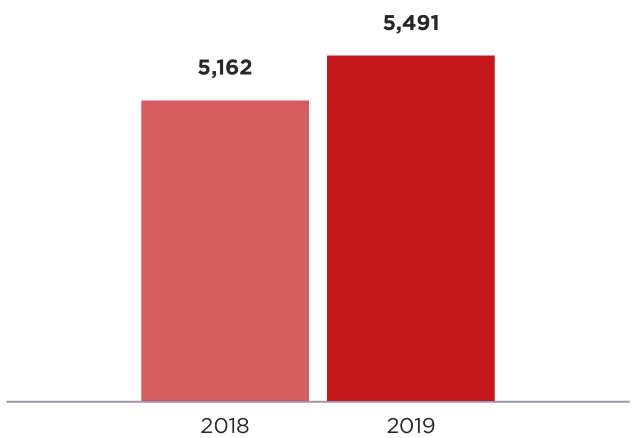
Net rental income leasehold amounted to €12,086 thousand. Excluding IFRS 16 application the figure comes to €1,788 thousand or 13.2% less than in the same period of the prior year.

NET SERVICE INCOME

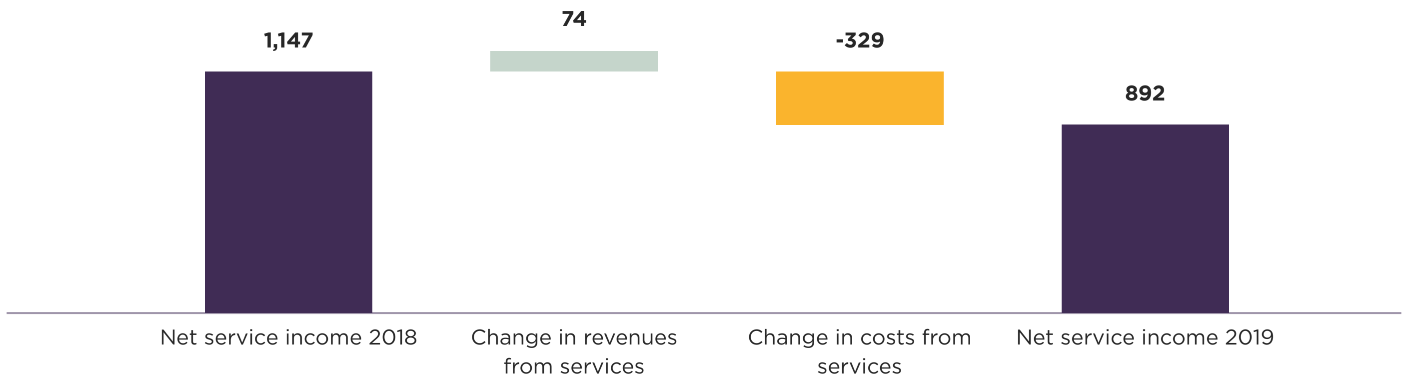
Revenue from services rose €74 thousand (+1.2%) compared to the same period of the prior year. Most of this revenue comes from the facility management business (91% of the total or €5,803 thousand), which was higher than in the prior period (+7.3%) due mainly to new management mandates (La Favorita and Centro Luna). Revenue from other services (outsourcing services) and pilotage fell slightly.

The **direct costs for services** amounted to €5,491 thousand, an increase of €329 thousand (+6.4%) compared to the same period of the prior year attributable mainly to higher network payroll costs as a result of CCNL (the state collective labor agreement) adjustments.

> Direct costs from service



Net service income amounted to €892 thousand, a decrease of 22.2% compared to the same period of the prior year, falling as a percentage of revenue from services from the 18.2% recorded in the prior year to 14.0%.

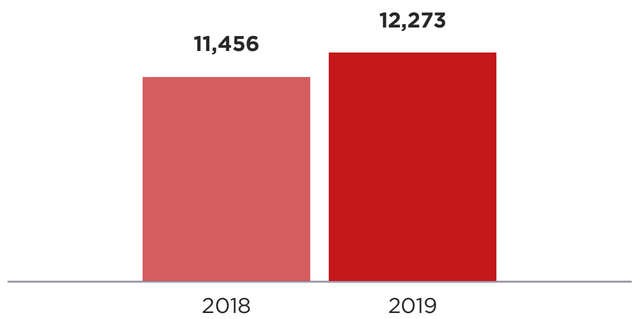


> GENERAL EXPENSES FOR THE CORE BUSINESS

General expenses for the core business, including payroll costs at headquarters, came to €12,273 thousand, an increase of 7.1% against the €11,456 thousand posted in the first nine months of 2018. This increase is attributable primarily to higher payroll costs at headquarters linked to CCNL adjustments, as well as other one-offs recorded in the period (consultancies, corporate projects and operations).

As a percentage of revenue these costs came to around 7.6%.

> General expenses for the core business



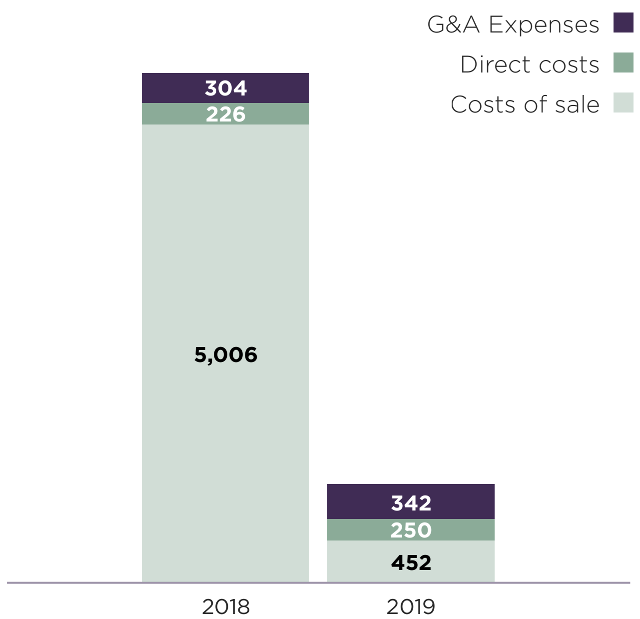
> OPERATING RESULTS FOR TRADING

Trading posted an operating loss of €638 thousand, an improvement compared to the prior year.

Revenue from property sales reached €406 thousand in the period and reflects the sale of 1 residential unit and the relative appurtenance, compared to 14 units in the prior year. The sale of 69 of the 73 original residential units have closed and preliminary sales agreements have been signed for 3 more residential units.

The total of the units sold/pledged has, therefore, reached 98.7% of the total saleable area.

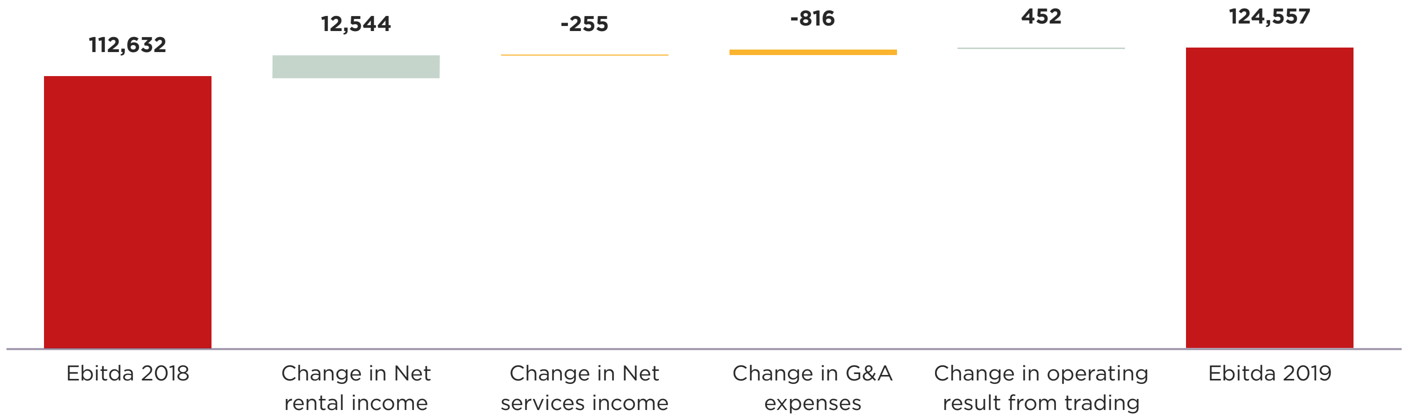
The costs for the Porta a Mare project are broken down below:



DIRECTORS' REPORT
2.2 PERFORMANCE IN 2019

> EBITDA

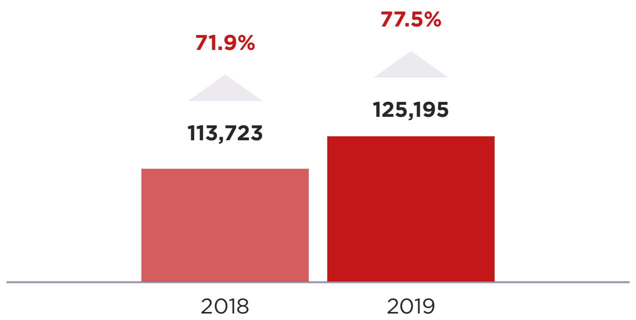
Core business **EBITDA** amounted to €125,195 thousand in 2019, an increase of 10.1% with respect to the same period of the prior year, while total EBITDA rose by 10.6% to €124,557 thousand. The changes in the components of total EBITDA during the year are shown below.



As mentioned above, the **EBITDA margin** mainly reflects the increase in core business revenue (as a result also of the expanded perimeter) and application of IFRS 16.

The core business **EBITDA MARGIN** reached 77.5%, 560 bps higher than in the same period of the prior year and down slightly by 88 bps excluding IFRS 16 application.

> Core business Ebtda



> FAIR VALUE ADJUSTMENTS AND IMPAIRMENT

Fair value adjustments and writedowns were negative for €72,788 thousand at 31 December 2019, higher than the €30,279 thousand recorded at 31 December 2018, explained by:

> For €11,851 thousand, the right-of-use assets derived from IFRS 16 application including the property maintenance carried out;

> For €26,558 thousand, the restyling completed in the year, extraordinary maintenance of the freehold properties pertaining to the IGD Group's Italian subsidiaries and progress made on work at the Officine Storiche section in Livorno;

> For €26,381 thousand, the fair value adjustments of investment properties held by the IGD Group's Italian subsidiaries based on the appraisals made by independent experts at 31 December 2019;

> For €1,446 thousand, the sales price adjustment paid for the Katanè mall as per the judgement issued by the Court of Ravenna on 7 June 2019. For more information please see section 2.5 of this report and section 45 of the explanatory notes;

> For €2,052 thousand, the extraordinary maintenance of the Romanian subsidiary Win Magazin SA's freehold properties;

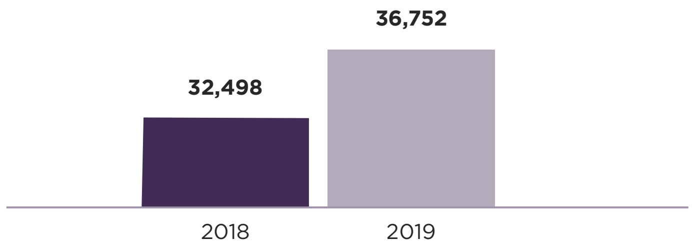
> For €4,500 thousand, fair value adjustments of investment properties held by the Romanian subsidiary Win Magazin SA based on independent appraisals at 31 December 2019.

> EBIT

EBIT amounted to €50,343 thousand, a decrease of 38.0% against 2018. In addition to the abovementioned rise in EBITDA, the result reflects the negative balance of writedowns and fair value adjustments of €72,788 thousand (€43,136 thousand in 2018) and the net positive impact of the four businesses acquired in 2018 of €12,857 thousand.

> FINANCIAL INCOME AND CHARGES

> Financial income



Financial charges went from €32,498 thousand at 31 December 2018 to €36,752 thousand at 31 December 2019. The increase, of around €4,254 thousand, is attributable mainly to:

> For €1,931 thousand, an increase in the financial charges recognized in the period as a result of IFRS 16 application (for more information about first-time adoption of IFRS 16 please refer to section 4.6.2.1 of the Explanatory Notes);

> For €3,226 thousand, the amortized cost expense stemming from recognition of the difference between the present value of the new cash flows discounted at the original effective interest rate and the present value of the cash flows of the original liability following the issue of the new €400 million bond and the partial repurchase of outstanding bonds for a total €237,607 thousand;

> The decrease in financial charges for bonds following the redemption, in January 2019, of a €150 million bond loan and the issue of a new €400 million bond in November, as well as the partial refinancing of current debt amounting to €237,607 thousand, namely the outstanding €229,207 thousand of a €300 million bond and the outstanding €8,400 thousand of a €162 million bond € (for more information see section 2.5 of this report);

> Higher interest linked to the loan commitments assumed as a result of the purchase of the 4 businesses finalized in April 2018 and the €200 million loan granted in the first quarter of 2019;

> Higher financial charges on committed lines.

The **average cost of debt** (without considering recurring and non-recurring transaction costs) at 31 December 2019 was 2.35%, down from 2.65% in the same period of the previous year, while the weighted average effective cost of debt went from 2.88% at 31 December 2018 to 2.98%.

The **interest cover ratio (ICR)**, the ratio of Ebitda to interest expense, came to 3.28x, net IFRS 16 application. Lower compared to the 3.47x posted in the prior year.

2

> EQUITY INVESTMENTS AND PROPERTY SALES

The result posted at 31 December 2019, €11 thousand, is attributable to the sale of the "Palazzo Orlando" property finalized in September (for more information about the transaction please refer to section 2.5 of this report).

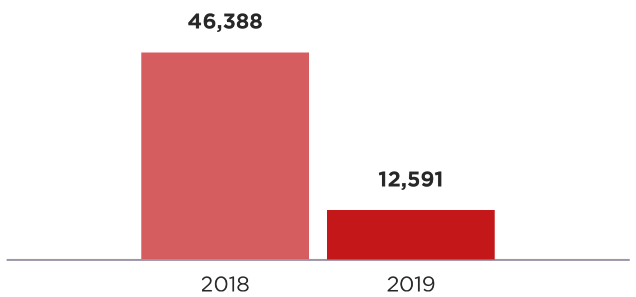
> TAXES

	31/12/2019	31/12/2018	Change
Current taxes	**1,450**	**1,431**	**19**
Deferred tax liabilities	**(502)**	**488**	**(990)**
Deferred tax assets	**37**	**359**	**(322)**
Out-of-period income/charges - Provisions	**26**	**(2)**	**28**
Total income taxes for the period	**1,011**	**2,276**	**(1,265)**

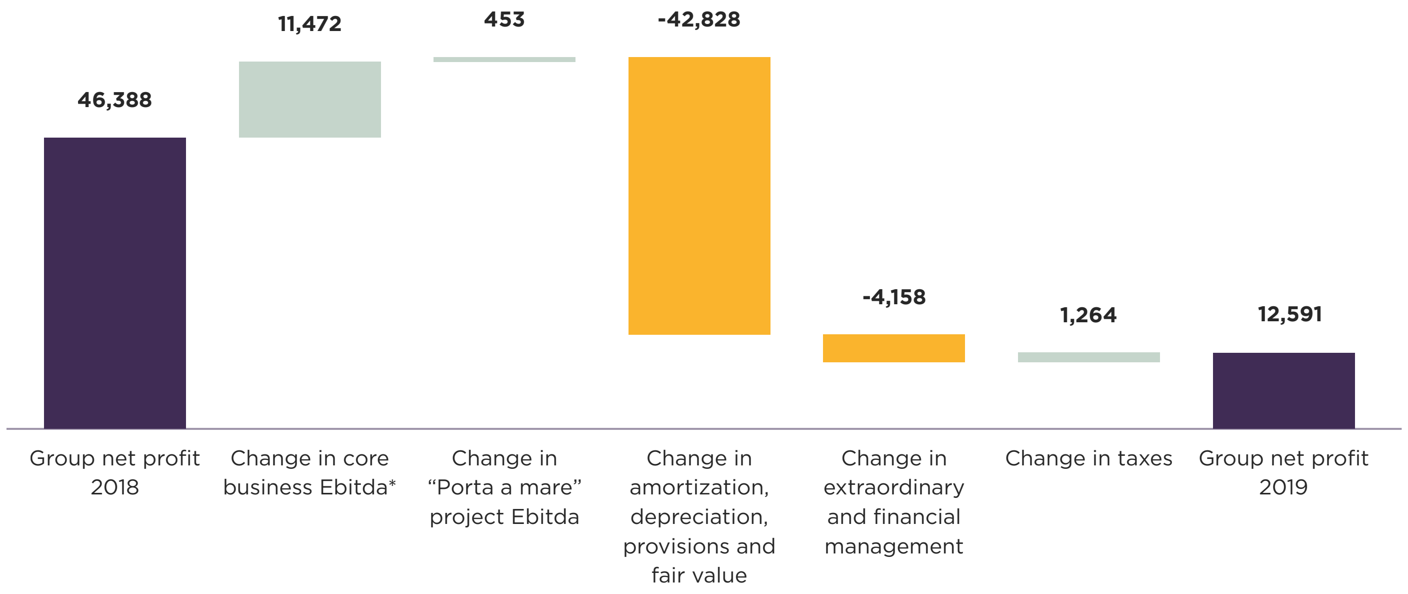
The tax burden, current and deferred, reached €1,011 thousand at 31 December 2019, a decrease of €1,265 thousand against 31 December 2018. The change is attributable primarily to *(i)* the adjustment made to deferred tax assets and liabilities in order to align the fair value with the tax assessed value of a few real estate investments held by subsidiaries and *(ii)* the impact of the deferred tax recognized in accordance with IFRS 16 (for more information about IFRS 16 adoption please refer to section 4.6.2.1 of the Explanatory Notes).

> GROUP NET PROFIT

As a result of the above, the Group's net profit came to €12,591 thousand, lower than the €46,388 thousand recorded in 2018.



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



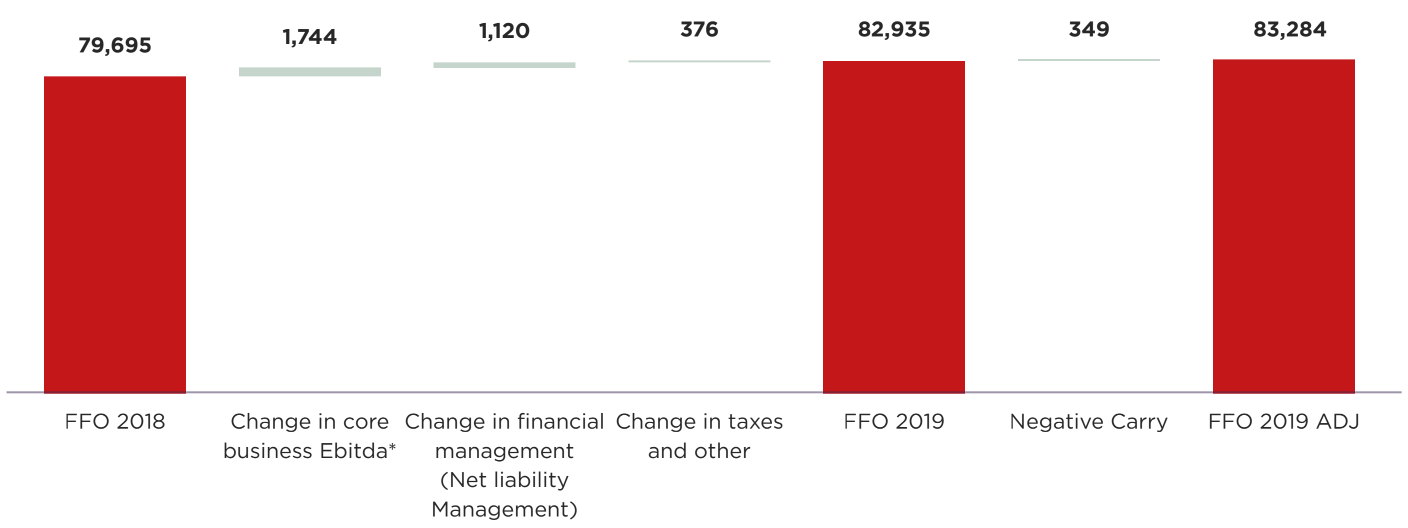
> CORE BUSINESS FFO

FFO (Funds from Operations), an indicator used widely in the real estate sector (REITs), which measures the cash flow generated by a company's core business, reached €83,284 thousand at 31 December 2019, an increase of €3,590 thousand or 4.5% compared to the same period of the prior year. The change is explained by the improvement in core business Ebitda and financial charges described above. The figure does not reflect the one-off negative carry linked to the refinancing of future maturities.

The increase is consistent with the guidance disclosed to the market which called for an increase in the range of +4/5%.

Founds from Operations	2019	2018	Delta	Delta%
Core business EBITDA*	**125,769**	**113,723**	**12,046**	**10.6%**
IFRS16 Adjustment (Payable leases)	**(10,302)**	**0**	**(10,302)**	**n.a.**
Financial management Adj	**(31,384)**	**(32,504)**	**1,120**	**-3.4%**
Extraordinary management Adj	**0**	**0**	**0**	**n.a.**
Current taxes for the period Adj	**(1,148)**	**(1,524)**	**376**	**-24.7%**
FFO	**82,935**	**79,695**	**3,240**	**4.1%**
Negative Carry	**349**	**0**	**349**	
FFO ADJ	**83,284**	**79,695**	**3,589**	**4.5%**

* *Net of non-recurring expenses*



2.2.2 // Statement of financial position and financial review

The IGD Group's statement of financial position at 31 December 2019 can be summarized as follows:

(amounts in thousand of Euro)	31.12.2019	31.12.2018	Δ	%
Fix assets	2,365,214	2,346,527	18,687	0.79%
Assets under construction and advances	40,827	36,563	4,264	10.44%
Intangible assets	12,535	12,696	(161)	-1.28%
Other tangible assets	8,970	9,615	(645)	-7.19%
Sundry receivables and other non-current assets	118	111	7	6.36%
Equity investments	223	277	(54)	-24.22%
NWC	18,441	26,019	(7,578)	-41.09%
Founds	(7,125)	(8,164)	1,039	-14.58%
Sundry payables and other non current liabilities	(21,873)	(19,742)	(2,131)	9.74%
Net deferred tax (assets)/liabilities	(26,313)	(26,340)	27	-0.10%
Total use of founds	2,391,017	2.377.562	13,455	0.56%
Total shareholders' equity	1,211,014	1,252,338	(41,324)	-3.41%
Net (assets) and liabilities for derivative instruments	17,365	17,364	1	0.01%
Net debt	1,162,638	1,107,860	54,778	4.71%
Total sources	2,391,017	2,377,562	13,455	0.56%

The principal changes, compared to 31 December 2018, relate to:

// Investment property, which rose by €18,687 thousand as a result mainly of:

> First-time application of IFRS 16. The Group recognized right-of-use assets of €66,431 thousand at 1 January 2019, relating to the leases on the malls in the "Centro Nova", "Centro Piave" and "Fonti del Corallo" shopping centers and the parking area in the "Centro d'Abruzzo", and lease liabilities of €62,920 thousand;

> The reclassification to investment property of finished projects relating to *(i)* for €1,497 thousand, restyling of the Fonti del Corallo Shopping Center, *(ii)* for €1,421 thousand, remodeling of the spaces in the same center as per the agreement signed between IGD SIIQ and Unicoop Tirreno to reduce the area of the hypermarket and create, consequently, three new midsize retail areas, *(iii)* for €2,585 thousand, restyling and remodeling of the space (joining/dividing stores) on the first floor of the Casilino mall in Rome and *(iv)* for €1,232 thousand, restyling of the Gran Rondò mall in Crema;

> Extraordinary maintenance relating primarily to earthquake proofing, fire alarm and electrical systems in shopping centers, specifically at Città delle Stelle in Ascoli, Casilino and Tiburtino in Rome, La Torre in Palermo, Centro Lame in Bologna and ESP in Ravenna of €14,605 thousand;

> The addition of €1,446 thousand to the purchase price of the Katanè mall as ordered by the Court of Ravenna on 7 June 2019. For more information see section 2.5 of this report and note 45 of the Explanatory Notes;

> The acquisition, which was finalized on 30 September 2019, by IGD of the remaining 50% of the "Darsena City" Shopping Mall in Ferrara, of which it was already co-ow-

ner, for €14,132 thousand;

> The sale by Porta Medicea S.r.l. (a wholly-owned subsidiary of the IGD Group) of "Palazzo Orlando", an office building in Livorno, for €12.8 million (excluding taxes);

> The fair value adjustment of investment property which was revalued in the amount of €5,269 thousand and written down by €77,131 thousand for a net negative impact of €71,862 thousand.

// **Assets under construction and advances**, which showed an increase of €4,264 thousand attributable primarily to:

> Investments made in the year of around €11,889 thousand, explained mainly by: (i) for €943 thousand, completion of the restyling at the Fonti del Corallo Shopping Center; (ii) for €1,061 thousand, the remodeling work completed at the same center pursuant to the agreement signed between IGD SIIQ and Coop Alleanza 3.0; (iii) for €2,622 thousand, restyling and remodeling of the space (combining/dividing stores) on the first floor of the Casilino mall in Rome, (iv) for €1,232 thousand, restyling of the Gran Rondò mall in Crema; (v) for €210 thousand the planning of restyling at La Favorita in Mantova and Porto Grande in San Benedetto del Tronto; (vi) for €698 thousand, the remodeling of the Le Maioliche in Faenza, Conè in Conegliano and Porto Grande in San Benedetto del Tronto, pursuant to the agreement signed between IGD SIIQ and Coop Alleanza 3.0 to reduce the size of the hypermarket and increase the size of the mall; (vii) for €45 thousand, the creation of new midsize retail areas at the Gran Rondò Shopping Center and Retail Park in Crema; (viii) for €103 thousand, restyling at the Darsena Shopping Center in Ferrara and Punta di Ferro in Forlì, and (ix) for around €4,984 thousand, continuation of the work on Officine Storiche;

> For €6,773 thousand, investments completed in the year and reclassified, for €6,736 thousand, to investment property as described above and, for €37 thousand, to equipment and other assets;

> For €72 thousand, an impairment loss on the Portogrande expansion and, for €66 thousand, the positive impact of the fair value measurement of the Officine Storiche (Porta a Mare) construction project;

> For €1,001 thousand, the decrease in advances.

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

// **Equity investments**, which dropped by about €54 thousand due to the first-time consolidation of the wholly-owned subsidiary RGD Ferrara;

// **Net working capital** which showed a decrease of €7,578 thousand against 31 December 2018 explained primarily by:

> An increase in work in progress inventory of €390 thousand attributable mainly, for €1,729 thousand, to the work carried out in the year and the sale of 1 property, 2 garage and 1 parking place, and, for €920 thousand, the write-down to adjust carrying amount to the lower of cost and appraised fair value;

> A decrease in trade receivables payable by third parties of around €2,905 thousand;

> A decrease in other current assets due mainly to the release of the €2,554 thousand in deferred costs linked to the new loan granted by BNP Paribas in October 2018, but disbursed in the first quarter of 2019;

> An increase in trade payables of €1,954 thousand as a result primarily of work done in the last quarter of the year;

> An increase in other current liabilities of €532 thousand attributable mainly to deferred revenue for 2020.

(amounts in thousand of Euro)	31.12.2019	31.12.2018	Δ	%
Inventories and payments	**33,602**	**33,212**	**390**	**1.16%**
Trade receivables vs third parties	**11,114**	**12,915**	**(1,801)**	**-16.20%**
Trade and other receivables vs related parties	**921**	**2,025**	**(1,104)**	**-119.87%**
Other current assets	**3,084**	**5,441**	**(2,357)**	**-76.43%**
Trade and other payables	**15,960**	**14,248**	**1.712**	**10.73%**
Trade and other payables vs related parties	**1,031**	**789**	**242**	**23.47%**
Tax liabilities	**2,601**	**2,376**	**225**	**8.65%**
Other current liabilities	**10,688**	**10,156**	**532**	**4.98**
NWC	**18,441**	**26,024**	**(7,583)**	**-41.09%**

// **Provisions**, which were €1,039 thousand lower due mainly to the utilization of the provision for risks and charges following the signing of the settlement agreement between IGD, IIS and Demostene S.p.A. to close the legal dispute relating to the purchase price adjustment for the mall in the «Katané» Shopping Center in Gravina di Catania paid by IGD in 2019, partially offset by the provisions made for bonuses payable to employees in 2020, for a few IMU disputes underway relating to the ESP (Ravenna) and La Torre (Palermo) shopping centers, as well as relating to complaints filed by the former employees of a retailer to whom IGD had leased a property, now redelivered, located in the Conè Shopping Center and adjustments to employee severance;

// **Payables and other non-current liabilities** increased by €2,131 thousand due to the increase in security deposits from subsidiaries pursuant to the framework agreement signed with Coop Alleanza 3.0 in November 2018 and the advances received, partially offset by the reclassification to tax payables of the current portion (payable within one year) of the substitute tax accrued to Punta di Ferro when it obtained SIINQ status;

// The Group's net equity amounted to €1,211,014 thousand at 31 December 2019. The decrease of €41,324 thousand is explained by:

> For €55,153 thousand, the distribution of the dividend for 2018;

> An adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around €1,180 thousand for the parent company and around -€1,722 thousand for a subsidiary;

> For €294 thousand, the partial sale of the treasury shares held;

> For €1,886 thousand, the first-time application of IFRS 16;

> For approximately -€133 thousand, movements in the translation reserve for the translation of foreign currency financial statements;

> For €290 thousand, the adjustment of the reserve for the recalculation of defined benefit plans;

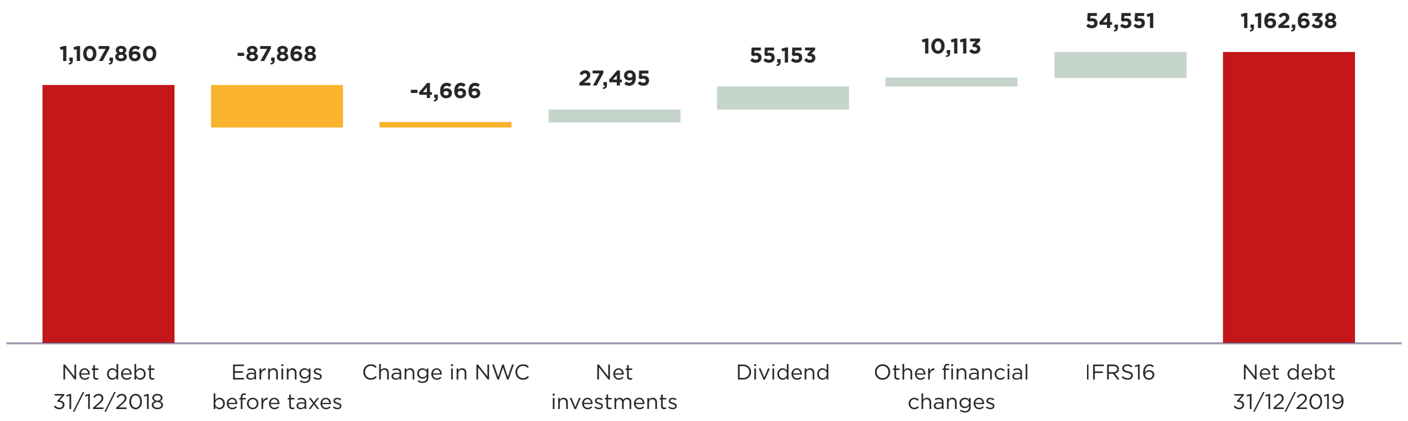
> For €23 thousand, a positive change in the costs for the capital increase completed in 2018, net of the tax effect, recognized in a separate reserve for costs relative to capital increases in accordance with applicable accounting standards;

> For €12,591 thousand, the Group's portion of the profit for the year.

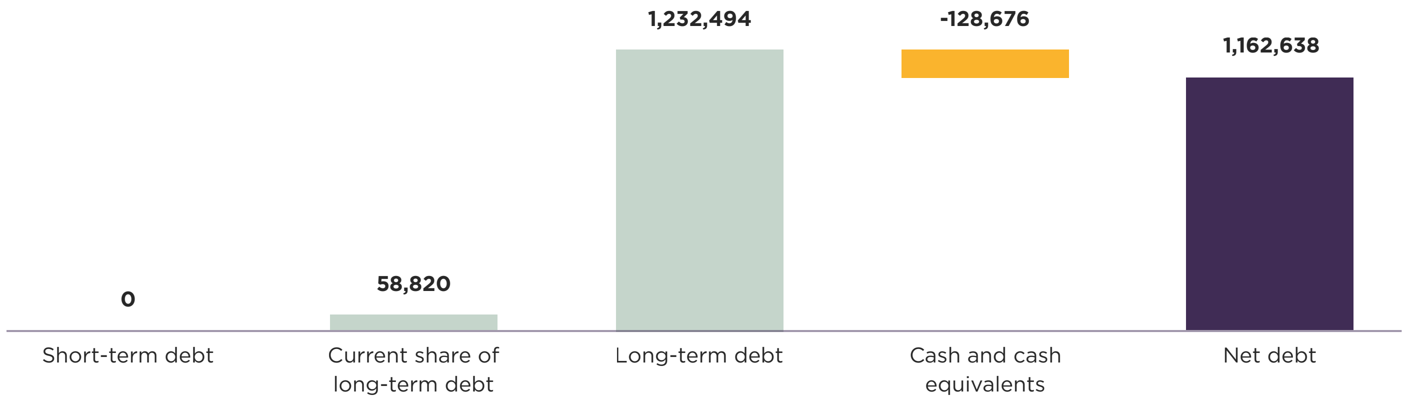
// **Net liabilities for derivatives** were in line with the prior year;

// The **net financial position** at 31 December 2019 was about €54.8 million higher with respect to the prior year.

The changes are shown below:

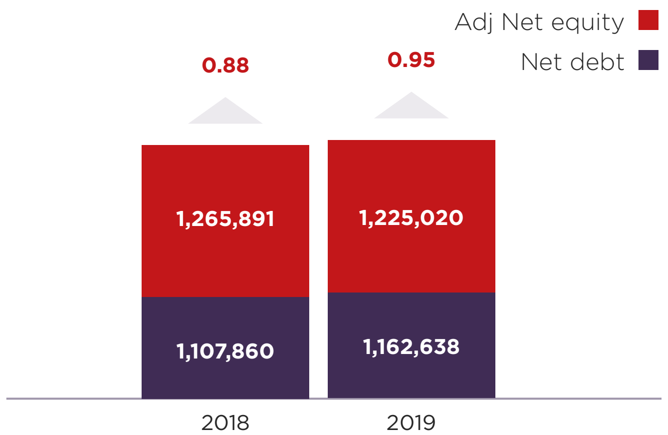


The breakdown of the net financial position is shown below:



The **gearing ratio** reflects the debt to equity ratio, including non-controlling interests but excluding the CFH reserves. The revised gearing ratio reflects the debt to equity ratio, including non-controlling interests but excluding the CFH reserves and IFRS 16 application.

The revised ratio came to 0.91 at 31 December 2019 (gearing ratio of 0.95), higher than the 0.88 recorded at 31 December 2018.



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 value 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 a company's underlying operating performance net of fair value adjustments, 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	31/12/2019	31/12/2018
EPRA NAV (€000)	1,258,008	1,298,182
EPRA NAV per share	€11.40	€11.70
EPRA NNNAV	1,205,379	1,263,454
EPRA NNNAV per share	€10.92	€11.45
EPRA Net Innitial Yeld (NIY)	5.9%	5.4%
EPRA 'topped-up' NIY	6.0%	5.5%
EPRA Vacancy Rate Gallerie Italia	4.5%	3.8%
EPRA Vacancy Rate Iper Italia	0.0%	0.0%
EPRA Vacancy Rate Totale Italia	3.2%	2.8%
EPRA Vacancy Rate Romania	2.4%	2.9%
EPRA Cost Ratios (including direct vacancy costs)	18.5%	18.7%
EPRA Cost Ratios (excluding direct vacancy costs)	16.1%	16.9%
EPRA Earnings (€000)	€87,335	€76,146
EPRA Earnings per share	€0.79	€0.69

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

The NAV and NNAV earnings per share calculations are shown below:

NNNAV Calculation	31.12.2018 (a)		31.12.2019 (b)		Δ% (b vs a)
	€'000	€p.s.	€'000	p.s.	
Total number of shares*		110,341,903		110,341,903	
1. Group Shareholders' Equity	1,252,338	11.35	1,211,015	10.98	-3.3%
Excludes Fair value of financial instruments	17,364		17,365		n.a
Excludes Deferred taxes	28,480		29,628		n.a
Excludes Goodwill as a result of deferred taxes					
2. EPRA NAV	**1,298,182**	**11.77**	**1,258,008**	**11.40**	**-3.1%**
Includes Fair Value of financial instruments	(17,364)		(17,365)		n.a
Includes Fair value of debt	11,116		(5,636)		-150.7%
Includes Deferred taxes	(28,480)		(29,628)		n.a
3. EPRA NNNAV	**1,263,454**	**11.45**	**1,205,379**	**10.92**	**-4.6%**

The NAV was down against the figure posted at 31 December 2018 (-3.1%) due mainly to the changes in net equity. These changes are primarily attributable to: *(i)* the payment of dividends in the year; *(ii)* other minor changes in equity and *(iv)* the change in the earnings for the year which were affected mainly by the decrease in the properties' fair value, only partially offset by the growth in FFO and the increase in the cash flow hedge reserve.

The NNNAV was lower than in the prior year (-4.6%). This change, in addition to the above, is attributable primarily to the negative 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 risk-free rate and spread used, which were updated to reflect market conditions at 31 December 2019, as well as by a change in the composition, duration and cost of debt.

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

NIY and "Topped-up" NIY disclosure		Full year 31.12.2019					Full year 31.12.2018		
	€'000	Italy	Romania	Total (no IFRS16)	Leasehold	Total	Italy	Romania	Total
Investment property - wholly owned		2,197,556	150,290	2,347,846	54,800	2,402,646	2,224,191	154,790	2,378,981
Investment property - share of JVs/Funds		0	0	0	0	0	0	0	0
Trading property (including share of JVs)		33,560	0	33,560	0	33,560	33,170	0	33,170
Less developments		-479,301	0	-479,301	0	-479,301	-518,810	0	-518,810
Completed property portfolio		1,751,815	150,290	1,902,105	54,800	1,956,906	1,738,550	0	1,893,340
Allowance for estimated purchasers' costs		0	0	0	0	0	0	0	0
Gross un completed property portfolio valuation	B	1,751,815	150,290	1,902,105	54,800	1,956,906	1,738.550	154,790	1,893,340
Annualised cash passing rental income		106,129	10,418	116,547	12,568	129,115	104,602	0	114,763
Property outgoings		-12,287	-1,297	-13,584	-417	-14,001	-11,670	0	-12,820
Annualised net rents	A	93,842	9,121	102,963	12,151	115,114	92,931	0	101,943
Add: notional rent expiration of rent free periods or other lease incentives		1,700	282	1,982	143	2,125	1,354	0	1,960
Topped-up net annualised	C	95,542	9,403	104,945	12,294	117,239	94,286	9,671	103,903
EPRA NIY	A / B	5.4%	6.1%	5.4%	22.2%	5.9%	5.3%	5.8%	5.4%
EPRA "Topped-up" NIY	C / B	5.5%	6.3%	5.5%	22.4%	6.0%	5.4%	6.2%	5.5%

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. Annualized 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 (hypermarkets and malls) which, based on the framework agreement signed with Coop Alleanza 3.0 in November 2018, will be remodeled, were reclassified under "Investment properties under development".

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.

As a result of IFRS 16, in 2019 the NIY of leasehold properties was also calculated, consistent with EPRA Best Practices Recommendations. These indicators, net of IFRS 16, were in line with the prior year with EPRA NIY coming in at 5.4% and "topped-up" NIY at 5.5%.

The **EPRA vacancy rate** in Italy was 3.2% higher than in the prior year (when it reached 2.8%), due to the increased vacancy rate for malls (4.5% versus 3.8% in the prior year), while full vacancy was posted for hypermarkets, consistent with the prior year. The EPRA vacancy rate in Romania came to 2.4%, higher than the 2.9% recorded in 2018.

The calculation used to determine the Epra Cost Ratios is shown below:

EPRA Cost Ratios		2019*	2018
Include	*(i)* Administrative / operating expense line per IFRS income statement	**-37,017**	**-44,878**
Include	*(ii)* Net service charge costs/fees	**3,505**	**3,627**
Include	*(iii)* Management fees less actual / estimated profit element	**5,472**	**5,132**
Include	*(iv)* Othether operating income / recharges intended to cover overhead expenses less any related profits	**19**	**30**
Include	*(v)* Share of Joint Ventures expenses		
Exclude (if part of the above)	*(vi)* Investment Property depreciation		
Exclude	*(vii)* Ground rent costs	**3**	**10,265**
Exclude	*(viii)* Service charge costs recovered through rents but not separately invoiced		
EPRA Costs (including direct vacancy costs) **(A)**		**-28,018**	**-25,824**
	(ix) Direct vacancy costs	**-3,601**	**-2,587**
EPRA Costs (excluding direct vacancy costs) **(B)**		**-24,417**	**-23,230**
	(x) Gross Renetal Income less ground rent costs - per IFRS	**155,256**	**141,496**
	(xi) Lesess: service fee and service charge costs components of Gross Rental Income (if relevant) (x)	**-3,505**	**-3,627**
	(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		
Gross Rental Income (C)		**151,751**	**137,869**
EPRA Cost Ratio (including direct vacancy costs) (A/C)		**18.5%**	**18.7%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)		**16.1%**	**16.9%**

* *Following the introduction of the new accounting standard IFRS16, rents owed for leasehold properties were not included in "(i) Administrative/operating expense line per IFRS income statement", "(vii) Ground rent costs" or "(x) Gross Rental Income less ground rent costs - per IFRS".*

The decrease in the EPRA cost ratio is linked to the drop in direct costs and general expenses as a percentage of gross rental income and the adoption of IFRS 16.

In 2019, and in the prior year, the Group Company did not capitalize operating costs, with the exception of €25 thousand in project management costs linked to Porta a Mare.

The Epra Earnings per share calculation is shown below:

EPRA Earnings & Earnings Per Share	2019	2018
Earnings per IFRS income statement	**12,591**	**46,388**
Epra Earnings Adjustments:		
(i) Changes in value of investment properties, development properties held for investment and other interests	**72,788**	**30,280**
(ii) Profits or losses on disposal of investment properties development properties held for investment and other interests	**-11**	**85**
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**69**	**561**
(iv) Tax on profits or losses on disposals	**-19**	**-157**
(v) Negative goodwill / godwill impairment	**0**	**0**
(vi) Changes in fair value of financial instruments and associated close-out costs	**3,442**	**0**
(vii) Acquisition costs on share deals and non-controlling joint venture interests	**0**	**0**
(viii) Deferred tax in respect of EPRA adjustments	**-1,524**	**-1,012**
(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	**87,336**	**76,146**
Company specific adjustments:		
(a) General provisions and depreciations	**1,426**	**1,104**
(b) Non-controlling interest in respect of the above	**0**	**0**
(c) Tax on profit or losses on disposals	**19**	**157**
(d) Contingent tax	**26**	**-2**
(e) Other deferred tax	**1,059**	**1,859**
(f) Capitalized interests	**0**	**0**
(g) Current Tax	**302**	**302**
(h) Ground rent costs, adjustment financial results and non - recurring expenses	**-7,446**	
(i) Other Adjustment for no core activities	**562**	**129**
Company specific Adjusted Earnings	**83,285**	**79,695**
Earnings Per Share (New number of shares) *Number of shares**	**110,341,903**	**110,341,903**
Earnings Per Share	**0.79**	**0.69**

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 2019 shows a significant increase of €11,190 thousand or +14.7% against the same period of the prior year. This increase is higher than the increase in FFO due to IFRS 16 application.

> 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 (Euro / thousands)	31/12/2019	31/12/2018
Acquisitions	**14,130**	**195,480**
Development	**6,690**	**6,160**
Liike-for-like portfolio	**21,480**	**14,290**
Other	**420**	**30**
Capital Expenditure	**42,720**	**215,960**

With regard to capex capitalized for 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 (section 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 4.6.2.1).

With regard to the real estate portfolio appraisals, 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 4.6.3 Use of Estimates of the Explanatory Notes.

The reports issued by each independent expert on the appraisals made at 31 December 2019 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 section 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; IGD is also part of the STAR segment. The stock began trading on 11 February 2005.

The minimum lot is €1.00 and the company's specialist is Banca IMI.

IGD's stock symbols:

RIC: IGD.MI

BLOOM: IGD IM

ISIN: IT0005322612

Borsa Italiana ID instrument: 327.322

IGD SIIQ SpA's share capital amounts to €650,000,000.00, broken down into 110,341,903 ordinary shares without a stated par value.

> The main 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 Dividend, WisdomTree International SmallCap Dividend, WisdomTree Global Dividend, WisdomTree International Equity, WisdomTree International High Dividend, WisdomTree Europe Equity Income

> S&P Developed BMI Index, S&P Developed Ex-Germany Customized REIT Index, S&P EPAC BMI Index, S&P Europe BMI Index, S&P Italy BMI Index, S&P Italy High Income REIT Index, S&P Eurozone BMI Index, S&P GIVI Developed Index, S&P GIVI Italy Index, S&P Global BMI Index, S&P Global SmallCap Select Index, S&P Intrinsic Value Weighted Developed Index, S&P Intrinsic Value Weighted Europe Index, S&P Intrinsic Value Weighted Global Index, S&P Low Beta Developed Index, S&P Pan Europe BMI, S&P Southern Europe BMI

> MSCI Europe Small Cap Index, MSCI Italy Small Cap Index, MSCI Italy Investable Market Index, MSCI ACWI IMI Index, MSCI World IMI Index, MSCI Europe Real Estate IMI Index

> EURO STOXX Total Market Index (TMI), Euro STOXX Total Market ESG-X, Euro STOXX Total Market Financials, Euro STOXX Total Market REITs, Euro STOXX Total Market Small, Euro STOXX Total Market Value, EUR (Net Return), Euro STOXX Total Market Value EUR (Price), Euro STOXX Total Market Value Small EUR (Net Return), Euro STOXX Total Market Value Small EUR (Price)

> STOXX All Europe Total Market Index (TMI), STOXX Developed Markets Total Market, STOXX Developed Markets Total Market ESG-X, STOXX Developed Markets Total Market Small, STOXX Developed and Emerging Markets Total Market, STOXX Europe TMI Value, STOXX Europe TMI Value Small, STOXX Europe Total Market Index (TMI), STOXX Europe Total Market ESG-X, STOXX Europe Total Market Financials, STOXX Europe Total Market REITs, STOXX Europe Total Market Real Estate, STOXX Europe Total Market Real Estate Holding & Development, STOXX Europe Total Market Retail REITs, STOXX Europe Total Market Small EUR (Gross Return), STOXX Europe Total Market Small EUR (Net Return), STOXX Europe ex UK Total Market Index (TMI), STOXX Europe ex UK Total Market Small, STOXX Europe ex UK Total Market Small EUR (Price), STOXX Global Total Market, STOXX Italy Total Market Index (TMI).

> iSTOXX Developed and Emerging Markets ex USA PK VN Real Estate, iSTOXX Italy Small Mid Cap

> IEIF Europe, IEIF Eurozone, IEIF Eurozone hors-France, IEIF Europe Continentale, IEIF Italie

IEIF: Institut de l'Epargne Immobilière et Foncière

> GPR IPCM LFFS Sustainable GRES Index, GPR Europe ex-UK ESG+, GPR Eurozone ESG+

GPR Global Property Research

DIRECTORS' REPORT
2.4 THE STOCK

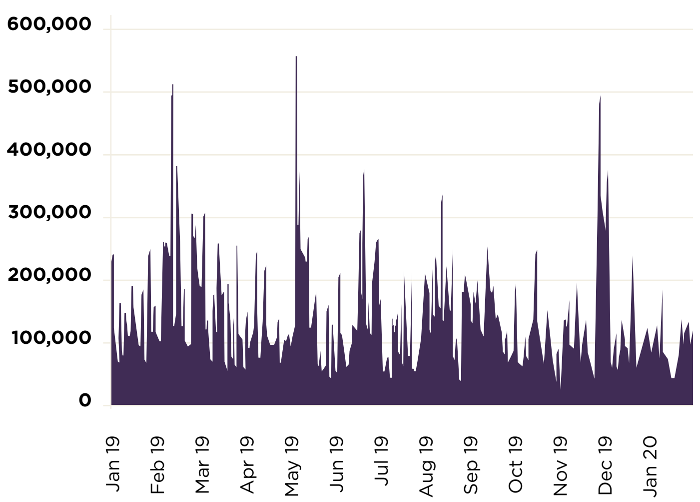
> IGD's stock price since 2 january 2019

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

IGD's stock price rose 15.2% in 2019: from the €5.38 recorded on 28.12.2018 to €6.20 on the last day of trading for the year, 30 December 2019.

The 2019 high was reached on 7 May (€6.86), while the low for the year (€5.24) was reached on 20 August, after which the stock began to rally to reach the period high of €6.44 on 29 November. Beginning mid-November 2019, the stock returned to trading above €6.

> Volumes of IGD stock traded since 2 January 2019



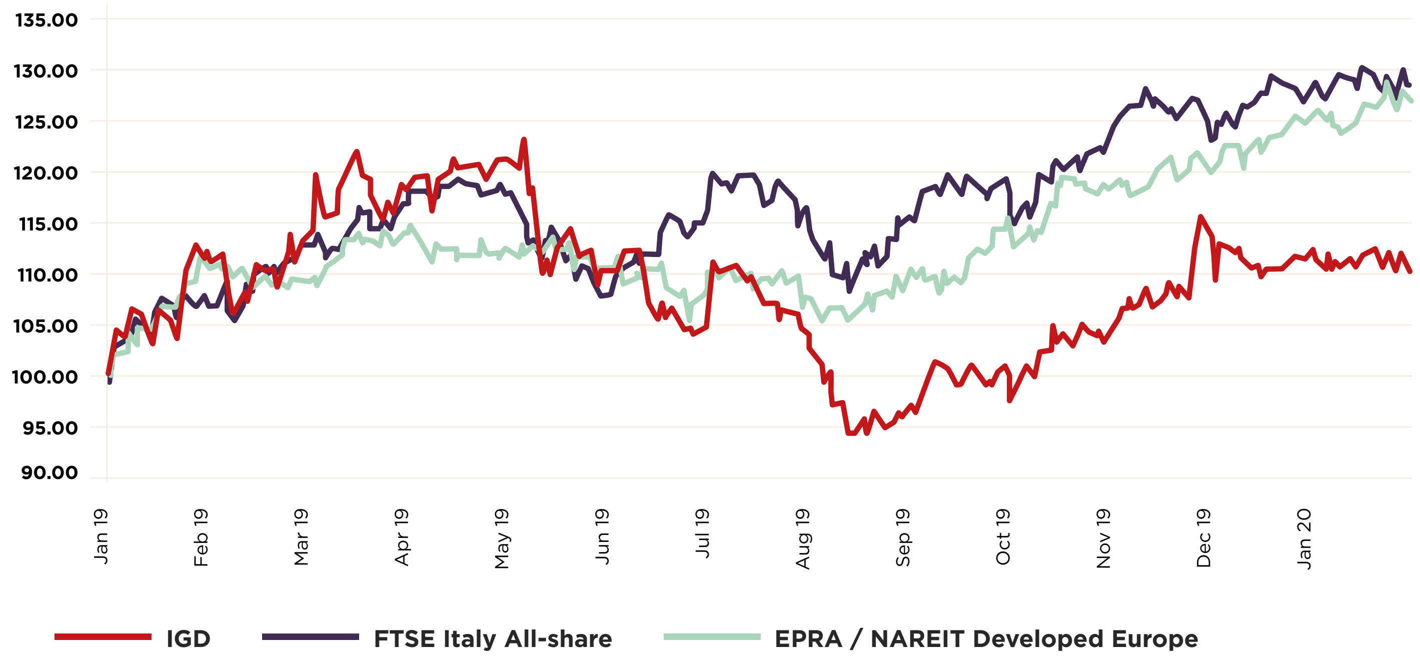
** Source: Italian Stock Exchange data compiled by IGD*

In 2019 an average of 150,782 IGD shares were traded each day. In the first half average volumes were slightly higher (160,891) than in the second half of the year (140,833), hitting a volume high around 13 May when the 2018 dividend was paid.

In 2019 the Company continued with the program aimed at enhancing the liquidity of IGD's shares begun on 4 September 2017 and, subsequently, extended through 4 September 2020. 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.

There is a certain stability in the market float because of the shareholder base which includes a lot of long-term investors who purchased IGD's stock as a value investment and who are willing to keep the stock for as long as it takes the stock value to be fully expressed on the market.

> IGD's stock vs. the Italian stock market index FTSE Italia All-Share and EPRA/NAREIT Developed Europe (base 2.1.2019 = 100)



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

2019 was a very positive year for the stock markets, with two main factors driving stock market growth: on the one hand, progress in the US – China trade talks, on the other, the change in direction of the Federal Reserve which cut interest rates 3 times in the 12-month period. The same accommodative stance was also adopted by central banks in China and Europe.

In a low-interest environment with high liquidity, investors, therefore, put aside the concerns about global recession that existed at the end of 2018.

While there was a certain volatility in the Italian stock market during the government crisis begun in July, which resulted in a shutdown and was then resolved with the formation of a new coalition on 5 September, it rose 27.2% in the year. Even if the moments of internal political tension affected the BTP-Bund spread and, consequently, the stock market prices, and even if the Italian GDP recorded the lowest growth in the Euro zone (+0.2%), the FTSE Italy All-Share index recorded growth in line with the main European indices driven by the brilliant performance of asset management stocks, the tech sector, luxury and utilities.

In this context, the European real estate sector also posted a very positive performance between year-end 2018 and year-end 2019 (+25.2%), supported by increasingly low interest rates. If on the one hand this dynamic caused investors to appreciate the high dividend yield the sector offered, specifically the REITs (Real Estate Investment Trusts), on the other hand, it allowed listed companies, particularly those with high debt levels, to obtain attractive financing and re-financing conditions. This proved very useful in an environment which made it hard to dispose of assets at prices that were not penalizing.

The office and hotel segments, however, benefitted from favorable market conditions and momentum. Retail was, however, the least favorite segment: retail real estate stocks were penalized by the expectation that lack of visible consumer trends would put pressure on rents going forward, with Brexit an unknown and an operating environment already tested by eCommerce.

In the latter part of 2019, however, the real estate sector benefitted overall from the repositioning carried out by many large institutional investors. Sector rotation caused several asset managers to take profit on utilities, which were trading at very high multiples, to then invest in undervalued sectors like real estate.

Even though IGD is an ideal value stock, it only benefitted partially from this rotation which primarily involved large caps.

IGD's stock, which outperformed the benchmarks through the beginning of May supported by the solid 2018 results and delivery of the Business Plan targets, underwent a steeper correction than the reference indices: it initially was in line with the real estate sector derating and then, between July and August, was penalized by the increased political risk in Italy, before showing a decided recovery in the second half of August which allowed the stock to close the year 18.3% higher than the low hit on 20 August.

2020 started on a very positive note, in the wake of the announcement that Phase 1 of the US – China trade agreement would be signed, which it was on 15 January. The prospect of an organized exit of the United Kingdom from the European Union also contributed to increased market clarity. Already in the first few weeks of 2020, however, there were elements that increased investors' risk perception. If the tensions in the Middle East caused an increase in volatility, without compromising the upward trend of the main stock exchanges, the spread of the coronavirus epidemic is affecting the trend's direction.

For the moment IGD's stock can, however, count on a few solid elements: a 2019 dividend yield which, if approved by the shareholders, will reach 8.1% and the new cash flows into PIR funds following approval of a new law which allows for investments in companies the size of IGD.

The consensus price of the brokers covering the stock at the end of January 2020 also came to €7.83, well above recent prices, with two analysts who value IGD above €9.

The gap between the EPRA NNNAV, calculated based on the real estate appraisals at 31 December 2019, which comes to €10.92 per share, also remains.

The results for 2019, lastly, will provide investors with ample proof as to how IGD is on the right path to reaching the targets included in the 2019-2021 Business Plan.

> Dividend

> The 2018 dividend

During the Annual General Meeting held on 10 April 2019 IGD's shareholders approved a dividend for 2018 of €0.50 per share. Shares went ex-div on 13 May 2019 (detachment of coupon n. 3) and the dividend was payable as from 15 May 2019. The total dividend payout, therefore, reached €55,152,956 or 69.3% of FFO, consistent with the dividend policy included in the 2019-2021 Dividend Policy.

> The 2019 dividend

During the Annual General Meeting to be held on 9-10 April 2020, the Board of Directors will propose that shareholders approve a dividend of 50 euro cents per share for 2019, unchanged with respect to the prior year. The dividend yield on the stock price recorded at year-end 2019 (€6.20) is 8.1%: a level which confirms the Company's commitment to providing its shareholders with compelling returns.

> Investor relations and financial communication

> Analyst coverage

Even though the MiFID II directive caused a reduction in coverage by brokers in Europe, the same brokers (3 domestic and 3 pan-European) covering the stock at year-end 2018 were still covering IGD at year-end 2019.

The consensus target price, monitored by the Company, was €7.82 at year-end 2019.

2/3 of the analysts' recommendations are positive (Buy, Accumulate or Outperform), while 2 analysts have a neutral rating. None of the brokers have issued a sell recommendation.

> Presentations and meetings with investors

In 2019 IGD organized four conference calls:

> 26 February, to discuss the FY 2018 results;

> 7 May, to discuss the results for first quarter 2019;

> 2 August, to discuss results for first half 2019;

> 7 November, to discuss the results for the first nine months of 2019.

There were 105 participants, of which about a half were institutional investors, in the conference calls.

In 2019, IGD's management met institutional investors who manage bond and equity portfolios during roadshows and conferences held in Europe's main financial centers (London, Paris, Frankfurt, Milan, Amsterdam, Brussels, Luxembourg and Madrid).

On the equity side, on 20 March IGD participated in the STAR Conference in Milan, on 22 May in the Italian Investment Conference of Kepler Cheuvreux and Unicredit, on 20 June in Morgan Stanley's Europe & EMEA Property Conference in London. On 2 July IGD was present at the Italian Sustainability Day organized at the Milan Stock Exchange for the third time IGD, while on 11 September the company participated in the EPRA Conference in Madrid, on 2 October in Banca IMI's Italian Stock Market Opportunities conference in Milan and, lastly, the Mid&Small conference held in Milan on 19 November.

On the debt side, in addition to taking part in the Real Estate Fixed-Income Conference organized by Morgan Stanley in London on 26 September, IGD's management also met with different bond fund managers during the bond roadshows that took place between 13 and 18 November.

In 2019 management met with a total of around 80 institutional investors.

> Online communication

Testimony to the effective restyling and the appeal of enhanced content found on the new version of the corporate website www.gruppoigd.it , online since July 2018, in 2019 users more than doubled with respect to the prior year.

In the 2019-2020 Italian Webranking, which Comprend developed in partnership with Lundquist, IGD was ranked 18th with 69.2 points, higher than the 67.7 points awarded in 2018.

In 2019 IGD used the social media proactively, with an active presence on LinkedIn, YouTube, Facebook and Twitter. As of August 2019, IGD is also on SoundCloud where the financial community can register for conference calls.

> Information provided by the IR team

2019 was the twelfth consecutive year in which the investor newsletter was made available in the Media section of the website in Italian and English each quarter. The newsletter is an engagement tool, targeting current and potential shareholders, which makes it possible to follow the Company's progress and new developments, providing additional information on topics relating to real estate activities, commercial initiatives, liability management and sustainability.

The Investor Relations team also continued to monitor its peers through a Peer Group Analysis of the operating results and trading multiples of retail real estate companies and to provide senior management with a report every quarter.

The IR Board Report, which provides the Board of Directors with information about the most significant changes in the institutional shareholder base, analysts' target prices, as well as IGD's stock valuations, was also prepared and updated every quarter.

> Awards received for corporate reporting

IGD is committed to continuously improving the ways in which it discloses its economic-financial results and sustainability performance. The work done to provide greater detail, transparency and clarity in its annual report has, for some time, resulted in receiving prestigious international recognition.

In September 2019 EPRA (the European Public Real Estate Association), for the second time, gave IGD's Consolidated Annual Report 2018 the EPRA BPR Gold Award" (Best Practice Recommendations).

The Gold Award was given to IGD for having complied with all the Association's high standards and after examining the quality of the annual reports of 175 European real estate companies. In 2015 and 2016 IGD received the Silver Award for Consolidated Annual Reports.

As for the Corporate Sustainability Report 2018, for the fifth year in a row IGD received the'"EPRA sBPR Gold Award" (Sustainability Best Practice Recommendations), after careful analysis of 158 European real estate companies.

> Financial calendar 2020

27 February

Board of Directors' meeting to approve the draft separate and consolidated financial statements at 31 December 2019.

9-10 April

Annual General Meeting convened to approve the financial statements for the year ending 31 December 2019 in first call and second call, respectively.

7 May

Board of Directors' meeting to approve the Interim Financial Report at 31 March 2020.

6 August

Board of Directors' meeting to approve the Half-Year Financial Report at 30 June 2020.

5 November

Board of Directors' meeting to approve the Interim Financial Report at 30 September 2020.

2.5 // Significant events

The main events for the year are described below.

// Corporate events

On 2 January 2019 the Parent Company received tranche A or €125,000,000 of the loan signed on 16 October 2018. On 7 January 2019 IGD SIIQ used this loan to redeem the remainder of the original €150,000,000 bond, which amounted to €124,900.000 at 31 December 2018.

On 26 February 2019 the Board of Directors approved the draft separate and consolidated financial statements for FY 2018, 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 ninth Corporate Sustainability Report which was the second edition to have received certification from PricewaterhouseCoopers for compliance with the most important international standards (the GRI Standards). Lastly, the Board of Directors, in front of a notary, approved the transfer of the Company's registered office to Via Trattati Comunitari Europei 1957-2007, n. 13 in Bologna.

On 29 March 2019 the Parent Company received tranche B or €75,000,000 of the loan signed on 16 October 2018, which was used to extinguish a few short-term credit lines and meet cash needs. On the same date, IGD signed four interest rate swap agreements for a total of €200 million hedging both tranche A and B of the above-mentioned loan.

During the Annual General Meeting held on 10 April 2019 IGD SIIQ S.p.A.'s shareholders approved the 2018 financial statements for IGD SIIQ S.p.A., as presented during the Board of Directors meeting held on 26 February 2019, which closed with a net profit of €41.2 million, and also resolved to pay a dividend of €0.50 per share. The dividend was payable as from 15 May 2019.

The total dividend payable, calculated based on the number of the Company's shares outstanding at the date of the AGM (110,276,800), net of any treasury shares held at the same date, amounted 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 amounted 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 amounted 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.

During the AGM shareholders also approved the first section of the "Compensation Report", already approved by the Board of Directors on 26 February 2019, pursuant to art. 123-ter of Legislative Decree 58/98, and renewed the authorization granted to the Board of Directors to buy and sell treasury shares, on one or more occasion, for up to the maximum allowed by law.

On 9 April 2019 Moody's issued a press release announcing the downgrade of IGD's rating from Baa3 (with outlook negative) to Ba1 (with outlook stable). With regard to the impact of Moody's decision, the Group noted that:

> The decision will not result in any sort of advance redemption of the Group's existing debt;

> The rating downgrade will result in an increase or "step up" of 1.25% in the annual interest rate paid on the "*300,000,000 2.500 per cent notes due 31 May 2021*" and the "€*100,000,000 2.25 per cent Senior Notes due 11 January 2024*"

In light of the above, the Group deemed it opportune to revise the outlook for FFO in 2019 disclosed on 26 February from around +6/7% to around +1% due to the increase in financial charges of approximately €5 million per annum.

On 23 April 2019 the rating agency S&P Global Ratings assigned IGD - Immobiliare Grande Distribuzione SIIQ S.p.A. a "BBB-"rating with outlook stable. As a result of this investment grade rating with outlook stable, in accordance with applicable rules and regulations, the step up of 1.25% in the annual interest rate paid on the "*300,000,000 2.500 per cent notes due 31 May 2021*" and the "€*100,000,000 2.25 per cent Senior Notes due 11 January 2024*", which would have resulted in an increase in financial charges of around €5 million per annum, was not triggered. In the wake of Standard & Poor's Global Ratings' valuation, the Group confirmed the 2019 guidance for FFO (growth of +6/7%).

On 7 May 2019 the Board of Directors examined and approved the interim financial report at 31 March 2019.

On 25 March 2015, Iniziative Immobiliari Siciliane S.r.l. (IIS) filed a lawsuit in Ravenna against IGD asking for damages of €5,925 thousand (or a greater amount pending verification of the figures provided) as a supplement to the price paid by IGD for the mall in the Katanè shopping center in Gravina di Catania in 2009. In previous years the Group had made provisions of €2,154 thousand for this risk.

On 7 June 2019 the court of Ravenna issued sentence n. 600/2019 based on which most of IIS's claims were recognized and IGD was to pay €4,616,023.84, plus interest, as a supplement to the sales price paid for the mall, as well as €230,801.19, plus any adjustments for inflation and interest, in damages for the failure to increase the variable rent paid, in addition to legal expenses and consultancies.

On 14 June 2019 Demostene S.p.A., assignee of the entire amount payable as ordered by the court, notified IGD (the debtor) via certified e-mail that the credit, along with interest (already accrued and accruing) and ancillary expenses, has been assigned to them without recourse.

After having made the opportune assessments and as resolved by the Board of Directors, on 2 August 2019 IGD signed a settlement agreement with Demostene S.p.A., assignee of the credit, and Iniziative Immobiliari Siciliane S.r.l., the assignor of the credit, as well as the plaintiff, based on which IGD would pay a supplement to the contract price of €3,600,000.00, plus VAT, and Iniziative Immobiliari Siciliane would also expressly waive the right to any appeals or further proceedings.

On 2 August 2019 the Board of Directors examined and approved the Half-Year Financial Report at 30 June 2019. In light of a few factors that could impact the Group's economic results, such as a weak consumer trends, the slight increase in strategic vacancies resulting in higher costs which cannot be rebilled and the temporary impact of remodeling the midsize retail areas and hypermarkets, the Group decided to revise the FFO guidance for FY 2019 from +6/7% to a range of between +4% and +5%.

In September 2019 IGD received, for the second time in a row, the '"EPRA BPR Gold Award" (Best Practice Recommendations) for its Consolidated Annual Report 2018. This prize is recognition of IGD's enduring commitment to further increasing the transparency and comparability of its communication, which benefits investors, the financial community and all the Group's stakeholders, in general.

IGD also received, for the fifth year in a row, the "EPRA sBPR Gold Award" (Sustainability Best Practice Recommendations), for the 2018 Corporate Sustainability Report which was awarded after careful examination of the CSR reports of 158 European sector companies. This prize confirms the high standards achieved by IGD in terms of sustainability reporting.

With regard to the binding agreements signed by the Group on 28 June 2019, on 30 September 2019 the Group signed the definitive agreements with a premiere international player calling for:

> The sale by Porta Medicea Srl (a wholly-owned subsidiary of IGD Management) of "Palazzo Orlando", an office building in Livorno, for €12.8 million (in addition to taxes);

> The purchase by IGD of 50% of the "Darsena City" Shopping Mall, which it already co-owned;

> The purchase by IGD Management Srl (a wholly-owned subsidiary of IGD), of the remaining 50% held in the joint venture RGD Ferrara 2013 Srl – owner since 2013 of the Darsena City operations – of which IGD was joint-owner.

The Group paid a total of €13.9 million (in addition to taxes) for the two acquisitions.

These transactions will make it possible for IGD to focus on its core business (retail real estate). More in detail, IGD will subsequently own all of the "Darsena City" Shopping Mall, which will allow for greater efficiencies in the management of the asset.

Furthermore, as a result of the Palazzo Orlando sale (consistent with the disposal/asset rotation strategy called for in the Business Plan 2019-2021), the market sales of the Piazza Mazzini section of the Porta a Mare Project in Livorno are basically finished (in addition to the offices, there are also residences, of which 72 out of 73 are already sold or pledged) and the focus will now be on completing the Officine Storiche section, where work is currently underway.

On 22 October 2019 the rating agency Fitch Ratings Ltd ("Fitch") assigned IGD a rating of "BBB-" with a stable outlook.

On 7 November 2019 the Board of Directors examined and approved the interim financial report at 30 September 2019.

During an Extraordinary Shareholders' Meeting held on 11 November 2019, IGD's shareholders approved the proposal to voluntarily reduce share capital, pursuant to and in accordance with Art. 2445 of the Italian Civil Code, from

€749,738,139.26 to €650,000,000.00. More in detail, share capital was reduced by €99,738,139.26, by allocating €8,154,918.00 to the legal reserve and €91,583,221.26 to a newly formed distributable capital reserve.

This transaction, neutral from an equity standpoint, did not modify the targets of the 2019–2021 Strategic Plan nor the dividend policy contained therein. The purpose of the reduction is to establish a more flexible capital structure by creating a non-distributable legal reserve and an available distributable reserve, as well as reconciling the peculiarities of the SIIQ regime (specifically the mandatory distribution of 70% of the income generated by exempt operations) with the expectations of the capital markets (return on invested capital or dividend yield).

On 28 November 2019 IGD issued a new €400,000,000 bond. On the same date IGD used part of the proceeds from the new bond issue to repurchase the bonds tendered as a result of the tender offer on outstanding bonds for a total of €237.6 million. More in detail (i) €229.2 million of the €300 million bond due 31 May 2021, coupon 2.50%, and (ii) €8.4 million of the €162 million bond due 21 April 2022, coupon 2.65%. For more information on the transaction refer to the section "Loans" below.

// Investments

During 2019 the Group continued with development of the Porta a Mare – Officine Storiche project, restyling and remodeling of the spaces in malls stemming from the downsizing of the hypermarkets in the shopping centers found in Faenza, Conegliano and Porto Grande, as well as the restyling of the shopping centers in San Benedetto del Tronto and Mantua. Work is expected to be completed mid-2020, with the exception of the restyling at the shopping centers in Mantua and Porto Grande which should be completed in 2021.

Restyling and remodeling of the space at the Fonti del Corallo center was also completed, as was the restyling and remodeling of the space (combining/dividing stores) on the first floor of the Casilino mall in Rome, restyling of the shopping center in Crema, and extraordinary maintenance.

The investments made at 31 December 2019 are shown below:

		31.12.2019 Euro/mn
Acquisition	Investment for the purchase of 50% Darsena malls (ancillary charges included)	**14.13**
Development projects	Porta a Mare project; Officine Storiche retail area (in progress)	**4.98**
Development projects	Porta a Mare project (Trading) (in progress)	**1.73**
Development projects	Restyling in progress	**1.06**
Development projects	Restyling completed in 2019	**5.85**
Development projects	Extraordinary maintenance	**14.57**
Other		**0.42**
Total investments carried out		**42.74**

> Acquisitions

As described in the section Corporate Events, on 30 September 2019 the Group acquired the remaining 50% of the "Darsena City" Shopping Center from a premier international real estate player for €14.13 million, including ancillary charges.

> Development projects

"Porta a Mare" Project

In 2019 the sale of a residential unit, for which a preliminary sales agreement had already been signed, closed. Two garages and one parking place were also sold. As a result of these transactions, 98.7% of the units are now sold/pledged.

Work on the Officine Storiche area (residential portion) continued for a total of around €1,729 thousand, while work on the retail portion, which is expected be completed in 2020, amounted to approximately €4,984 thousand.

// Restyling

In 2019 work was completed on:

> The restyling of the Fonti del Corallo Shopping Center and the remodeling of the spaces in the same center as per the agreement signed between IGD SIIQ and Unicoop Tirreno to reduce the area of the hypermarket and create, consequently, three new midsize retail areas. The costs incurred for the restyling and the remodeling amounted to €1,995 thousand at 31 December 2019;

> The restyling of the Gran Rondò Mall in Crema. The costs incurred in the year for this work amounted to €1,232 thousand;

DIRECTORS' REPORT
2.5 SIGNIFICANT EVENTS

During the year work was also begun on:

> Planning the restyling of the La Favorita Shopping Center and Retail Park in Mantua and the Porto Grande center in San Benedetto del Tronto. Work is expected to be completed by 2021. The costs incurred for the project, thus far, amounted to €210 thousand at 31 December 2019;

> Remodeling the spaces inside the Le Maioliche center in Faenza, the Conè center in Conegliano and Porto Grande in San Benedetto del Tronto pursuant to the agreement signed between IGD SIIQ and Coop Alleanza 3.0 to reduce the size of the hypermarket and increase the size of the mall. The work is expected to be completed in 2020. A total of €698 thousand had been invested at 31 December 2019;

> Creating new midsize retail areas in the Gran Rondò Shopping Center and Retail Park in Crema for a total of €45 thousand at 31 December 2019;

> Restyling at Darsena in Ferrara and Punta di Ferro in Forlì for a total of €103 thousand at 31 December 2019.

> Extraordinary maintenance

In September the requalification and remodeling of the multiplex cinema found inside Centro Sarca in Sesto San Giovanni was completed for a total of €1,946 thousand.

Extraordinary maintenance continued in the year for a total of €12,628 thousand, relating mainly to earthquake proofing at the Centro d'Abruzzo, Tiburtino, and Casilino shopping centers, building of canopies for the photovoltaic system at the ESP Shopping Center in Ravenna and fire alarm systems, primarily at a few Romanian shopping centers.

// Loans

On 11 November 2019 the Board of Directors approved the issue of new senior, non-convertible notes for up to a maximum of €500 million. The purpose of the transaction is mainly to reduce the cost of debt and lengthen the existing financial maturities. On 20 November 2019 IGD completed the placement of new senior, non-convertible notes with institutional investors in Italy and abroad, in accordance with applicable laws and regulations (excluding the United States of America, pursuant to Regulation S of the US Securities Act of 1933 as amended). On 28 November 2019 IGD issued the new notes, in denominations of €100,000 each, in multiples of 1,000 for up to €199,000, for a total nominal amount of €400,000,000.

The new notes are governed by English law and have the following characteristics:

> Maturity of 5 years expiring on 28 November 2024;

> Issue price of 99.336% of the nominal value;

> Fixed rate of coupon of 2.125% to be paid annually in arrears, which may be increased by no more than 1.25% per year subject to the occurrence of certain events linked to the rating assigned to the New Notes;

> Redemption at maturity at par, plus accrued and unpaid interest, without prejudice to early redemption provisions in certain instances, including change of control, as per the Terms and Conditions provided in the regulations governing the New Notes.

With the proceeds of the issue described above IGD SIIQ S.p.A.:

> Repurchased the bonds tendered as a result of the intermediate tender offer approved by the Board of Directors of 11 November 2019 on outstanding bonds for a total of €237.6 million. More in detail (i) €229.2 million of the €300 million bond loan due 31 May 2021, coupon 2.50%, and (ii) €8.4 million of the €162 million bond loan due on 21 April 2022, coupon 2.65%.;

> Repaid the outstanding nominal amount of the €300 million bond, due 31 May 2021, not repurchased of €70.8 million;

> Gathered the resources needed to partially finance and/or refinance the investments called for in the 2020 Business Plan amounting to around €91.6 million.

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

2.6 // The Real Estate Portfolio

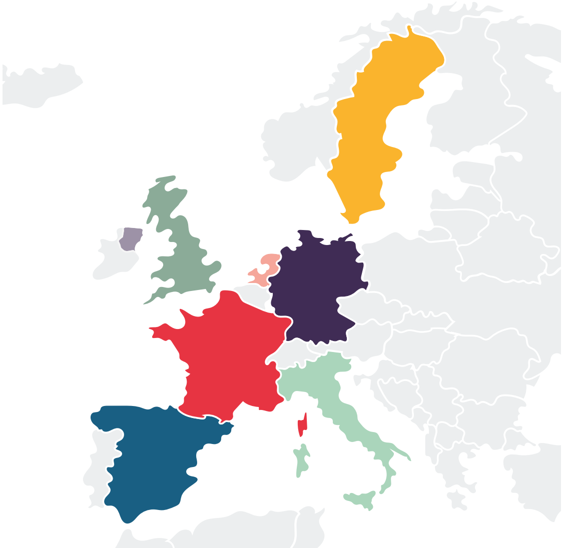
For a better understanding of IGD SIIQ SPA Group's real estate portfolio in both markets, below is a brief description of how the Italian and Romanian retail real estate markets performed in 2019.

> The European and Italian real estate market

For commercial real estate investments in Continental Europe, 2019 was a record year. Investments reached an historic high of €248 billion, an increase of 2% against the prior year. If you also take into account Ireland and Great Britain the total reaches €315 billion, 2% lower than in 2018.

The decline in investments was recorded entirely in Great Britain where uncertainties tied Brexit led investor to focus on Continental Europe, particularly Germany.

Historic highs were also recorded in France, the Netherlands, Sweden, Italy and Ireland in the year.



SWEDEN	€6.1 bn	€17.8 bn TTM	▲ + 56%
FRANCE	€15.0 bn	€38.7 bn TTM	▲ + 12%
SPAIN	€3.5 bn	€12.1 bn TTM	▼ - 40%
GERMANY	€33.2 bn	€83.8 bn TTM	▲ + 8%
IRELAND	€3.9 bn	€7.2 bn TTM	▲ + 58%
UK	€23.9 bn	€60.3 bn TTM	▼ - 19%
ITALY	€4.9 bn	€12.3 bn TTM	▲ + 37%
NETHERLANDS	€7.7 bn	€20.9 bn TTM	▲ + 1%

** Source: Cbre Snapshot European Investment Market 4Q2019*
**Note: TTM trailing twelve months*

Transactions by real estate sector in 2019:

Growth was posted in all the real estate sectors, with the exception of retail, which reported a considerable decline, and multifamily, for which the decrease was less pronounced.

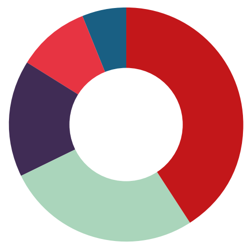
> INVESTMENT BY SECTOR

HOTELS	€8.4 bn	€25.5 bn TTM	▲ +5%
RETAIL	€12.3 bn	€38.3 bn TTM	▼ -26%
OTHER	€13.7 bn	€30.1 bn TTM	▲ +6%
INDUSTRIAL	€14.0 bn	€35.3 bn TTM	▲ +3%
MULTIFAMILY	€15.1 bn	€52.5 bn TTM	▼ -2%
OFFICE	€54.9 bn	€133.7 bn TTM	▲ +3%

Please note that for France, Multifamily investment volumes are not available yet.

** Source: Cbre Snapshot European Investment Market 4Q2019*
**Note: TTM trailing twelve months*

> COMMERCIAL REAL ESTATE TRANSACTIONS IN ITALY 2019



41%	Office
27%	Hotel
16%	Retail
10%	Indust+log
6%	Other

The best result ever was also achieved in Italy where the commercial real estate market posted growth of 27% compared to 2018 with transactions totaling €12.3 billion, in absolute terms.

** Source CBRE 4Q2019*

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

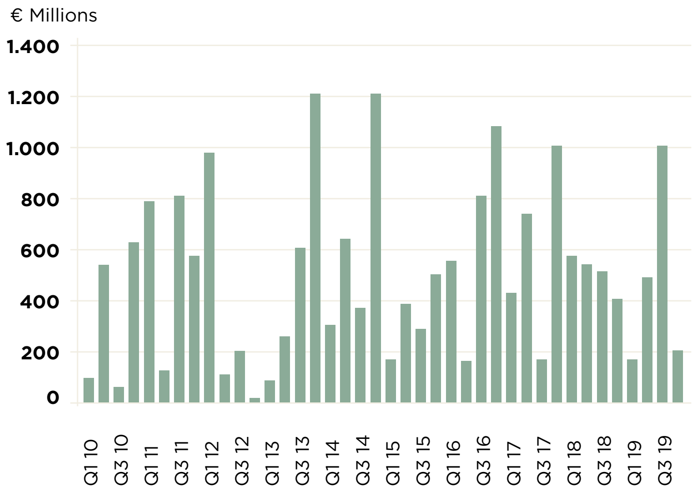
> The Italian retail real estate market

Investments in the retail real estate market totalled around €2 billion in 2019, a drop of 13% compared to the prior year, but considerably better compared to the rest of Europe.

The investments were mainly in high street, although in the second half of 2019 there was a noticeable recovery in shopping centers which, by the end of the year, comprised 23% of total investments.

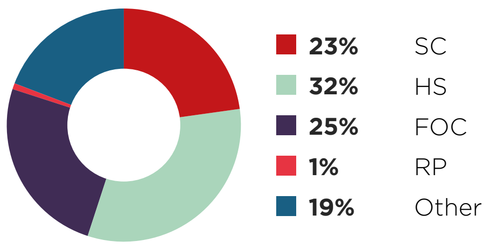
Of note is the FOC segment which in 2019 grew to reach 25% of the total transactions for the year.

> CHANGE IN RETAIL INVESTMENTS IN ITALY 2010 - 2019



** Source CBRE 4Q2019*

> TRANSACTIONS BY TYPE OF RETAIL REAL ESTATE 2019



** Source CBRE 4Q2019*

Net yields for the retail sector reflected the market's performance and only the yields for high street were consistent with 2018, coming in at 3%.

In the fourth quarter of 2019 the other categories posted an increase in net yields of between 20 bps, for secondary high street, and 50 bps, for Shopping Center good secondary compared to the same four-month period in 2018.

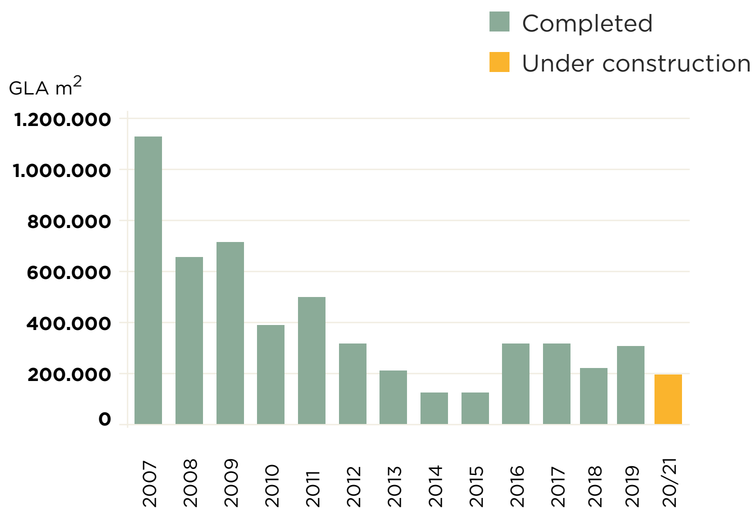
Yield (%)	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
High Street Prime	3.00	3.00	3.00	3.00	3.00	3.00	3.00
High Street Secondary	4.50	4.50	4.50	4.50	4.60	4.60	4.70
Shopping Centre Prime	4.90	4.90	5.00	5.15	5.25	5.25	5.40
SC Good Secondary	6.00	6.25	6.25	6.25	6.5	6.50	6.75
Retail Park Prime	5.90	5.90	6.00	6.10	6.25	6.25	6.40
Retail Park Good Secondary	6.75	6.75	6.90	7.00	7.10	7.25	7.25

** Source CBRE 4Q2019*

> The stock and the retail sector pipeline

In 2019 315 thousand m² in new "out of town retail" stock was added, along with around 10 thousand m² in expansions of existing centers. In the two-year period 2020-2021 we expect to see new stock of around 200 thousand m² being added to the market, stemming mainly from the construction of Cascina Merlata (northern Milan) which is currently underway.

> NEW RETAIL DEVELOPMENTS COMPLETED AND STILL UNDERWAY AT 31 DECEMBER 2019 (gla>10.000 m²)



** Source CBRE 4Q2019*

> The Romanian retail real estate market

In Romania the total volume of real estate investments also reached a record, with investments slightly above €1 billion at €1.06 billion.

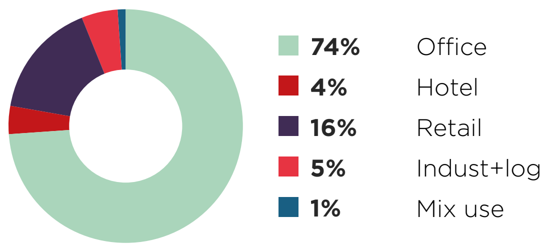
74% of the total was in the office segment, 16% retail and the remaining 10% logistics, hotel and mixed use.

The total stock of retail real estate grew by 174,000 m² in new GLA, bringing the total GLA to 3.75 million m². The shopping center format continues to be the preferred format in the Romanian retail market and the expansion of existing centers accounts for 40% of the new GLA.

In 2020 an additional 208,000 m² of new GLA, comprised mainly of shopping centers, is expected be added to the market. The country's average density is 193 m²/1,000 inhabitants, but in the capital the density reaches 561 m2/1,000 inhabitants.

Prime rents for shopping centers reached around €60 m²/month, about €55 m²/month for High Street and between €8/15 m²/month for Retail Parks.

> COMMERCIAL REAL ESTATE TRANSACTIONS IN ROMANIA 2019



** Source CBRE 4Q2019*

2

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

2.6.1 // The real estate portfolio

Based on the appraisals at 31 December 2019, the IGD SIIQ SPA Group's freehold real estate portfolio has a fair value of €2,381 million, to which the fair value of the leasehold properties (€54.8 million) should be added.

> Freehold assets

The IGD SIIQ SPA Group's real estate portfolio is comprised of commercial retail properties, of which 97.2% 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 2019 the development projects were solely in Italy.

In 2019 the assignments granted to the 4 real estate appraisal companies, CBRE Valuation S.p.A. (also referred to as CBRE), Duff&Phelps Reag S.p.A. (also referred to as D&P), Cushman & Wakefield LLP (also referred to as C&W) and Jones Lang LaSalle S.p.A (also referred to as JLL), were renewed for one more year.

The perimeter of properties appraised by CBRE and D&P was unchanged, while the perimeter assigned to JLL and C&W increased following the inclusion in the portfolio of four new malls in 2018.

> BREAKDOWN OF THE IGD GROUP'S PORTFOLIO BY APPRAISER

The breakdown of fair value by appraiser at 31 December 2019 in Italy and Romania is shown below:

Amounts in € million	Fair Value 31.12.19 Total	Fair Value 31.12.19 Italy	Fair Value 31.12.19 Romania
C&W	549.34	549.34	0
CBRE	707.14	640.75	66.39
JLL	468.92	468.92	0
Duff&Phelps	656	572.1	83.9
Total IGD's Portfolio	2,381.40	2,231.11	150.29

The fees paid at 31 December 2019 to the independent appraisers are shown below:

Amounts in thousands of Euro	Appraisals fees	Other fees	Total fees
CBRE	131	48	179
Duff&Phelps	187	22	209
JLL	62	11	73
C&W	78	0	78
Total IGD's Portfolio	458	81	539

The asset classes comprising the Group's real estate portfolio at 31 December 2019 are described below:

> "Hyper and super": 25 properties with a total GLA of about 236,000 m², found in 8 regions in Italy. There were no changes in the perimeter of this asset class in 2019;

> "Malls and retail parks": 27 properties with a total GLA of about 419,000 m², found in 12 regions in Italy. On 30 September 2019 the IGD SIIQ Group, already co-owner of 50%, bought the remaining 50% of Centro Darsena in Ferrara;

> "Other": two mixed use properties which are part of freehold shopping centers, a store, two office units, and a mixed use property used by athletes and sports associations as housing/offices, for a total of 6 properties with a GLA of about 9,000 m². On 30 September 2019 the IGD SIIQ Spa Group finalized the sale of the office building, Palazzo Orlando, in Livorno;

> "Progetto Porta a Mare": a mixed use real estate complex with a residual GLA of approximately 38,200 m2 currently under construction located near Livorno's waterfront;

> "Development projects": this asset class comprises a single 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 94,755 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.

The IGD Siiq Group has 60 properties in Italy 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

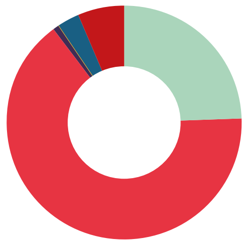
> 6 others

The IGD Group has 15 properties in Romania, broken down as follows:

> 14 shopping malls

> 1 office building

> BREAKDOWN IGD'S REAL ESTATE PORTFOLIO BY FV



> GEOGRAPHIC BREAKDOWN OF IGD'S PORTFOLIO IN ITALY AT 31.12.2019

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

> Leasehold assets

The leasehold assets comprise three Italian shopping malls, with a total GLA of around 31,700 m², found in Villanova di Castenaso (Bologna), San Donà di Piave (Venice) and Livorno.

> MAP OF IGD'S REAL ESTATE PORTFOLIO IN ITALY AT 31.12.2019

E.Romagna:
8 Malls, 9 Hyper - Super; 5 Other;

Piedmont:
2 Malls + RP;

Lombardy:
3 Malls;

Liguria:
1 Mall;

Trentino:
1 Mall;

Veneto:
2 Malls + RP, 3 Hyper;

Marche:
2 Malls, 4 Hyper, 1 development project;

Abruzzo:
1 Mall, 1 Hyper;

Campania:
1 Malls, 1 Hyper;

Lazio:
2 Malls, 3 Hyper - Super;

Tuscany:
2 Hyper - Super, 1 Asset held for trading, 2 Malls; 1 Other;

Sicily:
2 Hyper, 2 Malls;

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

> MAP OF WINMARKT'S REAL ESTATE PORTFOLIO IN ROMANIA AT 31.12.19

15 freehold assets

Muntenia:
6 Malls, 1 office building;

Moldova:
3 Malls + RP;

Oltenia:
1 Mall;

Transilvania:
3 Malls;

Dobrogea:
1 Mall;

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

2

> ITALY

Appraisers	Asset	Location	Mall and Retail Park GLA (sqm)	Other / External areas (sqm)	Ownership	Opening date	Last extension / restyling / remodeling date	% owned	Form of ownership	No. of shops	No. of medium surfaces	No. of other / external areas	Parking places	Main brands	Food anchor	GLA food anchor
C&W	Centro Commerciale Borgo	Bologna (BO)	**6,975**	//	IGD SIIQ SPA	**1989**	**2015**	**100**	Freehold property	**33**	**4**		**1,450**	Librerie Coop, Unieuro, Scarpe&Scarpe	Ipercoop	**11,480**
C&W	Ipermercato CC Miralfiore	Pesaro (PU)	//	//	IGD SIIQ SPA	**1992**	//	**100**	Freehold property (Hypermarket)					//	Ipercoop	**10,412**
C&W	Ipermercato CC Globo	Lugo di Romagna (RA)	//	//	IGD SIIQ SPA	**1997**	**2005**	**100**	Freehold property (Hypermarket)					//	Ipercoop	**7,937**
C&W	Centro Commerciale Porto Grande	Porto d'Ascoli (AP)	**13,653**	**543**	IGD SIIQ SPA	**2001**	//	**100**	Freehold property	**36**	**2**	**1**	**1,730**	Decathlon, Deichmann	Ipercoop	**8,360**
C&W	Centro Commerciale d'Abruzzo	San Giovanni Teatino (CH)	**12,571**	**3,610**	IGD SIIQ SPA	**2001**	**2014**	**100**	Freehold property	**44**	**7**	**3**	**1,730**	Decathlon, Euronics, Librerie Coop, Piazza Italia; Terranova; Intersport; Scarpamondo	Ipercoop	**14,127**
C&W	Centro Commerciale Lungo Savio	Cesena (FC)	**2,928**	//	IGD SIIQ SPA	**2002**	//	**100**	Freehold property	**23**	**1**		**850**	Librerie Coop, Motivi, Primigi; Kiko	Ipercoop	**7,476**
C&W	Galleria Commerciale Millennium	Rovereto (TN)	**7,683**	//	MILLENNIUM GALLERY SRL	**2004**	//	**100**	Freehold property (excluding supermarket and a portion of the mall)	**28**	**4**		**900**	Game 7 Athletics, Oviesse, Trony, Bata	Superstore Coop (non di proprietà)	//
C&W	Ipermercato CC I Malatesta	Rimini (RN)	//	**882**	IGD SIIQ SPA	**2005**	//	**100**	Freehold property (Hypermarket + Wholesale area + Fitness area)					//	Ipercoop	**10,435**
C&W	Ipermercato Schio	Schio (VI)	//		IGD SIIQ SPA	**2008**	//	**100**	Freehold property (only hipermarket)					//	Ipercoop	**8,176**
C&W	Centro Commerciale Le Maioliche	Fenza (RA)	**25,297**	//	IGD SIIQ SPA	**2009**	//	**100**	Freehold property	**42**	**8**		**2,400**	Deichmann, H&M, Trony, C&A, Decathlon, Bricofer	Ipercoop	**6,163**
CBRE	Centro Commerciale Città delle stelle	Ascoli Piceno (AP)	**21,021**	**1,850**	IGD SIIQ SPA	**2002**	**2017**	**100**	Freehold property	**43**	**8**	**1**	**2,200**	Piazza Italia, Unieuro, H&M; Multiplex Stelle; Kiabi, Casa, Clayton; Dverso	Ipercoop	**9,614**
CBRE	Centro Commerciale Casilino	Roma (RM)	**5,614**	**760**	IGD SIIQ SPA	**2002**	//	**100**	Freehold property	**24**	**3**	**1**	**1,260**	Euronics, Piazza Italia, Satur	Ipercoop	**13,742**
CBRE	Centro Commerciale Tiburtino	Guidonia Montecelio (RM)	**33,594**	//	IGD SIIQ SPA	**2009**	//	**100**	Freehold property	**99**	**13**		**3,800**	Desigual; Azzurra Sport, Piazza Italia, Obi, Scarpamondo, New Yorker, Euronics	Ipercoop	**7,663**
CBRE	Centro Commerciale La Torre	Palermo (PA)	**19,176**	//	IGD SIIQ SPA	**2010**	//	**100**	Freehold property	**44**	**6**		**1,700**	Expert, Scarpe&Scarpe, Piazza Italia, H&M, McDonald	Ipercoop	**7,110**
CBRE	Piastra Commerciale Mazzini	Livorno (LI)	**7,535**	//	IGD SIIQ SPA	**2014**	//	**100**	Freehold property	**23**	**1**			Unieuro, Coop	Coop	
CBRE	Centro Commerciale ESP	Ravenna (RA)	**30,171**	**3,200**	IGD SIIQ SPA	**1998**	**2017**	**100**	Freehold property	**85**	**16**	**1**	**3,304**	Deichmann, Game 7 Athletics, Unieuro, H&M, Piazza Italia, Bershka, Pull&Bear, OVS, Kiabi, Casa	Ipercoop	**16,536**
CBRE	Galleria CC Luna	Sarzana (SP)	**3,576**	//	IGD SIIQ SPA	**1992**	//	**100**	Freehold property (excluding hypermarket)	**38**	**1**			Piazza Italia, Kiko, GameStop, Camaieu	Ipercoop (non di proprietà)	//
CBRE	Galleria CC Favorita	Mantova (MN)	**7,400**	//	IGD SIIQ SPA	**1996**	**2007**	**100**	Freehold property (excluding hypermarket)	**34**	**4**			OVS, Piazza Italia, Calliope, Deichman	Ipercoop (non di proprietà)	//
CBRE	Retail Park CC Favorita	Mantova (MN)	**6,214**	//	IGD SIIQ SPA	**1996**	//	**100**	Freehold property (only buildings 1, 2A, 2B, 3)	**5**				Mediaworld, Terranova, Scarpe&Scarpe, Upim	//	//
C&W	Centro Commerciale Leonardo	Imola (BO)	**15,098**	//	IGD SIIQ SPA	**1992**	**2012** (Zara p1)	**100**	Freehold property	**59**	**6**			OVS, Zara, Mediaworld	IperCoop	**15,862**
JLL	Supermercato Cecina	Cecina (LI)	//	//	IGD SIIQ SPA	**1994**	//	**100**	Freehold property (only hipermarket)					//	Coop	**5,749**
C&W	Centro Commerciale Lame	Bologna (BO)	**6,141**	//	IGD SIIQ SPA	**1996**	**2003**	**100**	Freehold property	**43**	**1**			Benetton, Original Marines, Camaieu	IperCoop	**15,201**
JLL	Ipermercato CC Il Maestrale	Cesano di Senigallia (AN)	//	//	IGD SIIQ SPA	**1999**	//	**100**	Freehold property (Hypermarket)					//	IperCoop	**12,501**
JLL	Ipermercato CC Fonti del Corallo	Livorno (LI)		//	IGD SIIQ SPA	**2003**	//	**100**	Freehold property (only hipermarket)					//	Ipercoop	**9,359**
JLL	Centro Commerciale e Retail Park Conè	Conegliano (TV)	**20,513**	//	IGD SIIQ SPA	**2010**	//	**100**	Freehold property	**56**	**9**		**1,550**	Maison du Monde, Conbipel, H&M, Librerie Coop, Euronics, Scarpe&Scarpe	Ipercoop	**6,972**
JLL	Supermercato Civita Castellana	Civita Castellana (VT)	//	//	IGD SIIQ SPA	**2010**	//	**100**	Freehold property (only hipermarket)					//	Coop	**3,020**

> ITALY

Appraisers	Asset	Location	Mall and Retail Park GLA (sqm)	Other / External areas (sqm)	Ownership	Opening date	Last extension / restyling / remodeling date	% owned	Form of ownership	No. of shops	No. of medium surfaces	No. of other / external areas	Parking places	Main brands	Food anchor	GLA food anchor
JLL	Galleria Commerciale Punta di Ferro	Forlì (FC)	**21,223**	//	IGD SIIQ SPA	**2011**	//	**100**	Freehold property (excluding hypermarket)	**94**	**3**		**2,854**	H&M, Unieuro, Toys, McDonald, Deichmann, Benetton	Conad (non di proprietà)	//
JLL	Galleria Commerciale Maremà	Grosseto (GR)	**17,120**	//	IGD SIIQ SPA	**2016**	//	**100**	Freehold property (excluding hypermarket)	**45**	**6**		**3,000**	Piazza Italia, Decathlon, Zara, Bershka, Stradivarius, Pull&Bear	Ipercoop (non di proprietà)	//
REAG	Galleria Commerciale Gran Rondò	Crema (CR)	**15,764**	//	IGD SIIQ SPA	**1994**	**2006**	**100**	Freehold property (excluding hypermarket)	**38**	**4**	presente distributore di proprietà	**1,280**	Oviesse, Promenade calzature	Ipercoop (non di proprietà)	//
REAG	Centro Commerciale Le Porte di Napoli	Afragola (NA)	**16,983**	//	IGD SIIQ SPA	**1999**	**2014**	**100**	Freehold property	**67**	**8**		**2,650**	Desigual, Euronics, H&M, Piazza Italia; Rosso Pomodoro	Ipercoop	**9,570**
REAG	Galleria Commerciale Sarca	Sesto S. Giovanni (MI)	**23,773**	//	IGD MANAGEMENT SRL	**2003**	**2015**	**100**	Freehold property (excluding hypermarket)	**72**	**8**		**2,500**	OVS, H&M, Piazza Italia, Skyline Cinema, Roadhouse, Scarpe&Scarpe, Rosso Pomodoro	Ipercoop (non di proprietà)	//
REAG	Galleria Commerciale e Retail Park Mondovicino	Mondovì (CN)	**17,197**	//	IGD SIIQ SPA	**2007**	//	**100**	Freehold property (excluding hypermarket)	**42**	**8**		**4,500**	Jysk, OVS, Librerie Coop, Brico IO, Foot Locker	Ipercoop (non di proprietà)	//
REAG	Centro Commerciale Darsena City	Ferrara (FE)	**16,369**	//	IGD SIIQ SPA	**2005**	//	**100**	Freehold property	**15**	**2**		**1,320**	Pittarosso, UCI, WeArena	Despar	
REAG	Centro Commerciale Katanè	Gravina di Catania (CT)	**19,962**	//	IGD SIIQ SPA	**2009**	//	**100**	Freehold property	**67**	**6**		**1,320**	Adidas, Euronics, H&M, Conbipel, Piazza Italia	IperCoop	**8,631**
REAG	Galleria Commerciale I Bricchi	Isola d'Asti (AT)	**15,994**	**245**	IGD SIIQ SPA	**2009**	//	**100**	Freehold property (only hipermarket)	**24**	**5**		**1.450**	Deichmann	Il Gigante (non di proprietà)	//
REAG	Retail Park Clodì	Chioggia (VE)	**9,329**	//	IGD SIIQ SPA	**2015**		**100**	Freehold property	**8**	**6**			OVS, Scarpe&Scarpe; Piazza Italia, Decathlon	Ipercoop	**7,490**
REAG	Supermercato Aquileia	Ravenna (RA)	//	//	IGD SIIQ SPA		//	**100**	Freehold property (Supermarket)					//	Coop	**2,250**
			419,000													**236,000**
	Centro Piave	San Donà di Piave (VE)	**11,618**	//	CSII SPA	**1995**	**2003**	**100**	Master Leasing	**48**	**5**		**1,500**	Cisalfa, Librerie Coop, Oviesse, Piazza Italia, Scarpe&Scarpe, McDonald	Ipercoop	**15,826**
	Centro Nova	Villa di Castenaso (BO)	**12,740**	//	CSII SPA e COPAIN HOLDING SPA	**1995**	**2008**	**100**	Master Leasing	**55**	**7**		**2,400**	H&M, Librerie Coop, Bershka, Pittarosso, Benetton, McDonald	Ipercoop	**18,188**
	Galleria CC Fonti del Corallo	Livorno (LI)	**7,455**	//	FONDO MARIO NEGRI	**2003**	//	**100**	Master Leasing	**55**	**2**		**1,600**	Oviesse, Librerie Coop, Bata, Swarovski	Ipercoop	**15,371**

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

> ROMANIA

Shopping Center	Location	Shopping Center GLA (sqm)	Net Salling Area	Circulation (sqm) Rented	Rentable Warehouse/ office	Ownership	Opening date	Date of extensions / restyling	% owned	Form of ownership	No. of shops	No. of medium surfaces	Parking places	Main brands	Food anchor	Food anchor GLA	Food anchor sales area
Winmarkt Grand Omnia Center	Ploiesti	**19,689**	**16,870**	**309**	**1,129**	Win Magazin SA	**1986**	**2015**	**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**
Winmarkt Big	Ploiesti	**4,864**	**2,776**	**442**	**1,016**	Win Magazin SA	**1976**	**2013**	**100**	Freehold property	**82**	//		Banca Transilvania, Carrefour Market	Carrefour	**882**	**700**
Winmarkt	Galati	**7,898**	**7,490**	**106**	**367**	Win Magazin SA	**1973**	**2005**	**100**	Freehold property	**36**	//		H&M, B&B, Sevda, Jolidon, Bigotti, Massini, Pepco, CGS	Billa	**827**	**569**
Winmarkt	Ramnicu Valcea	**7,913**	**7,684**	**51**	**166**	Win Magazin SA	**1973**	**2004**	**100**	Freehold property	**35**	//		H&M, Carrefour Market, Eponge, Leonardo, Jolidon, dm drogerie Markt, Domo	Carrefour	**900**	**900**
Winmarkt	Piatra Neamt	**5,948**	**4,879**	**337**	**839**	Win Magazin SA	**1985**	**2014**	**100**	Freehold property	**67**	//		H&M, Sevda, B&B Collection, Billa, Leonardo, Eponge, Pepco, Reshoes	Billa	**878**	**520**
Winmarkt	Braila	**7,727**	**6,349**	**93**	**821**	Win Magazin SA	**1978**	**2004**	**100**	Freehold property	**45**	//		Carrefour Market, Leonardo, Jolidon, Altex, Vodafone, Sevda, Pepco	Carrefour	**673**	**550**
Winmarkt	Buzau	**5,302**	**4,953**	**32**	**314**	Win Magazin SA	**1975**	**2013**	**100**	Freehold property	**29**	//		H&M, Carrefour Market, Leonardo, Pepco	Carrefour	**800**	**650**
Winmarkt	Tulcea	**3,963**	**3,777**	**5**	**182**	Win Magazin SA	**1972**	**2002**	**100**	Freehold property	**27**	//		H&M, B&B Collection, Leonardo, Altex, Fraher, Vodafone	Fraher	**405**	**405**
Winmarkt	Cluj Napoca	**7,651**	**5,704**	**85**	**1,510**	Win Magazin SA	**1983**	**2011**	**100**	Freehold property	**36**	//		Carrefour Market, dm drogerie, fast-food Pizzamania, Pepco	Carrefour	**1,338**	**1,188**
Winmarkt	Bistrita	**5,131**	**4,799**	**61**	**392**	Win Magazin SA	**1984**	**2005**	**100**	Freehold property	**33**	//		Altex, Leonardo, dm drogerie, fast-food Pizzamania, Pepco			
Winmarkt	Alexandria	**3,434**	**3,302**	**33**	**74**	Win Magazin SA	**1978**	**2013**	**100**	Freehold property	**31**	//		Carrefour Market, Pepco, Eponge, Leonardo, Jolidon, Vodafone	Carrefour	**680**	**680**
Winmarkt	Slatina	**6,086**	**4,833**	**29**	**1,102**	Win Magazin SA	**1975**	**2005**	**100**	Freehold property	**22**	//		Altex, Telekom, B&B	Carrefour	**553**	**505**
Winmarkt	Vaslui	**3,622**	**3,452**	**23**	**192**	Win Magazin SA	**1973**	**2006**	**100**	Freehold property	**26**	//		Carrefour, Reshoes, Jolidon	Carrefour	**527**	**527**
Winmarkt	Turda	**2,515**	**2,231**	**-**	**284**	Win Magazin SA	**1981**	**2007**	**100**	Freehold property	**9**	//		Pepco			
TOTALE GALLERIE		**91,743**	**79,099**	**1,607**	**8,388**												
Winmarkt Junior	Ploiesti	**3,012**	**2,137**	**544**	**331**	Win Magazin SA			**100**	Freehold property	**2**						
TOTALE GENERALE		**94,755**	**81,236**	**2,151**	**8,719**												

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

2.6.2 // Analysis by asset class of the freehold portfolio

2.6.2.1 // Italy

In the second half of 2019 the perimeter of the IGD Group's real estate portfolio changed following the sale of Palazzo Orlando, an office building in Livorno classified as "Other". The purchase of the remaining 50% of the Darsena Shopping Center, which was already 50% co-owned by the IGD Group, was also finalized in the same transaction.

The main changes affecting the different asset classes in the year are described below.

Amounts in € million	IGD Group Investment Property						Direct development initiative	Porta a Mare project (+)	Total investment property, land and development initiatives, assets held for trading	Right to use (IFRS 16)	Total investment property, land and development initiatives, assets held for trading and right to use
	Hypermarkets and Supermarkets	Shopping malls Italy	Other	Total Italy	Total Romania	Total IGD Group	Plot of land and ancillary cost	Porta a Mare project (+)			
Book value at 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	0.00	2,412.15
Increase due to work 2019	2.36	9.58	0.36	12.30	2.05	14.35	0.00	6.71	21.06	0.23	21.29
Increase due to acquisitions / new openings	0.00	15.56	0.00	15.56	0.00	15.56	0.00	0.00	15.56	0.00	15.56
Disposals	0.00	0.00	(12.77)	(12.77)	0.00	(12.77)	0.00	(0.42)	(13.19)	0.00	(13.19)
First implementation IFRS 16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0,00	66.43	66.43
Riclassification from asset under construction	1.50	3.82	1.42	6.74	0.00	6.74	0.00	0.00	6.74	0.00	6.74
Net revaluations / writedowns	(5.87)	(47.26)	(0.32)	(53.45)	(6.55)	(60.00)	(0.07)	(0.85)	(60.92)	(11.85)	(72.77)
Book value at 31.12.2019	583.62	1,555.49	21.01	2,160.12	150.29	2,310.41	2.73	68.26	2,381.40	54.81	2,436.21

> Hypermarkets and Supermarkets

IGD's 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 2019 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:

Iper/Super	31/12/2019
CBRE	20%
D&P	10%
C&W	37%
JLL	33%
TOTALE	100%

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.

The fair value of this asset class reached €583.6 million, a decrease of -0.34% or €2.01 million compared to the prior year.

The average discount rate was 16 bps lower than in the prior year, coming in at 6.31%, while the average gross cap out rate rose 0.05% to 6.28%.

The gross initial yield was 6.06% at 31 December 2019.

The occupancy rate for this asset class 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 2019 by the appraisers CBRE, D&P, C&W and JLL based on the following percentages of FV:

Malls/RP	31/12/2019
CBRE	29%
D&P	32%
C&W	21%
JLL	18%
TOTAL	100%

The DCF method was used by all the appraisers for this asset class. In the DCF models of CBRE, C&W, and JLL a standard duration of 10 years was used for all assets; D&P used a standard duration of 15 or 18 years.

The fair value of this asset class reached €1,555.5 million, an increase of 0.16% with respect to the prior year due to the purchase of 50% of the Darsena Shopping Center. Like-for-like the fair value of this asset class was down by 1.16% or €18.3 million.

The discount rate used was -0.20% lower than in the prior half and 18% lower than in the previous year, coming in at 6.94%.

In the appraisals for the second half of 2019, the lower discount rate neutralized the impact that the lower rate of inflation had on the DCF.

The average gross cap was 0.09% lower than in the prior half and 0.24% lower than in the prior year, coming in at 6.96%.

The average gross initial yield for this asset class came to 6.52%, an increase of +0.09% compared to the prior half and of 0.11% against the prior year, explained mainly by the drop in FV.

The financial occupancy rate came to 95.51% at 31.12.2019, a decrease of 73 bps against 31.12.2018.

> Development Projects

At 31 December 2019 this asset class comprised one plot of land to be used for the expansion of the Porto Grande Shopping Center in Porto d'Ascoli (AP) by constructing two midsize retail areas with a total GLA of around 5,000 m^2.

"Development projects" were valued entirely by C&W using the residual method.

The fair value of this asset class reached an estimated €2.7 million at 31 December 2019, a drop of 2.56% or €0.07 million compared to the prior half.

> Porta a Mare Project (Trading)

The assets of Porta Medicea, owner of the Porta a Mare Project, were valued at 31 December 2019 entirely by the independent appraiser CBRE using the conversion or residual 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 m^2. Sales of the 73 residential units began in 2013 and were completed in 2019 as the last apartment for sale will be made available to IGD Group employees;

2

DIRECTORS' REPORT
2.6 THE REAL ESTATE PORTFOLIO

> Officine Storiche (retail, residential, parking and public parking) which has a total GLA of 20,490 m². Work began in first half 2015 and sales are expected to begin 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 €68.3 million at 31 December 2019, an increase of 8.6% (+€5.4 million) against 31 December 2018 attributable to the progress made in the Officine area. The sale of one apartment, two parking garages and one parking spot in the Mazzini area closed in the second half of 2019.

The fair value of the Porta a Mare Project at 31 December 2019 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 was down 35% or €11.3 million at 31 December 2019, coming in at €21 million following the sale of Palazzo Orlando, an office building in Livorno. Like-for-like the fair value of this asset class was 5.17% or €1 million, higher than at 31 December 2018. The increase in FV is attributable almost entirely to the progress made in 2019 on the midsize retail space inside the Fonti di Corallo property where the last capex was made and the first activities were opened.

"Other" was valued at 31 December 2019 by the appraisers D&P and JLL based on the following percentages of FV:

Altro	31/12/2019
D&P	**98%**
JLL	**2%**
TOTALE	**100%**

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

2.6.2.2 // Romania

The Winmarkt properties were valued at 31 December 2019 by the appraisers CBRE and D&P based on the following percentages of FV:

Winmarkt	31/12/2019
CBRE	**44%**
D&P	**56%**
TOTALE	**100%**

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

The FV of this asset class was down 2.91% or €4.5 million compared to 31 December 2018 due largely to shopping malls following a decrease in the ERV (estimated rental value) used in the DCF models.

The average gross initial yield for the malls was 0.29% higher than at 31 December 2018, coming in at 7.09%, due to the drop in FV.

The discount rate was 0.04% lower than in the prior year, coming in at 8.16%.

The average gross cap out for the malls reached 7.67%, down -0.03% against the prior half.

The financial occupancy rate for the Winmarkt malls came to 97.56%, a decrease of 50 bps with respect to 31 December 2018.

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

> SUMMARY AT 31.12.2019

	No. of Asset	GLA (sqm)	Gross initial yield	Gross cap out	Weighted discount rate	Financial Occupancy Rate	Annual rental value / sqm	Erv/sqm
Hypermarkets and Supermarkets	**25**	**236,000**	**6.06%**	**6.28%**	**6.31%**	**100%**	**149**	**147**
Malls Italy	**27**	**419,000**	**6.52%**	**6.96%**	**6.94%**	**95.51%**	**230**	**243**
Total Italy	**52**	**655,000**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Total Romania	**15**	**94,755**	**7.09%**	**7.67%**	**8.16%**	**97.56%**	**101**	**112**
Total IGD's Group	**67**	**749,755**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

> SUMMARY AT 31.12.2018

	No. of Asset	GLA (sqm)	Gross initial yield	Gross cap out	Weighted discount rate	Financial Occupancy Rate	Annual rental value / sqm	Erv/sqm
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	**52**	**653,200**	**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**	**748,055**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

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

Category	Book value 31/12/2019	Accounting method	Market value 31/12/2019	Book value 31/12/2018	Change
IGD Group Real Estate Investments					
Hypermarkets and Supermarkets	**583.62**	**fair value**	**583.62**	**585.63**	**(2.01)**
Shopping malls Italy	**1,555.49**	**fair value**	**1,555.49**	**1,573.79**	**(18.30)**
Other	**21.01**	**fair value**	**21.01**	**32.32**	**(11.31)**
Total Italy	**2,160.12**		**2,160.12**	**2,191.74**	**(31.62)**
Shopping malls Romania	**147.59**	**fair value**	**147.59**	**151.89**	**(4.30)**
Other Romania	**2.70**	**fair value**	**2.70**	**2.90**	**(0.20)**
Total Romania	**150.29**		**150.29**	**154.79**	**(4.50)**
Total IGD Group	**2,310.41**		**2,310.41**	**2,346.53**	**(36.12)**

2

Category	Book value 31/12/2019	Accounting method	Market value 31/12/2019	Book value 31/12/2018	Change
Plots of land and ancilary cost	**2.73**	**adjusted cost / fair value**	**2.73**	**2.80**	**(0.07)**
Direct development initiative	**2.73**	**adjusted cost / fair value**	**2.73**	**2.80**	**(0.07)**

Category	Book value 31/12/2019	Accounting method	Market value 31/12/2019	Book value 31/12/2018	Change
Porta a Mare Project*	**68.26**	**adjusted cost / fair value**	**68.26**	**62.82**	**5.44**

Category	Book value 31/12/2019	Accounting method	Market value 31/12/2019	Book value 31/12/2018	Change
Right to use (IFRS 16)	**54.81**	**fair value**	**54.81**	**0.00**	**54.81**
Total rights to use	**54.81**		**54.81**	**0.00**	**54.81**

	Investment properties, plots of land, development initiatives, assets held for trading and right to use	Market value 31/12/2019	Book value 31/12/2018	Change
Total	**2,436.21**	**2,436.21**	**2,412.15**	**24.06**

** 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 advances.*

The details of the main development projects are shown below:

Project	Type	Location	GLA	Completion date	Estimated Investment	Book value at 31.12.2019 (Mn/ €)	% Held	Status
Porto Grande	Extension	Porto d'Ascoli (AP)	5,000 sqm	II° half 2020	c. 9.9 Mn/€	2.73	100%	Planning stage completed. All the building permits and authorisation for preletting activities have been issued
Total						**2.73**		

2.7 // Appraisals of the independent experts

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IGD-GRUPPOIGD-CERTVALPERBILANCIO-191231-01-ENG

For translation purposes only – Italian version legally binding

TO:	**GRUPPO IGD**
ATTENTION:	**MR. ROBERTO ZOIA**
PROPERTY:	**REAL ESTATE PORTFOLIO**
REPORT DATE:	**29 JANUARY 2020**
VALUATION DATE:	**31 DECEMBER 2019**

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 galleria
2	Bologna	BO	Centro Lame galleria
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	San Benedetto del Tronto	AP	Porto Grande (Terreno - sviluppo)
9	Bologna	BO	Ipercoop Il Borgo
10	San Giovanni Teatino	CH	Ipercoop D'Abruzzo
11	Cesena	FC	Iper Cesena
12	San Benedetto del Tronto	AP	Ipercoop CC Porto Grande
13	Faenza	RA	Ipercoop Le Maioliche
14	Imola	BO	Ipercoop Leonardo
15	Bologna	BO	Ipercoop Lame

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref. IGD-GruppoIGD-CertVal-191231-01-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 ENGAGEMENT LETTER

Our engagement letter Valuation\Client\IGD_1 Portafoglio SIIQ_Correspondence\2019 - IGD-Portafoglio-EngLtr-190402-01-mcl entered into between us dated 19 April 2019, are enclosed to this report under Attachment I.

IGD-GRUPPOIGD-CERTVALPERBILANCIO-191231-01-ENG
For translation purposes only – Italian version legally binding

1.7 THIRD PARTY LIABILITY

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

1.8 VALUERS

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

2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

This valuation report and its contents are subject to the general Assumptions contained in our 'General Terms of Business' 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 2019.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref. IGD-GruppoIGD-CertVal-191231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the previous valuation dated 30 June 2019.

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-191231-01-ITA*.

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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-191231-01-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-191231-01-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-191231-01-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 Valuation Report, our opinion of the Market Value of the freehold interest of the Properties forming part of the Portfolio and spilt as per your request as at the Valuation Date is:

€541,190,000
(Five hundred forty-one million one hundred ninety 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-191231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €549,336,590.

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 ENGAGEMENT 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 S.P.A.**
ATTENTION:	**MR. ROBERTO ZOIA**
PROPERTY:	**REAL ESTATE PORTFOLIO (excluding buildable land)**
REPORT DATE:	**29 JANUARY 2019**
VALUATION DATE:	**31 DECEMBER 2019**

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	Bologna	BO	Ipercoop Il Borgo
9	San Giovanni Teatino	CH	Ipercoop D'Abruzzo
10	Cesena	FC	Iper Cesena
11	San Benedetto del Tronto	AP	Ipercoop CC Porto Grande
12	Faenza	RA	Ipercoop Le Maioliche
13	Imola	BO	Ipercoop Leonardo
14	Bologna	BO	Ipercoop Lame

More details relating to the Properties are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-191231-01-ITA.*

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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 ENGAGEMENT LETTER

Our engagement letter Ref: Valuation\Client\IGD_1 Portafoglio SIIQ_Correspondence\2019 - IGD-Portafoglio-EngLtr-190402-01-mcl dated 19 April 2019 is enclosed to this report under Attachment I.

IGD-IGDSIIQNOSVILUPPO-VALCERTPERBILANCIO-191231-01-ENG

For translation purposes only – Italian version legally binding

1.7 THIRD PARTY LIABILITY

The valuation has been carried out on behalf of IGD SIIQ S.P.A. 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 Terms of Business' attached.

This valuation is not subject to any Special Assumptions.

3. DATE OF VALUATION

The date of valuation is 31 December 2019.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGDNoSviluppi-CertVal-191231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the previous valuation dated 30 June 2019.

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-191231-01-ITA.*

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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-191231-01-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-191231-01-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-191231-01-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, our opinion of the Market Value of the freehold interest of the Properties forming part of the portfolio (excluding buildable land and development project) and spilt as per your request, as at the Valuation Date is:

€538,500,000

(Five hundred thirty-eight million five hundred 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-191231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €546,604,649.

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

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

For translation purposes only – Italian version legally binding

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 ENGAGEMENT LETTER

CBRE

CBRE VALUATION S.P.A. con unico socio
Piazza degli Affari 2 20123 Milano
Tel +39 02 9974 6900
Fax +39 02 9974 6950

Milan, January, the 25th 2020

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 92/19 and 93/19 dated 9th April 2019 countersigned on 8th May 2019, 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 2019. 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
Trading	Porta a Mare	Livorno	LI

Winmarkt Portfolio:

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

CBRE VALUATION S.p.A. piazza degli Affari, 2 20123 Milano
C.F./P. I.V.A. n. 04319600153 - cap. soc. € 500.000 i.v.
Società soggetta all'attività di direzione e coordinamento da parte della Società CBRE Ltd
Regulated by RICS

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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

CBRE

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: Città delle Stelle, La Torre, La Favorita and Porte a Mare and all properties of the portfolio Winmarkt.

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

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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.

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.

CBRE

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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 2019 is:

Euro 707,149,500
(Seven Hundred Seven Million, One Hundred Forty Nine Thousand, Five Hundred Euro/00)

exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.
Ref. 19-64VAL-0390, 19-64VAL-0391,

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 08 May 2019 ("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

CBRE VALUATION S.P.A. con unico socio
Piazza degli Affari, 2 20123 Milano
Tel +39 02 9974 6900
Fax +39 02 9974 6950

Milan, January, the 25th 2020
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 92/19 dated 9th April 2019 countersigned on 8th May 2019, 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 2019.

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

Winmarkt Portfolio:

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

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

www.cbre.it
CBRE VALUATION S.p.A. piazza degli Affari, 2 20123 Milano
C.F./P. I.V.A. n. 04319600153 - cap. soc. € 500.000 i.v.
Società soggetta all'attività di direzione e coordinamento da parte della Società CBRE Ltd
Regulated by RICS

RICS
Regulated by RICS

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DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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

CBRE

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: Città delle Stelle, La Torre and La Favorita and all properties of the portfolio Winmarkt.

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

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DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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

CBRE

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.

CBRE

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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 2019 is:

Euro 638,890,000
(Six Hundred Thirty Eight Million Eight Hundred and Ninety Thousand Euro/00)
exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.

Rif. 19-64VAL-0390, 19-64VAL-0391

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 08 May 2019 ("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.

CBRE

JLL

Milan, 31/12/2019

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 2019 of a Retail Portfolio held by IGD SiiQ S.p.A. comprising 9 Hypermarkets/Supermarkets, 4 Retail Galleries, 1 Retail Park and 1 Area Fitness

Dear Mr. Zoia,

Following the assignment conferred on 3rd May 2019, 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 us, 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.

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

1. Subject properties

The retail portfolio under-analysis consists of five Hypermarkets, two Supermarkets, three Retail Galleries, one Retail Park and one Area Fitness 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 m² current	GLA m² future (if applicable)
Punta di Ferro	Forlì (FC)	Shopping Gallery	21,233	-
Cecina	Cecina (GR)	Supermarket	5,749	-
Maremà	Grosseto	Shopping Gallery	17,110	-
Coné	Conegliano VE)	Shopping Gallery + Retail Park	18,163	20,927
Civitacastellana	Civita Castellana (LT)	Supermarket	2,892	-
Coné	Conegliano (VE)	Hypermarket	9,498	6,972
Lugo	Lugo (RA)	Hypermarket	7,937	-
Miralfiore	Pesaro (PU)	Hypermarket + Shop unit	10,470	-
Schio	Schio (VI)	Hypermarket	8,176	-
Millenium Center	Rovereto (TN)	Shopping Gallery	7,683	-
Malatesta	Rimini	Fitness area	882	-
Malatesta	Rimini	Hypermarket	12,724	-
Maestrale	Senigallia (AN)	Hypermarket	12,551	-
Fonti del Corallo	Livorno	Hypermarket	15,371	9,359

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 2019:

- 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, 2018 and for the first 9 months of 2019 (Retail Gallery and Retail Park);
- Turnover figures (net VAT) of the Supermarket and Hypermarket divided per year for the years: 2015, 2016, 2017, 2018 and first 9 months of 2019 (first 8 months for Fonti del Corallo, Civita Castellana e Cecina);
- Non- recoverable Landlord costs;
- Summary schedule of all additional income;
- Forecast turnover rent generated in 2020;
- Asset summary identification schedules.

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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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 € 454,850,000, while the sum of the rounded Gross Market Values is equal to € 468,919,600 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

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DUFF & PHELPS
Real Estate Advisory Group

Agrate Brianza, 10th February 2020
Ref. n° 21222,05 - 21199,05

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

Dear Sirs,
in compliance with Your request, Duff & Phelps REAG S.p.a. carried out the valuation 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 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., in order to determine the Market Value Asset by Asset as of December 31st, 2019.

Please find attached two copies of the Executive Summary.

Yours faithfully.

Duff & Phelps REAG S.p.A.

Savino Natalicchio
Managing Director
Special Divisions & Feasibility Dept

Duff & Phelps REAG SpA a socio unico
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DNV-GL

DIRECTORS' REPORT
2.7 APPRAISALS OF THE INDEPENDENT EXPETRTS

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 2019.

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

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

•**Market/Sales Comparison Approach**: is predicated on actual sales transaction data. Sales are adjusted for comparability including time, location, size, condition, utility and intangible benefits.

•**Income Capitalization Approach**: takes two different methodological approaches into consideration:

- Direct Capitalisation: based on capitalisation of future net incomes generated by the property at a rate deduced from the real estate market;
- Discounted Cash Flow Method (DCF) based:
  - on the calculation of future net incomes derived from Property renting for a period of "n." years;
  - on the determination of the Market Value of the property by means of the capitalisation in perpetuity of the net income at the end of this period;

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Real Estate Advisory Group

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

REAG moreover:

- Carried out site inspections on the Properties located in Gravina di Catania (CC Katané) and Livorno (CC 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

Duff & Phelps REAG S.p.A | GRUPPO IGD
Ref. n. 21222,05-21199,05 – December 31st, 2019 4

DUFF & PHELPS
Real Estate Advisory Group

structural damage or environmental contamination resulting from earthquakes or other causes;

- No environmental impact study has been ordered made.

- Did not make specific compliance survey and analysis of the property to determine whether or not it is compliant with the various detailed requirements of the law, concerning the possibility for disabled people to enter work places.

Report content

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

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

Conclusions

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

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

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

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Given the above considerations

It is our opinion that, as of December 31st, 2019, the **Market Value** of the subject Properties can reasonably be expressed as follows:

Euro 656.000.000,00
(Euro Six Hundred Fifty Six Million /00)

Agrate Brianza, 10th February 2020
Ref. n° 21222,05 - 21199,05

Duff & Phelps REAG S.p.A.

Performed by:
Gianluca Molli
Associate Director,
Retail, Special Divisions & Feasibility Dept.

Supervised and coordinated by:
Savino Natalicchio
Managing Director,
Special Divisions & Feasibility Dept.

Simone Spreafico
Managing Director
Advisory & Valuation Dept.

Duff & Phelps REAG S.p.A | GRUPPO IGD 6
Ref. n. 21222,05-21199,05 – December 31st, 2019

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.

The current 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.

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

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 S.p.A. in the STAR segment.

Based on the parent company's financial statements at 31 December 2019, similar to year-end 2018, 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 company 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 2018, as resolved in previous years, during the AGM held on 10 April 2019 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 €55,152,956.00, stemming from:

> For €33,790,720.29, distributable income generated by exempt operations which is equal to 70% of the distributable income from these operations;

> For €15,304,565.94, profits carried forward from exempt operations;

> For €2,176,781.55, distributable income derived entirely from taxable operations;

> For €2,434,998.32, profits carried forward from taxable operations;

> For €1,445,889.90, partial utilization of the share premium reserve.

2

DIRECTORS' REPORT
2.9 ORGANIZATION AND HUMAN RESOURCES

2.9 // Organization and human resources

> Organizational structure

During the year IGD worked to:

> Strengthen corporate expertise in order to both innovate the digital services offered by IGD (resulting in the hire of a Digital Strategist) and improve the functioning of the Accounting Department (resulting in the hire of one new resource);

> Introduce the professional figures needed to manage the 2 shopping centers acquired in 2018 which were not previously managed by IGD (Centro la Favorita in Mantua and Centro Luna a Sarzana (SP)).

In 2019 the number of the IGD Group's employees increased slighting, going from 131 to 135.

The Winmarkt Group's workforce was slightly lower due to an increase in turnover and 2 retirements.

> Workforce and turnover

The workforce of **IGD Group ITALIA** increased by 4 heads.

The breakdown of the IGD Group ITALIA personnel by job level and gender is shown below:

	Executive	Middle Managers	Junior Managers	Clerks	Of which fixed terms	Total	Percentage
Men	5	15	31	13	4	64	47%
Women	0	8	27	36	1	71	53%
Total	5	23	58	49	5	135	
Percentage	4%	17%	43%	36%		100%	100%
Percentage of total employees					(4%)		

The breakdown of turnover in IGD Group ITALIA personnel by job levels (including fixed term contracts) is shown below:

	Hires	Resignations	Difference
Executive	0	0	0
Middle Managers	0	0	0
Junior Managers	4	2	2
Clerks	7	5	2
Total	11	7	4

The importance attached to job security is demonstrated by the number of indefinite contracts, which came to 96% of the total. The number of fixed term contracts decreased (-1), bringing the total to 5.

As a result of the resignation of 4 employees between 1.1.2019 and 31.12.2019, the turnover rate came to 3.0%.

While lower, the rate of turnover in Romania is still high due to, in addition to two retirements, the general economic environment and a very dynamic labor market.

The workforce at **WINMARKT Group ROMANIA** dropped by 2 heads.

The breakdown of the WINMARKT Group ITALIA personnel by job level and gender is shown below:

	Executive	Middle Managers	Junior Managers	Clerks	Total	Percentage
Men	0	2	11	5	18	43%
Women	0	4	4	16	24	57%
Total	0	6	15	21	42	100%
Percentage	0%	14%	36%	50%	100%	

The breakdown of turnover in WINMARKT Group ITALIA personnel by job levels (including fixed term contracts) is shown below:

	Hires	Resignations	Difference
Executive	0	0	0
Middle Managers	1	1	0
Junior Managers	2	2	0
Clerks	2	4	(2)
Total	5	7	(2)

There was a slight decrease (2 heads) in the Romanian workforce in 2019. The 2 fixed term contracts in Winmarkt are explained by a local regulation based on which a fixed term contract must be transformed into an indefinite contract, once retirement age is reached.

> Welfare

2019 was the third year of IGD's Corporate Welfare Plan. IGD 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.

The goal is to increase the individual wellbeing of employees and their families in the community and have a positive impact on the organizational structure, as well as the workplace climate.

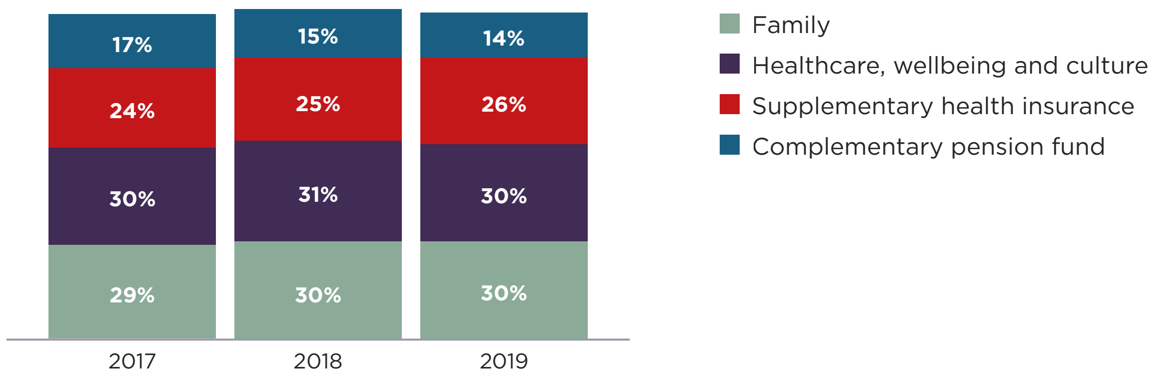
All permanent employees (with the exception of executives) have a personal budget (the same amount is provided proportionately to full and part time employees) which can be used during the year by using their personal passwords to access the portal.

Refund coupons and vouchers relating to courses and training, recreation, supplemental retirement plans, social assistance and health insurance can be found on the portal.

For the first time, all 123 eligible employees took advantage of the program.

The most popular categories were «Family» and «Health-Wellbeing-Culture», while "Supplemental Health Insurance" continues to grow, including as a result of the commitment to reduce refund turnaround time.

> COMPARISON OF THE WELFARE SERVICES USED



> Compensation policies and professional development

In 2019, 135 employees reached their objective in Italy. The variable compensation paid reached 80% of the amount payable.

77 employees, or 57% of the entire workforce, were involved in the yearly performance evaluations (a slight increase against the prior year) and 11 merit based pay raises were granted (8% of the employees considered) in 2019.

In 2019, 5 career paths begun in 2018 were terminated. Three new career paths were also begun in the year.

In order to promote the growth and development of resources within the Winmarkt Group, in 2019 15 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.

> Training

In 2019 the training offered by the IGD Group was focused, in addition to mandatory training, on other projects: firstly, an activity which, inspired by the change in IT systems, involved the entire workforce in a special 4-hour training session in how to use Office 365.

Middle and junior managers also participated in a half-day workshop in ISO37001I anti-corruption certification, designed to foster both understanding of the process and the implications for the country.

In 2020 the ISO37001I anti-corruption certification training will also be offered to other IGD employees.

2 Network Managers and 7 Area Managers also participated in a 4-day internal course in property management.

Other targeted refresher courses were also provided in order to develop and improve expertise (relating, for example, to compliance, new software, etc.).

Safety:

> General training for new hires;

> Five-year update for managers;

> Five-year update for subordinates;

> Periodic updates for the workers' safety representatives;

> Fire safety training;

> First aid training.

English:

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

Both the amount spent and the number of employees involved increased with respect to 2018. In 2019, 134 employees, or 95.7% of the total, participated in at least one training course for a total of 1,837 hours and a cost of €47,023, slightly higher than in 2018. In 2018, 125 employees or 95% of the total were involved in at least one training course.

// Training Winmarkt Group

In 2019 100% of the company employees in Romania participated for a total of 744 hours and a cost of €14,760.

Winmarkt also held its own company convention, a moment traditionally used by top management to make announcements and to provide employees with training through specific workshops which 100% of the company's workforce attended.

A few employees also participated in courses designed in to increase their administrative skills and knowledge of property management.

2.10 // Sustainability: strategy and performance 2019

As a key Italian player in the commercial real estate sector, with an important retail presence in Romania, IGD has been working since 2011 (when the path focused on sustainability was first begun) on making an active contribution to transitioning toward a "low carbon" economy in the countries where it operates. IGD strives to work ethically with all its stakeholders, making sure all the steps necessary to comply with the law, and have a positive impact, are taken. With regard, lastly, to the local community IGD intends not only to strengthen its significant role in shopping, but also to be the driver of social and economic change, providing a familiar meeting place and, at the same time, meeting the community's needs.

Sustainability has become an integral part of the business planning process, beginning already with the drafting of the Business Plan 2014-2016.

In 2017 the Company launched the strategy «Becoming Great», which summarizes the company's commitment to growth that is «Green, Responsible, Ethical, Attractive, Together».

becoming g.r.e.a.t.

The sustainability strategy is currently considered part of "Innovation and operating excellence", one of the three pillars of the Business Plan 2019-2021. The strategy reflects IGD's commitment to sustainable growth, shaped by the United Nations' Sustainable Development Goals (SDGs).

Implementation of the strategy is focuses on three areas:

1. Material issues

2. Sustainability targets (connected to planning)

3. The risks and policies/actions connected

2.10.1 // The material issues

The first step in defining the sustainability strategy is to identify the material issues linked to the organization's economic, environmental and social impact, as well as considerably influence stakeholders' views and decisions. Defining these issues makes it possible for the company to focus on the real issues that need to be addressed in terms of sustainability, avoiding the use of resources (human and economic) to achieve objectives that are not material.

In accordance with the GRI Standards, in 2017 IGD, for the second time, conducted a materiality analysis. As a result of this analysis, which involved different company figures (including top management for the final approval) and sought to identify the most significant issues for IGD, as well as the stakeholders, 17 topics were identified (13 of which material and 4 relevant). Revised and amended each year based on the changes affecting the company and the world around it, currently IGD has identified 12 material issues that are included under the umbrella of the acronym (Becoming) G.R.E.A.T.

Green	Responsible	Ethical	Attractive	Together
1.1 Climate Change	**2.1** Good employment	**3.1** Governance, ethics and corruption	**4.1** Sustainable enhancement of portfolio	**5.1** Stakeholder engagement
1.2 Accessibility and mobility	**2.2** Gender equality		**4.2** Retail offer	**5.2** Local communities
	2.3 wellbeing and safety		**4.3** Spaces to be lived in	
			4.4 Innovation	

The material issues represent the cornerstones of the Sustainability strategy and its planning, as well as the topics reported on in the Corporate Sustainability Report. The risks, the relative policies and steps the Company is taking/will take over the next few years are identified for each material issue.

2.10.2 // Sustainability targets (connected to planning)

In 2019 the Company updated the targets included in the Business Plan 2019-2021 and identified short, medium and long-term goals as detailed below:

// GREEN

> Eliminate CO2 emissions: Italian portfolio Nearly Zero Energy Buildings by 2030;

> Obtain BREEAM certification for 80% of the Italian portfolio by 2030;

> Obtain UNI EN ISO 14001 certification for 95% of the Italian portfolio by 2020;

> Invest €5 million in improving energy efficiency over the three-year period 2019-2021;

> Continue installing photovoltaic systems;

> Install LED lighting systems in all the Italian properties by 2022;

> Increase awareness of visitors through campaigns in shopping centers and host events across all the properties dealing with ESG issues;

> Plastic free headquarters by 2020;

> Get the Waste2value project up and running and assess other circular economy projects.

// RESPONSIBLE

> Training: focus on soft skills and the importance of cross-functional work;

> Conduct workplace climate survey between 2020 and 2021 and define follow-up steps to be taken;

> Corporate welfare: increase services;

> Share open positions through the IGD website and the Linkedin platform;

> Define individual CSR targets;

> Wellbeing: finalize the entire project;

> Continue with building safety projects.

// ETICHAL

> ISO37001:2016: obtain certification in Italy in 2020;

> Legality rating: confirm the highest score (3 stars) at the time of the two-year renewal;

> Adhere to the Global Compact.

// ATTRACTIVE

> Sustainable enhancement of the portfolio: complete restyling with improvements in the environmental impact of 10 shopping centers by 2030;

> Develop nationwide campaigns to raise the awareness of shopping center visitors regarding issues that reflect IGD's values;

> Innovation: define the digital strategy.

// TOGETHER

> "Progetto ascolto", a project focused on listening to the expectations of the Millennials for the shopping centers of the future;

> Engage tenants in issues related to sustainability;

> Shopping center as a civic space: partnerships with the local community to promote active participation and co-planning initiatives.

2.10.3 // The related risks and the policies/actions

Even though the Company is not required by law to prepare a Non- Financial Statement (pursuant to Legislative Decree 254/16, in implementation of EU Directive 2014/95/EU), IGD voluntarily worked to identify the risks connected to sustainability and classify them in relation to each material issue, while determining the policies/actions to be taken to mitigate any negative effects or transform the positive ones into opportunity, aware of the importance that this process may have for the company's business. The details of the risks identified can be found in the Corporate Sustainability Report in the chapter "Sustainability Strategy". With regard to climate change and the associated risks, beginning in 2019 IGD decided to address the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The purpose of the information requested is to foster greater understanding of IGD's approach to 4 areas: governance, strategy, risk management and the statistics/targets linked to climate change. Greater detail is provided in the chapter "Sustainability Strategy" in the CSR 2019.

> The steps taken and the performances achieved in 2019

The Corporate Sustainability Report provides a yearly report on both the actions taken and the socio-environmental performances achieved by the Company in the year. The data and the information in the report are subject to Limited Assurance based on ISAE 3000 procedures. The CSR 2019 can be found on the corporate website at:

https://www.gruppoigd.it/sostenibilita/bilancio-di-sostenibilita/archivio-bilanci/

2.11 // Outlook

In 2020 the Group will proceed confidently with the implementation of its investment plan. Officine Storiche in Livorno, the heart of the most important development project in the pipeline, will be inaugurated in 2020. This investment will provide new revenue to support the FFO growth forecast in the Plan, which the Company estimates currently should be around +2% in 2020.

In light of the recent events relating to the Coronavirus emergency, the Group is monitoring the situation carefully and will fully comply with any ordinances issued by the authorities, both national and local.
The Group's executives are carefully assessing the potential impact on the company's performance, which to date, 27 February 2020, cannot be estimated.

2.12 // 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 developed an integrated 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 Group's primary risks are listed below.

2.12.1 // Strategic risks

2.12.1.1 Risk - Changes in purchasing power (inflation, decreased consumption, etc.) and competition

Risk factors:

> Radical change in the consumer style of the end customer, which could have an impact on IGD's business linked to the shopping center model;

> Regulatory changes which could strongly impact the company's activities and 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 of the changes in consumer spending and inflation. Periodically, the Commercial Division analyzes the adequacy of the positioning and the offer, in order to take the steps needed to align commercial activities with marketing initiatives. 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 subject to the budget approved by the Board of Directors.

Looking at changing consumer trends, the Company also carefully analyzes the merchandising mix in order to understand the overlap between e-commerce, traditional retail and services which cannot be replicated, 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

DIRECTORS' REPORT
2.12 IGD SIIQ SPA'S AND THE GROUP'S PRIMARY RISKS AND UNCERTAINTIES

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.

2.12.1.2 Risk - changes in the global market /socio-political/regulatory environment

Risk factors:

> Strong inflationary pressure;

> General national/international economic crisis;

> Regulatory changes which have a strong impact on the regulations that the Company must comply with.

> Risk management

The Company constantly analyzes changes in the level of consumer spending and inflation rates through market studies, including those of specialized professionals. Management monitors the country's market conditions and political situation by looking at economic and financial stability indicators, as well as regulatory changes (introduction of new European and Italian laws/regulations) that could impact the company's compliance.

With regard to the Romanian market, Management constantly monitors the Country's economic performance, checking the main economic and financial stability indicators, like exchange rates, changes in the political scenario, the status of the European aid program, as well as any changes in local laws, in order to make sure no critical areas that could affect IGD's business have emerged.

2.12.1.3 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;

> Structural changes which affect the consumers' access to the retail market.

> Risk management:

The Marketing Department periodically monitors and analyzes the Company's and the sector's data vis-a-vis the performance of e-commerce and shares the findings 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 company's current 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 multichannel spaces). The constant monitoring of the tenant's performance statistics is key to implementing the commercial and marketing policies designed to limit the affects that this risk factor might have. 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.

2.12.1.4 Risk – relating to financial strategy and debt refinancing

Risk factors:

> Failed/ unclear identification of the Company's financial strategy resulting in delays in debt refinancing which could affect the ability to access the best sources of funding and cause the rating to be lowered.

> Risk management:

The Company's financial strategy is geared to maintaining rigorous financial discipline, consistent with the investment grade profile. The Company uses different sources for funding and looks for the best conditions available on the capital markets, while also working to expand the investor base. In recent years it has used the most sophisticated types of financing and is capable of managing the preliminary and contractual phases. In 2018 the Company signed a €200 million an unsecured syndicated loan deal with BNP Paribas. The syndication was completed on 29 March 2019 with the allocation of the tranches to the lenders. The Company used the funds from the loan to redeem a €125 million bond loan (coupon 3.875%) expiring in January 2019. On 28 November 2019 the Company also issued €400,000,000 in new notes, expiring 28 November 2024, payable yearly in arrears at a fixed rate of 2.125%. The proceeds from the issue were used, in part, to repurchase part of a €300 million and a €162 million bond issue, expiring in 2021 and 2022, respectively, and, in part, to fully redeem the bond expiring in 2021, as well as for general corporate purposes. The issue was well received by the market and initially oversubscribed by important, accredited domestic and foreign investors.

IGD also works with banks to obtain, as well as modify, mortgage and unsecured loans. The company has €60 million in committed credit lines and significant short-term credit lines.

In the period 2005 – 2018 the Company gathered €470 million on the equity capital markets.

2.12.1.5 Risk – Strategy and composition of the tenant mix / merchandising 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.

> 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.

With regard to the Romanian market, the decisions made relative to the tenant mix are linked to the location of the shopping center, the presence of one or more retail anchors, the existence (current or future) of competitors with similar offers. The Company also benchmark analysis tools to monitor competitors, trends, footfalls and brand positioning (market potential).

The subsidiary constantly checks changes in the Merchandising Mix and the Tenant mix through specific monthly reports in which the main performance indicators are looked at (Market Rent, occupancy, Merchandising Mix, Tenant Mix, weight of the international retailers, etc..).

2.12.1.6 Risk – Crisis of medium/large spaces (retail and hypermarkets)

Risk factors:

> Crisis of hypermarket retailers which could affect occupancy of large areas in shopping centers and their appeal, along with the Company's revenue;

> Crisis of large retail tenants which could affect occupancy of large areas in shopping centers and the Company's revenues.

> Risk management:

The Company constantly monitors the space reductions underway and remodels the shopping malls as needed or recalculates rents in order to render them more sustainable over time. The Commercial Division defined a synergic commercial strategy between hypermarkets and malls, strengthening the collaboration between marketing and management, in order to improve the customer experience. When looking at tenants, factors like the ability to attract customers with merchandise that reflects market trends, are taken into consideration.

The Company also began, a few years ago, to introduce new food and beverage services and entertainment based on the new retail market trends.

2.12.2 //Operational risks

2.12.2.1 Risks - natural disasters (earthquakes, floods) and damages caused by third parties

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;

> 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 the Asset Management, Development and Network Management 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 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.

2.12.2.2 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.
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 of good standing, 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.

DIRECTORS' REPORT
2.12 IGD SIIQ SPA'S AND THE GROUP'S PRIMARY RISKS AND UNCERTAINTIES

The Commercial Division works closely with the Legal and Corporate Affairs Division and also prepares periodic reports on credit collection for Management and the control bodies.

The consortia now use the same monitoring and credit collection activities as the Company, creating synergies allowing for the implementation of flexible procedures and periodic sharing of detailed reports with IGD's Commercial Division, and the Administrative, Legal and Corporate Affairs Division.

The operating structure of the Asset Management, Development and Network Management Division, divided into the central-northern and central-southern areas is such that the division guarantees a continuous regional presence which can monitor and foresee possible risk situations. 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.

2.12.2.3 Asset valuation risk

Risk 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, footfalls, support of the independent experts 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 rates, 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.

2.12.2.4 Contract risk

Risk factors:

> Problems managing the contractual relationship with tenants;

> Increased costs or loss of income.

> Risk management:

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. Guarantees in the form of sureties and security deposits, typically equal to six months' rent, are also typically requested before the lease is signed.

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 or unusual contractual clauses.

Management, if needed, also works with consultants who support the company in the search for new tenants and during negotiations.

2.12.2.5 Vacancy risk

Risk factors:

> Failure to reach the level of occupancy expected at the shopping centers which could impact appeal and profitability.

> Risk management:

The Company controls vacancy risk through promotional activities and incentive schemes involving current and potential tenants.

Intense public relations activities are carried out with the

DIRECTORS' REPORT
2.12 IGD SIIQ SPA'S AND THE GROUP'S PRIMARY RISKS AND UNCERTAINTIES

tenants in order to ensure optimal occupancy, including through investments in promotional activities and launches.

The commercial team is comprised of highly experienced sector professionals who work to reach the Group's objectives in terms of revenue and occupancy.

Monitoring the occupancy of the different shopping centers and determining any steps that need to be taken to reach a vacancy rate that is close to zero are part of the daily asset management activities. The company invests constantly in capex with a view to increasing the quality and appeal of the properties (including by changing layouts), adapting to changing market needs and/or changes in market conditions.

2.12.2.6 Information technology risk

Risk factors:

> Problems stemming from the correct functioning of the IT systems supporting the company's operations.

> Risk management:

The Company outsources the management of the IT systems.

During the year the Financial Reporting Officer carried out a 262 IT Test and a review of the IT systems used by the Company for administrative and accounting purposes. The Company deployed a software for the management of tenant leases, invoices and the reporting of the tenants' sales. Furthermore, following the update of the regulations governing Privacy, the Company took steps to comply with the new norms. The assessment of the control system and the definition of a specific gap analysis was assigned to an external legal consultant.

2.12.3 // Compliance risk

2.12.3.1 Fiscal risk

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 is 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 Director of Administrative, 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.

2.12.3.2 Privacy risk

Risk factors:

> Application of sanctions linked to violations of regulations protecting data and privacy.

> Risk management:

After the European Privacy Regulation ("GDPR") took effect, the Company worked to comply with the new regulation, under the supervision of the Administrative, Corporate and Legal Affairs Division and in collaboration with the General Services Office. The Company availed itself of a specialized legal consultant who supports the Data Protection Officer ("DPO"), appointed by the Company, in the compliance with the new law. The consultant interfaces with the DPO (who is part of the Administrative, Corporate and Legal Affairs Division), as well as the Commercial Division, responsible for the management of the IT systems which is outsourced to Coop Alleanza 3.0 soc. coop.

2.12.3.3 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 Group employees/staff members, without exception, who must ensure that they perform their duties in accordance with the standards included in the Code.
Toward this end, the Supervisory Board, instituted in accordance with the Decree, carries out its control and supervisory duties with the support of a specialized consultant in order to monitor compliance with the protocols, company procedures, as well as the functioning of and compliance with the Organizational Model. The Supervisory Board was constantly updated as to the controls adopted by the Company relating to seismic risk, which was also monitored as part of the Enterprise Risk Management system, including with a view to the possible impact on health and safety.
The Supervisory Board constantly updates and amends the Organizational 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.
In 2018, after Law n. 179 of 30 September 2017 (the "whistleblowing" law) took effect, the Organizational Model was updated in order to introduce a new whistleblowing system which is accessible via the home page of the company's website to all the Company's staff members and which guarantees anonymous reporting.
In 2019 the Company began the process needed to obtain ISO 37001 "Anti-Bribery Management Systems" certification which defines the standards for the anti-bribery management systems.

2.12.3.4 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 the utmost attention to the norms and regulations governing listed companies.

More in detail, Corporate & Legal Affairs, which is part of the Administrative, Legal and Corporate Affairs Division, and Investor Relations work to ensure compliance with the regulatory agencies and monitor any market disclosures. 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.

After the EU Regulation n. 596/2014 ("MAR") took effect, the Company adopted a new procedure for the management, handling and disclosure of confidential and privileged information and instituted an Insider Registry. The market rules and regulations are constantly monitored in order to understand the possible ramifications for the Company.

2.12.3.5 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

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

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 Internal Audit.

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, Corporate and Legal Affairs Division.

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 findings that emerge during the Testing 262 activities are analyzed periodically by the control bodies and the Board of Directors. The Company works constantly to make any changes recommended in order to continuously improve the administrative – accounting activities.

The Company also updated the "risk control matrix"; this activity involved the revision of key controls, in order to render the periodic audits more efficient.

2.12.4 // Financial risks

2.12.4.1 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, committed and uncommitted.

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, and (ii) fixed rate bond loans. Medium/long term borrowings 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 committed and uncommitted 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. Sensitivity cash flow

c. Stress tests

d. Probability of default

All the information pertinent to cash management and funding are managed by a single division. The figures are also integrated with the economic – financial figures of the Finance and Treasury Division by Planning and Control and included in the Business Plan.

The Company is now more attractive to investors than in the past as shown by the recent bond placements and the two new "Investment Grade" ratings received which confirm the Company's excellent credit profile. In April 2019 S&P Global Ratings assigned a "BBB-"(currently with a negative outlook) rating to IGD and in October, Fitch Ratings Ltd gave IGD a "BBB-" rating, with a stable outlook.

2.12.4.2 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 and Treasury Division and Top Management.

Over the years the Company has gradually increased hedges of interest rate risk and reduced the level of debt in terms of LTV.

The Finance Division monitors any changes in the main financial-economic indicators that could possibly impact the company's performance.

To manage this risk, the Group has entered into IRS or Interest Rate Swap agreements which allow the Group to cover about 94.8% 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. During the year the following financing transactions were finalized: i) a floating rate unsecured syndicated loan was obtained, hedged against interest rate risk through an Interest Rate Swap, ii) issue of fixed rate bond.

Following the change in the rating assigned by Moody's, the Finance Division is constantly verifying the parameters assessed by the three agencies 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.

2.12.4.3 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 quarterly 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.

2.13 // 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 2019 are provided in a section of the notes to the financial statements.

2.14 // Treasury shares

IGD had a total of 32,118 treasury shares at 31 December 2019, recognized as a €198,017 reduction in net equity.

2.15 // Research and development

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

2.16 // Significant transactions

During the year ended 31 December 2019, 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 Group companies.

2.17 // Comment on the Parent Company's financial and economic performance

The financial statements at 31 December 2019, being submitted to the shareholders for approval, show a net profit of €9,471 thousand. Total revenue and operating income amounted to €128.5 million, an increase against the prior year of €3.6 million or 2.9%, while operating costs including general expenses were lower than the previous year and lower as a percentage of revenue, going from 21.9% to 20.8%. These changes are mainly attributable to the full year contribution of the 4 shopping malls and retail park purchased in April 2018 and the application of IFRS 16 as of 1 January 2019.

EBIT, which amounted to €44 million, was €29.2 million lower than in the prior year due to the decrease in the real estate portfolio's fair value.

Financial charges amounted to €34.6 million at 31 December 2019, an increase of €3.1 million compared to 2018 due mainly to (i) the decrease in IRS spreads, (ii) the decrease in interest on bonds, (iii) the increase in charge on amortized costs, (iv) the increase in financial charges recognized in the reporting period as a result of IFRS 16 application, (v) higher interest on the loans used to purchase the 4 businesses finalized in April 2018, and (vi) higher financial charges on committed lines.

The net financial position was about €40 million higher.

2

3

// REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

DETAILED INDEX

3. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

// GLOSSARY

// Code/Corporate Governance Code

the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria in effect at the date of this report.

// Board

The Issuers' Board of Directors.

// Issuer or the Company

The company Immobiliare Grande Distribuzione SIIQ S.p.A. referred to in this Report.

// Year

Financial year, 2019, referred to in this Report.

// CONSOB Regulations for Issuers

The regulations for issuers approved CONSOB in Resolution n. 11971 of 14 May 1999, as amended.

// CONSOB Market Regulations

Market regulations issued by CONSOB pursuant to Resolution n. 20249 of 28 December 2017, **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.

// Testo Unico della Finanza/TUF

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 2019 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 2019 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 2019, 2018 and 2017 are below the threshold indicated by Consob, as shown below.

Sales			Average capitalization		
2019	2018	2017	2019	2018	2017
128,508,506	124,888,689	112,599,302	665,917,325	725,307,328	694,208,145

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
3.2 INFORMATION ON OWNERSHIP STRUCTURE (PURSUANT TO ART. 123-BIS, PAR. 1, T.U.F) AS AT 27 FEBRUARY 2020

3.2 // Information on ownership structure (pursuant to Art. 123-bis, par. 1, T.U.F.) as at 27 February 2020

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

The share capital approved at the date of this Report totals €650,000,000.00 of which is fully paid-in and subscribed, divided in 110,341,903 ordinary shares without a stated par value (see Table 1).

During an Extraordinary Shareholders' Meeting held on 11 November 2019, IGD's shareholders approved the proposal to voluntarily reduce share capital, pursuant to and in accordance with Art. 2445 of the Italian Civil Code, from €749,738,139.26 to €650,000,000.00. More in detail, share capital was reduced by €99,738,139.26, by allocating €8,154,918.00 to the legal reserve and €91,583,221.26 to a newly formed distributable capital reserve.

On 19 February 2020, as no creditors had expressed objections within the 90-day period provided for in Art. 2445, paragraph 3 of the Italian Civil Code, the capital reduction approved above was completed.

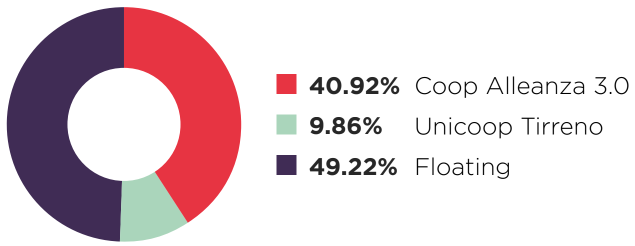
b) Share transfer restrictions (pursuant to Art. 123-bis, par- 1, letter b), TUF)

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 SHAREHOLDER BASE



***Note**: the interest held by Unicoop went from 12.03% to 9.86%. This percentage is based on information provided by the shareholder to the Company.*

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 the date of this report 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:

> 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;

> 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;

> 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;

> 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;

> On 28 November 2019 the Company repurchased part of the notes "*€300,000,000 2.500 per cent notes due 31 May 2021*" and the "*€162,000,000 2.650 per cent. Notes due 21 April 2022*" (outstanding notes) tendered as a result of the tender offer launched by BNP Paribas S.A., which settled on 22 November 2019. After the notes were repurchased, the Company requested the cancellation of the Existing Notes repurchased by IGD. The following table shows the outstanding nominal amount of the Existing Notes after such cancellation. At the same time, on 28 November 2019 the Company issued new fixed-rate senior notes "*€400,000,000 2.125 per cent. Fixed Rate Notes due 28 November 2024*" 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;

> 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 10 April 2019, 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 10 April 2019 available at http://www.gruppoigd.it/en/governance/shareholders-meeting/.

The Company had 35,825 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, paragraph 2, lett. a), TUF)

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 July 2018 version of the Code, applicable through 31 December 2020, is available on Borsa Italiana's website at: https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf.

In January 2020, the Corporate Governance Committee adopted a new version of the code that will be applied as of FY 2021. Toward this end, in 2020, the Company will assess the steps to take in order to comply with the recommendations in the new version of the Code.

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, Anti-corruption Policy) – 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.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
3.4 BOARD OF DIRECTORS

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 2020 equal to 2.5% of the Company's share capital, pursuant to Consob regulation n. 28 of 30 January 2020). 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 that receives a majority of the votes cast. Thus, if the candidates ranked with the highest quotients come from a single list, the candidate from the minority list 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 accordance with Article 5.C.2 of the Corporate Governance Code, on 27 February 2020 the Board of Directors, based on the proposal of the Nominations and Compensation Committee and the opinion of the Board of Statutory Auditors, began the procedure need to adopt a succession plan for the Chief Executive Officer.

3.4.2 // Composition (pursuant to Art. 123-bis, paragraph 2, lett. d) and d-bis), TUF)

The Board of Directors in office, appointed during the AGM held on 1 June 2018, 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.

The Board of Directors will remain in office through the Annual General Meeting convened to approve the financial statements at 31 December 2020.

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.

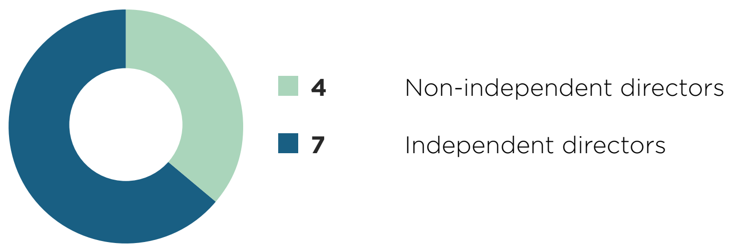
From List no. 2, submitted by the shareholder Unicoop Tirreno soc. Coop., were appointed the Directors Livia Salvini and Alessia Savino. This list was voted by 16.18% of the shares represented in AGM.

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.

Table 2 attached to this Report shows 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.

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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
3.4 BOARD OF DIRECTORS

// 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. 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. He is also a member of the coalition of Assoimmobiliare (Confindustria's real estate association) and the Advisory Board of EPRA (European Public Real Estate Association).

// 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' was Director of Asset Management and Development until 31 May 2019.

// Eric Jean Véron
Independent director

Eric Jean Veron, 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. 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 and became Vice Chairman in February 2019. 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, specializing 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 centers. Prior to focusing on Italy, he was active in the asset management of shopping centers in France and properties in Spain, Belgium and The Netherlands. He currently advises investors and financial advisors on the Italian retail market, helps sector companies with development and organizational plans, 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 UNIMORE – Marco Biagi Department of Economics, where she teaches banking and finance for three and five -year degree and programs, and collaborates with research centers like CEFIN (banks and finance) and Softech-ICT (AI and innovation). Statutory auditor at the Bank of Italy from 2007 through 2012, she has been a member of BPER's BoD since 2012 and is now a member of the Risk and Control Committee. Since 2016 she is a member of Abi Servizi S.p.A.'s BoD. She has been on the Board of MAT3D, spinoff of UNIMORE, as a university representative. She acted as an advisor for the European Commission's program Horizon 2020, Access to Finance Group from 2013 to 2018. From 2012 to 2019 she was 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 Administration, 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

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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 is a member of the BoD of Factorcoop S.p.A and of Enercoop Tirreno S.r.l.. 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.

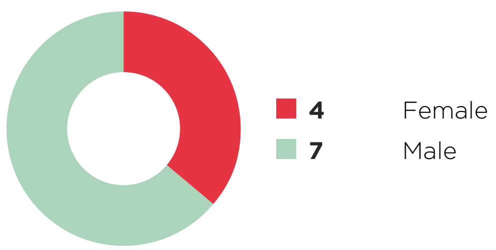
The composition of the Board of Directors also complies with the law governing gender equality in effect at the time the last board was appointed based on which at least one third of the Board members had to be of the least represented gender.

Toward this end, it's worth pointing out that Coop Alleanza 3.0 (previously Coop Adriatica) and 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 new Board of Directors and the Board of Statutory Auditors since the Shareholders meeting held on 19 april 2012.

On 1 January 2020, Law 160/2019 (the "**Budget Law**") took affect which amended Articles 147-ter, para.1-ter, and 148, para. 1-bis, of TUF, introduced in Law 120/2011.

Based on the Budget Law, the Board of Directors least represented gender must account for at least two fifths of the board members and this criterion is applicable for six consecutive mandates as of the first renewal of the Board of Directors appointed subsequent to the date on which the new law took effect.

> GENDER QUOTAS IN THE BOARD OF DIRECTORS



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
3.4 BOARD OF DIRECTORS

// 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 subsequently 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:
http://www.gruppoigd.it/en/governance/board-of-directors/.

Based on the regulations, the term "maximum number" does not refer solely to the number of offices held, but also attributes a weight to each type of appointment in relation to the nature and size of the company, as well as the position held by IGD's directors in other companies, in light of the fact that more time is dedicated to certain positions than to others. In light of this consideration, IGD's Board of Directors held that the weight to be attributed to the office of Chairman, Executive Director be different, for example, than that of a non-executive/independent director or member of the Board of Statutory Auditors as well as because of the possible membership in one or more Committees 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 27 February 2020 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.

// Induction Programme

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 17 December 2019, the Company published the following financial calendar which calls for 4 meetings to be held in 2020, in detail:

> **27 February 2020:** Board of Directors' meeting to examine the separate and consolidated financial statements at 31 December 2019;

> **7 May 2020:** Board of Directors' meeting to examine the Interim Management Statement at 31 March 2020;

> **6 August 2020:** Board of Directors' meeting to examine the Half-year Financial Report at 30 June 2020;

> **5 November 2020:** Board of Directors' meeting to

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

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examine the Interim Management Statement at 30 September 2020.

If the company deems it opportune it may convene, in accordance with the bylaws, other board of director meetings in 2020.

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 e-mail 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 2019 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, the Board of Directors held 10 meetings, on 26 February (in ordinary and extraordinary session), 10 April, 7 May, 25 June, 2 August, 11 October, 7 November, 11 November and 17 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 1 hour 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.

In accordance with 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 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, as well as diversity. If the Board avails itself of consultants to complete self-assessments, the report on corporate governance provides information about the identity of the consultants and any other services that might have been rendered to the company or a subsidiary;

i) In light of the results of the assessment referred to in letter h) above, prior to the appointment of the new Board of Directors provides shareholders with opinions about the type of professional that should be part of the Board, also taking into account the policies relating to diversity found in the Corporate Governance Code;

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; (v) about the goals, methods used and results obtained in terms of diversity based on the recommendations found in the Corporate Governance Code;

m) after the appointment of an independent director and, subsequently when circumstances materialize which could impact the latter's independent status and, at any

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

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

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;

r-bis) Approves the Anti-Corruption Policy, ensures that the company's strategy to prevent bribery and corruption complies the Policy, ensuring that the anti-corruption system is implemented and periodically examining the information about the content and functioning of the anti-corruption system;

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 disclosure 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;

> Selects one or more directors from the committee to institute and maintain an effective internal control and risk management system, as well as a Control and Risk Committee which complies with the Corporate Governance Code, in order to support the Board of Directors' assessments and decisions relative to the internal control and risk management system, as well as approved the periodic financial reports;

> 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 27 February 2020jnj 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 2019) as the Group's businesses are run by the subsidiaries.

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 2019, 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.

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.
9. Corporate Governance Code Art. 1.C.1 lett j) The Company adopted regulations for the management, handling and disclosure of priviledged and price sensitive information and a Registry of Insiders, approved by the Board of Directors on 8 November 2016 and subsquently updated on 3 August 2018
10. Corporate Governance Code Art. 5.C.2.
11. Art. 1 of the Corporate Governance Code.

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In accordance with the Corporate Governance Code and in light of the recommendations of the Corporate Governance Committee contained in the 2019 report, in 2019 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 2019, IGD hired the consulting company Egon Zehnder to help with this self-assessment process.

Please note that the consulting company Egon Zehnder also assists IGD with the planning of the Succession Plan for the Chief Executive Officer and other key positions in the Company.

The evaluation process was carried out on the basis of:

> Interviews of the Chairman, Chief Executive Officer and Chairman of each conducted in February 2020 based on the specific questionnaires, filled out by all the directors, prepared using methods deemed adequate for a Board in the second 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 coming years of the Board's mandate.

The Board Review results were presented during the Board of Directors' meeting held on 27 February 2020.

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

1. Qualitative/quantitative profile of the Board of Directors

2. Organization and functioning of the Board of Directors

3. Organization and functioning of the Board Committees

4. Role of the Chairman and relationships with the Directors and Management

5. Involvement of the Board in the strategies and risk management

6. Structure, succession plans and compensation policies

7. 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 second year of its mandate IGD's Board complied with the Corporate Governance Code and the recent recommendations of the Corporate Governance Committee in the 2019 Corporate Governance Report.

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 diverse composition which was reinforced following the arrival, on the occasion of the 2019 renewal, of competent and credible international who are also experts on Italy and 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 Directors, lastly, 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 the Board could reflect on/work on in the future:

> Appreciation was expressed for the Succession Plan drafted for the key resources, detailed and well structured, including with a view to motivation and retention, and rapid completion with timely updates is encouraged;

> The importance of medium/long-term strategies was confirmed with respect, specifically, to 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 was requested.

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].

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;

> 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;

12. Art. 1.C.4 of the Corporate Governance Code.
13. Art. 23 of the bylaws

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> 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 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.

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 17 December 2019, the Board of Directors approved the Anti-corruption Policy and requested that the Director in Charge of the Control and Risk Management System, also supervise the implementation and compliance of the anti-corruption management system in accordance with ISO 37001 regulations.

The Vice Chairman of the Board of Directors is Rossella Saoncella who was appointed by the Board during the meeting held on 6 June 2018 and granted her 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. Elio Gasperoni Chairman and confirmed his assignment as the Director in Charge of the Internal Control and Risk Management System. The Chairman, therefore, 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]).

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 27 February 2020 the Board of Directors confirmed that Luca Dondi Dall'Orologia, Elisabetta Gualandri, Sergio Lugaresi, Livia Salvini, Rossella Saoncella, Timothy Guy Michele Santini and Eric Jean Véron qualify as independent[18]. During the meeting on 27 February 2020 the independent directors stated that they still qualified as such pursuant to and in accordance with TUF, Consob Market Regulations and the Corporate Governance Code.

In accordance with the Corporate Governance Code, on 25 February 2020 the Board of Statutory Auditors verified that the criteria and procedures for assessing the independenceof its directors[19] were correctly applied by the Board.

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.

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

(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".*
18. *Corporate Governance Code Art. 3.C.4.*
19. *Corporate Governance Code Art. 3.C.5.*

The independent directors met on 27 February 2020 to discuss the topics of greatest interest with respect to the functioning of the Board of Directors and the company's operation.

3.4.7 // Lead Indipendent 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/.

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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 FUNCTIONS OF THE NOMINATIONS AND COMPENSATION COMMITTEE
(PURSUANT TO ART. 123-BIS, PARA. 2, LETTER D), TUF)

Nominations and Compensations Committee	
Rossella Saoncella	Chairman (Independent)
Livia Salvini	(Independent)
Timothy Guy Michele Santini	(Independent)

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 2019 the Committee met 5 (five) times, on 14 February, 18 February, 26 February, 28 March and 2 May. Director Livia Salvini attended 80% of the meetings and the remaining members attended 100% of the meetings. The Chairman of the Board of Statutory Auditors attended 3 (three) out of 5 (five) of the meetings.

Each meeting in 2019 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

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".

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motivate the individuals with the professional characteristics needed to successfully manage the Company and its subsidiaries.

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

The Nominations and Compensation Committee may also be called upon to provide the Board of Directors with an opinion about the periodic self-assessment, the optimal size and composition of the Board and to express opinions regarding the characteristics of the professionals that could improve the functioning of the Board, as well as the maximum number of assignments as director and statutory auditor in other companies, as well as any allowable exceptions to the non-compete clauses.

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

The Committee may also be called upon to express an opinion about the type of administrative body to be formed (single party or board), the number of members and the candidates to be presented for director, statutory auditor, chairman, vice chairman and general manager (and/or chief executive officer) of the subsidiaries or affiliates.

The Company will provide the Nominations and Compensation Committee with the financial resources needed to fulfil its duties.

Detailed information about the functions of the "Nominations and Compensation Committee" can be found in the Remuneration Report, published pursuant to Art. 123-ter of TUF, available on the website http://www.gruppoigd.it/en/governance/remuneration/.

3.8 // Directors' Remuneration

This information can be found in the report on remuneration and compensation paid, 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.

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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)

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 2019 the Committee met 6(six) times on 22 February, 2 May, 22 July, 26 July, 4 November and 9 December. All the members attended 100% of the meetings. The Chairman of the Risk and Control Committee, in compliance with Governance Code Art. 4. C.1.d, and following approval in 2016 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 83% of the Committee meetings.

Each meeting lasted approximately one hour and thirty-five minutes and proper 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;

> 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 2019 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 2019 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 2020 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.

(21). Art. 7 of the Corporate Governance Code.

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3.11 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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.

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.

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. Furthermore, in order to continuously improve and strengthen the corporate governance, consolidate the ethical business practices, as well as improve integrity and offset the risk of corruption, in 2019 the Company launched a project designed to further strengthen its anti-corruption controls. This called for the design and implementation of the anti-corruption systems in accordance with the international norm, ISO 37001:2016 (in synergy with the other anti-corruption compliance tools already adopted) in order to obtain the relative certification. During the meeting held on 17 December 2019, the Board of Directors approved the Anti-corruption Policy and requested that the Director in Charge of the Control and Risk Management System also supervise the implementation and compliance of the anti-corruption management system.

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

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;

viii) The governing body, top Management and the division responsible for compliance with anti-corruption measures.

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, as well as the division responsible for compliance with anti-corruption measures.

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.

(22). Comment - Art. 7 Corporate Governance Code.
(23). Comment - Art. 7 Corporate Governance Code.

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iv) Commitment to recruit, 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.

a) 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 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 business and changes in the market in order to identify any new risks;

> 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;

> Careful monitoring of the biggest risks and the relative controls.

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.

b) 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) Definition 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, including by way of specific monitoring of the main risks identified by interviewing management, gathering documentation and data analysis.

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) Implementation 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.

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c) 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.

d) 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) Evaluation 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 phases of the administrative-accounting control model are summarized 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 for 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 cor-

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porate 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.

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The Board of Directors assessed, based on the evaluations of both the Control and Risk Committee, which looked at the Risk Management outcomes, and the Director in Charge of Internal Control and Risk Management, the audits carried out by the Financial Reporting Officer and the reports submitted by Internal Audit and the Supervisory Board, as well as the division responsible for compliance with anti-corruption measures, the adequacy, efficacy and functioning of the internal control and risk management system.

3.11.1 // 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;

h) As an executive director, is in charge of the implementation and compliance with the anti-corruption management system making sure that the system, including the policies and targets, is established, implemented and re-evaluated in order to adequately address the risk of corruption in the organization. Toward this end, he periodically reports to the Board of Directors regarding the content and functioning of the anti-corruption management system and any allegations of serious or systematic corruption or when serious or systematic violations have occurred;

i) Appoints the anti-corruption compliance team which supervises the Company's planning and implementation of the system for the prevention of corruption.

3.11.2 // Head of Internal Audit

In 2019 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 Mario Galiano, of Grant Thornton Consultants srl, to act as Head of Internal Audit in outsourcing for the three-year period 2019-2020-2021.

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.

3.11.3 // Decree 231/2001 Organizational Model

In May 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 while carrying out their duties.

The Organizational Model comprises 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 professio-

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nal 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.

The current Supervisory Board, appointed by the Board of Directors on 6 June 2018, is comprised of 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 2019 the Supervisory Board met 6 (six) times on 24 January, 30 January, 18 April, 17 July, 29 October and 9 December. Chairman Gilberto Coffari and Alessandra De Martino attended 83% of the meetings and Paolo Maestri 100%.

Each meeting lasted approximately 1 hour and 15 minutes and proper minutes were taken.

The Model is also available on the company's website http://www.gruppoigd.it/en/governance/business-ethics/organizational-model/.

3.11.4 // 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 2019 can be found in the notes to the separate and consolidated financial statements.

3.11.5 // 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.

On 13 December 2018, the Board of Directors, after having received a favorable opinion from the Board of Directors, appointed Carlo Barban to act as the Financial Reporting Officer for an indefinite period of time, effective 1 January 2019, and assigned him his 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.

3.11.6 // 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 2019 was held on 25 February 2020 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.

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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
3.12 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

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 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)

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 2 (two) times in 2019, on 23 January and 4 November. All members attended 100% of the meetings. The Chairman of the Board of Statutory Auditors attended both of the meetings.

The meetings lasted an average of around 50 (fifty) 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 2019 the Board, taking into account the experience matured by the Company in the three year period 2017 - 2019 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://www.gruppoigd.it/Governance/Comitati/Comitato-per-le-operazioni-con-parti-correlate.

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 2020 equal to 2.5% of the Company's share capital as specified in CONSOB Resolution n. 28 of 30 January 2020).

The appointment and substitution of the standing and alternate auditors pursuant to Art. 26.9 of the bylaws 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.

Based on Art. 26 of the bylaws the members of the Board of Statutory Auditors are appointed 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 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)

The Board of Statutory Auditors is comprised of Anna Maria Allievi, Chairman, Daniela Preite and Roberto Chiusoli, Standing Auditors, and Pierluigi Brandolini, Laura Macrì and Paolo Prandi, Alternate Auditors.

The 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 since 1992 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 a Standing Auditor for Credito Emiliano S.p.A. and CIR S.p.A., as well as 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 2019 the Board of Statutory Auditors met 7 (seven) times on 11 February, 22 February, 19 March, 2 May, 31 July, 4 November, and 17 December with an overall attendance equal to 90%. The Chairman Anna Maria Allievi and the auditor Daniela Preite attended 100% of the meeting (attending 7 out of 7 meetings), while the auditor Roberto Chiusoli attended 71% of the meetings (5 out of 7 mee-

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tings).

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 25 February 2020, and notified the Board of Directors of the outcome. With regard to auditor Roberto Chiusoli, the Board of Statutory Auditors, also taking into account declarations made by Mr. Chiusoli when accepting the assignment, 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 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 in effect as of the renewal of the last board based on which at least one third of the statutory auditors must be of the least represented gender.

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.

On 1 January 2020, Law 160/2019 (the "**Budget Law**") took affect which amended Articles 147-ter, para.1-ter, and 148, para. 1-bis, of TUF, introduced in Law 120/2011.

Based on the Budget Law, the Board of Statutory Auditors least represented gender must account for at least two fifths of the board members and this criteria is applicable for six consecutive mandates as of the first renewal of the Board of Directors appointed subsequent to the date on which the new law took effect. On 30 January 2020 CONSOB, in Bulletin no. 1, clarified that for boards comprised of three members if the application of the criterion results in a fractional number, the number may be rounded to the lower amount.

3.15 // Relations with Shareholders

The Board of Directors appointed an Investor Relations Manager, Claudia Contarini, and set up a dedicated corporate unit: the IR Manager is part of the Planning, Control and IR Division (of which Raffaele Nardi is in charge), which reports directly to the Chief Executive Officer. There is a specific section on the Company's website (http://eng.gruppoigd.it/Investor-Relations) which contains updated information about the Company's stock (performance, dividend, ownership structure, etc.), annual and periodic financial reports, press releases, presentations made by management to the financial community, the financial calendar and the corporate events calendar. Other information of potential interest to shareholders, including information relating to Shareholders' Meetings and the Company's governance system, can be found in the Governance section of the Company's website (http://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 https://www.gruppoigd.it/en/governance/shareholders-meeting/ .

3.16 // Shareholders' Meetings (ex art. 123-bis, par.2 lett. c) TUF)

Pursuant to Art. 10.3 of the bylaws, the protocol for shareholders' meetings is formalized in a set of Regulations, approved by the shareholders in ordinary session.

In accordance with the law, the Shareholders' Meetings are convened as per the notice published on the Company's website and in at least one national daily newspaper.

Under Art. 125-bis TUF the notice of call must be published at least 30 days prior to the day in which the Shareholders' Meeting is to be held. The timeframe is different when the Shareholders' Meetings are called to (i) appoint members of the corporate bodies (i.e. 40 days prior to the day in which the Shareholders' Meeting is to be held); (ii) resolve on takeover bids (i.e. 15 days prior to the day in which the Shareholders' Meeting is to be held); and (iii) resolve on reducing share capital and appoint 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 five trading sessions prior to the date of the Shareholders' Meeting in first or single call or the seventh day of trading prior to the date of the Shareholders' Meeting (the record date) 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. Proof of voting rights may be submitted subsequent to having sent the question provided it is received within three days of the record date. 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, comma 2, lett. a), TUF)

The Company adopted the Decree 231/2001 Organizational Model as described in more detail in paragraph 3.11.03, to which you should refer.

3.18 // Subsequent Events

No changes took place in the corporate governance structure following the end of the year.

3.19 // Comments on the letter dated 19 december 2019 received from the chairman of the italian corporate governance committee

On 23 December 2019 the Company shared the letter received from the Chairman of the Italian Corporate Governance Committee on 19 December 2019 with the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors, while on 24 February 2020 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 27 February 2020 and the Board of Directors meeting held on the same day, convened to approve the draft financial statements at 31 December 2019.

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"Information on the ownership structure"

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// TABLE 3
"Structure of the Board of Statutory Auditors until 31 December 2019"

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"Offices held in other companies by Directors as at 31 December 2019"

// TABLE 5
"Offices held in other companies by Statutory Auditors as at 31 Deceber 2019"

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
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> TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE

Share Capital Structure

	N° of shares	% of share capital	Listed (indicate in which market) / 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 shareholders	% of ordinary capital	% of voting capital
Coop Alleanza 3.0	Coop Alleanza 3.0	**40.92%**	**40.92%**
Unicoop Tirreno	Unicoop Tirreno	**9.86%**	**9.86%**

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> TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES UNTIL 31 DECEMBER 2019

Board of Directors							Board of Directors							Control and Risk Committee		Nominations and compensation Committee		Related Party Transactions Committee	
Office		Members	Year of birth	Date of firts 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**	**6/6/2018**	Approval of Financial Statement at 31/12/2020	**M**	**X**				**3**	**10/10**						
Vice-Chairman		Rossella Saoncella	**1954**	**15/4/2015**	**6/6/2018**	Approval of Financial Statement at 31/12/2020	**M**			**X**	**X**	**-**	**10/10**			**5/5**	**P**		
Chief Executive Officer	◊	Claudio Albertini	**1958**	**28/4/2006**	**6/6/2018**	Approval of Financial Statement at 31/12/2020	**M**	**X**				**-**	**10/10**						
Director		Gian Maria Menabò	**1959**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**		**X**			**-**	**7/10**						
Director		Eric Jean Véron	**1974**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**m**			**X**	**X**	**14**	**10/10**					**2/2**	**M**
Director		Livia Salvini	**1957**	**19/4/2012**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**m**			**X**	**X**	**2**	**8/10**			**4/5**	**M**	**2/2**	**M**
Director		Luca Dondi Dall'Orologio	**1972**	**3/3/2006**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**			**X**	**X**	**2**	**10/10**	**6/6**	**M**			**2/2**	**P**
Director		Sergio Lugaresi	**1957**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**			**X**	**X**	**-**	**7/10**	**6/6**	**M**				
Director		Timothy Guy Michele Santini	**1966**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**m**			**X**	**X**	**-**	**10/10**			**5/5**	**M**		
Director		Elisabetta Gualandri	**1955**	**19/4/2012**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**			**X**	**X**	**3**	**7/10**	**6/6**	**P**				
Director		Alessia Savino	**1967**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**m**		**X**			**4**	**9/10**						
N. of meetings held during the year under review (from 1 january 2019): 10							Control and Risk Committee: 6					Nominations and Compensation Committee: 5				Related Party Transactions Committee			
Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 147-ter TUF): 2.5% of the share capital							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												

NOTE

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 Indipendent 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 repèorts 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 directors' role in the Board committees is indicated in this column: "C": chairman; "M": member.*

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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
TABLES

> TABLE 3: “OFFICES HELD IN OTHER COMPANIES BY DIRECTORS AS AT 31 DECEMBER 2019”

Board of Statutory Auditors									
Office	Members	Year of birth	Date of firts appointment*	In office since	In office until	List **	Indip. as per the code	Attendance at the Board of Statuatory Auditors' meetings ***	N. of other appointments ***
Chairman	Anna Maria Allievi	**1965**	**15/4/2015**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**m**	**X**	**7/7**	**10**
Standing Auditor	Daniela Preite	**1969**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**	**X**	**7/7**	**5**
Standing Auditor	Roberto Chiusoli	**1964**	**28/4/2006**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**	**X**	**5/7**	**22**
Alternate Auditor	Pierluigi Brandolini	**1970**	**15/4/2015**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**			
Alternate Auditor	Laura Macrì	**1970**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**M**			
Alternate Auditor	Paolo Prandi	**1961**	**1/6/2018**	**1/6/2018**	Approval of Financial Statement at 31/12/2020	**m**			
AUDITORS TERMINATED DURING THE RELEVANT YEAR									
	Surname Name								
Number of meetings held during the year under review: 7									

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 148 TUF): 2.5% of the share capital

NOTE

* *By date of first appointment of each auditor we refer to the date in which the auditorr has been appointed for the first time (ever) on the Issuer' Board of Stuatory Auditors;*

** *This column indicates whether the auditor was elected from a Majority list “M” or a minority list “m”;*

*** *Attendance at the Board of Statutory Auditors 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);*

**** *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 IN OTHER COMPANIES BY DIRECTORS AS AT 31 DECEMBER 2019”

Directors	Office held	Company
ELIO GASPERONI Chairman	Director	FEDERAZIONE DELLE COOPERATIVA DELLA PROVINCIA DI RAVENNA S.C.P.A.
	Chairman of BoD.	MER.CO.RA. S.R.L.
	Director	PARFINCO S.P.A.
ROSSELLA SAONCELLA Vice Chairman	/	/
CLAUDIO ALBERTINI Chief Executive Officer	/	/
GIAN MARIA MENABÒ Director	/	/
ERIC JEAN VÉRON Director	Chief Executive Officer	Bonsol S.R.L.
	Chief Executive Officer	IFP S.R.L.
	Chief Executive Officer	IMPIANTI FTV S.R.L.
	Sole Manager	NEPHOS S.R.L.
	Director	RED FOAL S.R.L.
	Chief Executive Officer	VAILOG COLLEFERRO 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	VAILOG S.R.L.
	Chief Executive Officer	NEPHOS PROPERTY MANAGEMENT S.R.L.
	Sole Manager	NEPHOS HOLDING B.V.
	Sole Manager	NOREV B.V.
	Chief Executive Officer	VALPAR B.V.
LIVIA SALVINI Director	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 - SOCIETÀ 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.
	Director	FACTORCOOP S.P.A.
	Director	ENERCOOP TIRRENO S.P.A.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
TABLES

> TABLE 5: OFFICES HELD BY THE STATUATORY AUDITORS AS AT 31 DECEMBER 2019

Auditor	Offices held	Company
ANNA MARIA ALLIEVI Board Statutory Auditors	Standing Auditor	CREDEM S.P.A.
	Standing Auditor	CIR S.P.A.
	Standing Auditor	SERAM S.P.A.
	Chairman of the Board of Statuatory Auditors	CEM S.P.A.
	Chairman of the Board of Statuatory Auditors	AEMME LINEA AMBIENTE S.R.L.
	Standing Auditor	ASM S.R.L.
	Chairman of the Board of Statuatory Auditors	CERNUSCO VERDE S.R.L.
	Standing Auditor	ATINOM S.P.A. in liquidazione
	Chairman of the BoD.	COOPERATIVA LE SFERE S.A.R.L.
	Standing Auditor	A2A RINNOVABILI S.P.A.
DANIELA PREITE Standing Auditor	Vice Chairman of the BoD.	COOP LOMBARDIA SOC.COOP. A.R.L.
	Directors	SCUOLA COOP - Istituto Nazionale di Formazione delle Cooperative di Consumatori
	Standing Auditor	INSIEME SALUTE - Società di Mutuo Soccorso
	Standing Auditor	CASSA MUTUALISTICA INTERAZIENDALE
	Chairman of the Executive Committee	CONSORZIO SOLIDALE 2016
ROBERTO CHIUSOLI Standing Auditor	Standing Auditor	UNIPOL GRUPPO S.P.A.
	Standing Auditor	COMPAGNIA ASSICURATRICE LINEAR S.P.A.
	Chairman of the Board of Statuatory Auditors	GRANAROLO S.P.A.
	Chairman of the Board of Statuatory Auditors	GRUPPO UNA S.P.A.
	Standing Auditor	SACMI IMOLA S.C.
	Chairman of the Board of Statuatory Auditors	CAMST S.C. A R.L.
	Chairman of the Board of Statuatory Auditors	CEFLA S.C.
	Standing Auditor	SIAT S.P.A.
	Member of the Supervisory Board	CONSORZIO INTEGRA S.C.
	Chairman of the Board of Statuatory Auditors	ROBINTUR S.P.A.
	Standing Auditor	UNIPOL INVESTMENT S.P.A.
	Standing Auditor	CASA DI CURA VILLA DONATELLO S.P.A.
	Standing Auditor	CONSORZIO CASTELLO
	Standing Auditor	UNIPOL FINANCE S.R.L.
	Chairman of the Board of Statuatory Auditors	SACMI SERVICE S.P.A.
	Chairman of the Board of Statuatory Auditors	SINERGO S.P.A.
	Chairman of the Board of Statuatory Auditors	FONDAZIONE UNIPOLIS
	Chairman of the Board of Statuatory Auditors	UNIPOLPART S.P.A.
	Standing Auditor	ALFAEVOLUTION TECHNOLOGY S.P.A.
	Chairman of the Board of Statuatory Auditors	UNIPOLSAI SERVIZI CONSORTILI
	Standing Auditor	BANCA DI BOLOGNA REAL ESTATE S.P.A.
	Standing Auditor	ALLEANZA 3,0

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// IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

DETAILED INDEX

IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.1 CONSOLIDATED INCOME STATEMENT

4.1 // Consolidated income statement

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)-(B)
Revenue	1	155,259	151,760	3,499
Revenues from third parties		113,375	109,105	4,270
Revenues from related parties		41,884	42,655	(771)
Other revenue	2.1	6,383	6,309	74
Other revenues from third parties		3,791	3,869	(78)
Other revenues from related parties		2,592	2,440	152
Revenues from property sales	2.2	406	4,445	(4,039)
Operating revenues		162,048	162,514	(466)
Change in inventory	6	1,288	(4,365)	5,653
Revenues and change in inventory		163,336	158,149	5,187
Construction costs for the period	6	1,729	564	1,165
Service costs	3	15,847	23,889	(8,042)
Service costs from third parties		12,587	20,684	(8,097)
Service costs from related parties		3,260	3,205	55
Cost of labour	4	10,217	9,810	407
Other operating costs	5	10,823	10,372	451
Total operating costs		38,616	44,635	(6,019)
Depreciatoins, amortization and provisions		(1,026)	(1,104)	78
(Impairment losses) / Reversals on work in progress and inventories		(992)	(234)	(758)
Provisions for doubtful accounts		(561)	(884)	323
Change in fair value		(71,796)	(42,902)	(28,894)
Net revaluation acquisition		-	12,857	(12,857)
Depreciation, amortization, provisions, impairment and change in fair value	7	(74,375)	(32,267)	(42,108)
EBIT		50,345	81,247	(30,902)
Income / (loss) from equity investments and asset disposal	8	11	(85)	96

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)-(B)
Financial Income		86	92	(6)
Financial income from third parties		84	89	(5)
Financial income from related parties		2	3	(1)
Financial Charges		36,840	32,590	4,250
Financial Charges from third parties		36,736	32,554	4,182
Financial Charges from related parties		104	36	68
Net financial income (expense)	9	(36,754)	(32,498)	(4,256)
Pre-tax profit		13,602	48,664	(35,062)
Income taxes	10	1,011	2,276	(1,265)
NET PROFIT FOR THE PERIOD		12,591	46,388	(33,797)
Non-controlling interests in (profit) / loss for the period		-	-	-
Profit / (loss) for the period attributable to the Parent Company		12,591	46,388	(33,797)
Basic earnings per share	11	0.114	0.459	(0.345)
Diluted earnings per share	11	0.114	0.459	(0.345)

4.2 // Consolidated statement of comprehensive income

(In thousands of Euros)	31/12/2019	31/12/2018
Net profit for the period	**12,591**	**46,388**
Other components of comprehensive income that will not be reclassified to profit		
Recalculation of defined benefit plans	**(290)**	**262**
Total other components of comprehensive income that will not be reclassified to profit / (loss)	**(290)**	**262**
Other components of comprehensive income that will be reclassified to profit / (loss)		
Effects of hedge derivatives on net equity	**(820)**	**3,181**
Tax effects of hedge derivatives on net equity	**278**	**(684)**
Other effects on income statement components	**(133)**	**(10)**
Total other components of comprehensive income that will be reclassified to profit / (loss)	**(675)**	**2,487**
Total comprehensive profit / (loss) for the period	**11,626**	**49,137**
Non-controlling interests in (profit) / loss for the period	**0**	**0**
Profit / (loss) for the period attritable to the Parent Company	**11,626**	**49,137**

4.3 // Consolidated statement of financial position

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)-(B)
NON CURRENT ASSETS:				
Intangible assets with finite useful lives				
Goodwill	12	**50**	**34**	**16**
	13	**12,485**	**12,662**	**(177)**
		12,535	**12,696**	**(161)**
Property, plant, and equitipment				
Investment property	14	**2,365,214**	**2,346,527**	**18,687**
Buildings	15	**7,643**	**7,887**	**(244)**
Plant and machinery	16	**161**	**213**	**(52)**
Equipment and other goods	16	**1,166**	**968**	**198**
Leasehold improvements	16	**0**	**547**	**(547)**
Asset under construction and advance payments	17	**40,827**	**36,563**	**4,264**
		2,415,011	**2,392,705**	**22,306**
Other non-current assets				
Sundry receivables and other non-current assets	19	**118**	**111**	**7**
Equity investments	20	**223**	**277**	**(54)**
Non-current financial assets	21	**174**	**243**	**(69)**
		515	**631**	**(116)**
TOTAL NON-CURRENT ASSETS (A)		**2,428,061**	**2,406,032**	**22,029**
CURRENT ASSETS:				
Work in progress inventory and advances	22	**33,602**	**33,213**	**389**
Trade and other receivables	23	**11,114**	**12,916**	**(1,802)**
Related party trade and other receivablles	24	**921**	**2,024**	**(1,103)**
Other current assets	25	**3,084**	**5,438**	**(2,354)**
Related parties financial receivables and other current financial assets	26	**0**	**96**	**(96)**
Cash and cash equivalents	27	**128,677**	**2,472**	**126,205**
TOTAL CURRENT ASSETS (B)		**177,398**	**56,159**	**121,239**
TOTAL ASSETS (A+B)		**2,605,459**	**2,462,191**	**143,268**

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)-(B)
NET EQUITY:				
Share capital		**749,738**	**749,738**	**-**
Share premium reserve		**30,058**	**31,504**	**(1,446)**
Treasury share reserve		**(198)**	**(492)**	**294**
Other reserves		**416,263**	**410,601**	**5,662**
Group profit		**15,153**	**60,987**	**(45,834)**
Total Group net equity		**1,211,014**	**1,252,338**	**(41,324)**
Capital and reserves of non-controlling interests		**0**	**0**	**0**
TOTAL NET EQUITY (C)	28	**1,211,014**	**1,252,338**	**(41,324)**
NON CURRENT LIABILITIES:				
Derivatives - liabilities	42	**17,365**	**17,364**	**1**
Non-current financial liabilities	29	**1,232,669**	**884,197**	**348,472**
Previsions for employee severance indemnities	30	**3,057**	**2,567**	**490**
Deferred tax liabilities	18	**26,313**	**26,340**	**(27)**
Previsions for risks and future charges	31	**4,068**	**5,567**	**(1,529)**
Sundry payables and other non-current liabilities	32	**8,152**	**7,850**	**302**
Related parties sundry payables and other non-current liabilities	32	**13,721**	**11,892**	**1,829**
TOTAL NON-CURRENT LIABILITIES (D)		**1,305,345**	**955,807**	**349,538**
CURRENT LIABILITIES:				
Current financial liabilities	33	**58,820**	**226,475**	**(167,655)**
Trade and other payables	34	**15,960**	**14,301**	**1,659**
Related parties trade and other payables	35	**1,031**	**736**	**295**
Current tax liabilities	36	**2,601**	**2,373**	**228**
Other current liabilities	37	**10,688**	**10,161**	**527**
TOTAL CURRENT LIABILITIES (E)		**89,100**	**254,046**	**(164,946)**
TOTAL LIABILITIES (F=D+E)		**1,394,445**	**1,209,853**	**184,592**
TOTAL NET EQUITY AND LIABILITIES (C+F)		**2,605,459**	**2,462,191**	**143,268**

4.4 // Consolidated statement of changes in equity

(In thousands of Euros)	Share Capital	Share premium reserve	Other reserves	Group profit	Group net equity	Non-controlling interests capital and reserves	Total net equity
Balance at 01/01/2019	**749,738**	**31,504**	**410,109**	**60,987**	**1,252,338**	**0**	**1,252,338**
FTA IFRS 16	**0**	**0**	**1,886**	**0**	**1,886**	**0**	**1,886**
Balance at 01/01/2019 post IFRS 16	**749,738**	**31,504**	**411,995**	**60,987**	**1,254,224**	**0**	**1,254,224**
profit of the year	**0**	**0**	**0**	**12,591**	**12,591**	**0**	**12,591**
Cash flow hedge derivative assessment	**0**	**0**	**(542)**	**0**	**(542)**	**0**	**(542)**
Other comprehensive income (losses)	**0**	**0**	**(423)**	**0**	**(423)**	**0**	**(423)**
Total comprehensive profit (losses)	**0**	**0**	**(965)**	**12,591**	**11,626**	**0**	**11,626**
Sale of treasury shares	**0**	**0**	**294**	**0**	**294**	**0**	**294**
Change in capital increase costs	**0**	**0**	**23**	**0**	**23**	**0**	**23**
Allocation of 2018 profit							
Dividends paid	**0**	**(1,446)**	**(557)**	**(53,150)**	**(53,153)**	**0**	**(53,153)**
To legal reserve	**0**	**0**	**1,893**	**(1,893)**	**0**	**0**	**0**
To other reserve	**0**	**0**	**3,382**	**(3,382)**	**0**	**0**	**0**
Balance at 31/12/2019	**749,738**	**30,058**	**416,065**	**15,153**	**1,211,014**	**0**	**1,211,014**

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(In thousands of Euros)	Share Capital	Share premium reserve	Other eserves	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 of 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
Share capital increase	149,978	0	0	0	149,978	0	149,978
Sale of unexercised rights option	0	1,553	0	0	1,533	0	1,533
Share capital increase costs	0	0	(4,172)	0	(4,172)	0	(4,172)
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 legal 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

(In thousands of Euros)	31/12/2019	31/12/2018
CASH FLOW FORM OPERATING ACTIVITIES:		
Pre-tax profit	13,602	48,664
Adjusments to reconcile net profit with cash flow generated (absorbed) by operating activities:		
Financial charges / (income)	36,752	32,590
Depreciation, amortization and provisions	1,026	1,104
Writedown of receivables	561	884
(Impairment losses) / reversal on work in progress	992	234
Changes in fari value - increases / (decreases)	71,796	42,902
Net (Revaluation) of the acquisition on 4 business divisions	0	(12,857)
Gains/losses from disposal - equity investments	0	85
CASH FLOW FROM OPERATING ACTIVITIES	124,729	113,606
Financial charge paid	(35,385)	(30,040)
Income tax	(1,476)	(1,429)
CASH FLOW FROM OPERATING ACTIVITIES NET OF TAX	87,868	82,137
Change in inventory	(1,309)	4,176
Net change in current assets and liabilities w. third parties	7,343	(4,160)
Net change in non-current assets and liabilities w. third parties	(1,368)	(1,188)
CASH FLOW FROM OPERATING ACTIVITIES	92,534	80,965
(Investments) in non-current assets	(40,236)	(20,279)
Disposal of non-current assets	12,800	36
(Investment) in 4 business divisions net of cash and cash equivalents aquired	0	(104,640)
(Investment) in equity interests	(59)	0
CASH FLOW FROM INVESTING ACTIVITIES	(27,495)	(124,883)
Change in non-current financial assets	69	(8)
Change in financial receivables and other current financial assets	0	42
Disposal/(purchase) of treasury shares	294	(366)
Capital increase net of costs	23	147,339
Distribution of dividends	(55,153)	(55,171)

(In thousands of Euros)	31/12/2019	31/12/2018
Change in current debt	**(177,391)**	**(7,271)**
Change in non-current debt	**293,379**	**(40,674)**
CASH FLOW FROM FINANCIG ACTIVITIES	**61,221**	**43,891**
Exchange rate differences on cash and cash equivalents	**(133)**	**(10)**
NET INCREASE (DECREASE) IN CASH BALANCE	**126,127**	**(37)**
CASH BALANCE AT BEGINNING OF THE PERIOD	**2,472**	**2,509**
RGD Ferrara cash balance	**78**	**0**
CASH BALANCE AT END OF THE PERIOD	**128,677**	**2,472**

4.6 // Notes to the financial statements

4.6.1 // General information

The consolidated financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2019 were approved and authorized for publication by the Board of Directors on 27 February 2020.

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.

4.6.2. // Summary of accounting standards

4.6.2.1. // Preparation criteria

> Statement of compliance with International Accounting Standards

The 2019 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 new accounting standard **IFRS 16 - Leases**, which replaces IAS 17 ("Leasing") and its interpretations, has been applied since 1 January 2019. A lessee holding a lease with a term of more than 12 months is now 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.

The Group has used 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 adoption. The right-of-use asset has been recognized as investment property under property, plant and equipment; in accordance with IFRS 16 and IAS 40, its fair value has been appraised by independent experts. Changes in fair value have been recognized in a separate equity reserve during the transition to the new standard, and will subsequently be recognized under "Fair value changes" in the income statement.

To determine the fair value of the right-of-use, for each asset held under an operating lease (three malls that are in turn rented to third parties and a parking lot at Centro d'Abruzzo shopping center), the Group has discounted to present value the estimated cash flows over the life of the rental contracts. Unlike traditional real estate appraisals, the terminal value at the end of the explicit period has not been considered.

In light of the lease contracts for the parking lot and the malls at Centro Nova, Centro Piave, and Fonti del Corallo shopping centers, as of 1 January 2019 the Group has recognized a right-of-use asset under investment property in the amount of €66,431K and a lease liability of €62,920K. 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, is recognized in a separate equity reserve amounting to €2,668K net of the tax effect. As required by IAS 40, the value in use of the malls at Centro Nova, Centro Piave, and Fonti del

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Corallo shopping centers includes the value of plant and leasehold improvements recognized separately until 31 December 2018 (€634K); therefore, as of 1 January 2019 the Group has written off that amount by reducing, net of the tax effect, the positive equity reserve for first-time adoption of IFRS 16.

Under the rules for first-time adoption of IFRS 16, the value of the commercial licenses for the mall at Fonti del Corallo shopping center has been reduced by €300K to bring it into line with selling value.

The net positive impact of IFRS 16 on shareholders' equity at 1 January 2019, net of the tax effect, amounts to €1,886K.

In accordance with IAS 40, at the end of every financial period the Group will adjust the right-of-use assets recognized under investment property on the basis of independent appraisals. At 31 December 2019 this fair value adjustment led to a writedown of €11,851K.

The table below shows the income statement effects of IFRS 16 for the period ended 31 December 2019:

> EFFECTS OF IFRS 16 FOR THE PERIOD ENDED 31 DECEMBER 2019

Amounts in thousand of Euro	31.12.2019
Lower payable leases 2019	**10,302**
Lower depreciation due to plants transfer and improvement on leasehold goods in "Centro Nova" and "Centro Piave"	**310**
Higher impairment due to rights of use of the shopping centers affected by IFRS16 measured at fair value	**(11,851)**
Higher financial charges	**(1,931)**
Fiscal effect	**832**
Income statement total negative effect due to IFRS16 adoption	**(2,338)**

In adopting IFRS 16, the Group has opted for the exemption permitted by IFRS section 16:5 (a) with respect to short-term leases. Likewise, the Group has opted for the exemption permitted by IFRS 16:5 (b) with respect to leases for which the underlying asset qualifies as low-value. For these leases, the introduction of IFRS 16 has not resulted in the recognition of a lease liability and right-of-use asset, but the lease installments are recognized in profit or loss on a straight line basis over the lease term.

On December 12, 2017 the IASB published "Annual Improvements to IFRSs: 2015-2017 Cycle." The main improvements concern:

> IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

To clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. This is not the case if an entity obtains joint control.

> IAS 12 Income Taxes

to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

Adoption of the amendment has not affected the Group's consolidated financial statements.

On 7 February 2018 the IASB published the document **"Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)"** to clarify how an entity should treat an amendment, curtailment or settlement of a defined benefit plan. The entity is now required to update assumptions and remeasure the net liability or asset arising from the plan, and after the event takes place, it must use those updated assumptions to measure the current service cost and net interest for the period after the remeasurement. The rule has not affected the Group's consolidated financial statements.

On 7 June 2017 the IASB published **"Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)"**. The interpretation requires entities to analyze uncertain tax treatments (individually or collectively, depending on the circumstances) on the assumption that the taxation authority will examine the amounts and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that the taxation authority will accept a particular tax treatment, it has to reflect the impact of the uncertainty when measuring its current and deferred income taxes. The interpretation includes no new mandatory disclosures, but requires the entity to determine whether it should provide information on the considerations made by management regarding the uncertainty of its accounting tax position, in accordance with IAS 1. The new interpretation has been applied since 1 January 2019. The rule 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

> On 31 October 2018 the IASB published the document "**Definition of Material (Amendments to IAS 1 and IAS 8)**", which changed the definition of the term "material" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards. It clarifies that information is "obscured" if it has been described in such a way as to have an effect on primary readers of financial statements similar to that which would have occurred if such information had been omitted or incorrect. The changes were approved on 29 November 2019 and apply to all transactions after 1 January 2020. The directors do not expect the amendment to have a significant impact on the consolidated financial statements.

> On 29 March 2018, the IASB amended the **"References to the Conceptual Framework in IFRS Standards."** The amendment is effective for periods beginning on or after 1 January 2020, although early adoption is permitted. The Conceptual Framework defines the basic concepts for financial reporting and guides the Board in its development of the IFRS. It helps ensure that the standards are conceptually consistent and that similar transactions are treated in the same way, to provide useful information to investors, lenders and other creditors. The Conceptual Framework helps companies develop accounting policies when no IFRS applies to a particular transaction and, more generally, assists all parties in understanding and interpreting the IFRS. The directors do not expect the amendment to have a significant impact on the consolidated financial statements;

> On 26 September 2019, the IASB published **"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform."** These modify IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment introduces temporary exceptions to some of the hedge accounting requirements, to mitigate the impact of uncertainty on future cash flows while the IBOR reform is still ongoing. The amendment also requires companies to make additional financial statement disclosures on the hedging relationships directly affected by the uncertainty of the IBOR reform to which they apply these exceptions. The amendments are effective from 1 January 2020, with early adoption permitted. The directors do not expect them to have an impact on consolidated financial statements.

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:

> On 22 October 2018 the IASB published the document **"Definition of a Business (Amendments to IFRS 3)"**, which provides clarifications on how to define a business for the purposes of correctly applying IFRS 3. Specifically, it clarifies that while a business usually creates an output, the presence of an output is not strictly necessary to identify a business where there is an integrated set of activities/processes and assets. However, to satisfy the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. To that end, the IASB has replaced the phrase "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist even if it does not have all the inputs and processes needed to produce an output. The amendment has also added an optional "concentration test," which allows an entity to exclude a business if the price paid for it refers substantially to a single asset or a group of assets. The changes apply to all business combinations and asset acquisitions occurring after 1 January 2020;

> On 18 May 2017 the IASB published **"IFRS 17 – Insurance Contracts"**, which will replace IFRS 4 of the same designation. The new standard aims to make sure an entity

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gives pertinent information that accurately represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses of existing practices, by providing a single, principle-based framework to account for all insurance contracts, including reinsurance contracts. The new standard also includes presentation and disclosure requirements to improve comparability among the entities belonging to this sector. Entities must apply the new standard to insurance and reinsurance policies issued, to reinsurance policies held, and to investment contracts with a discretionary participation feature (DPF). The standard is effective from 1 January 2021.

4.6.2.2. // Consolidation

a) Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 31 December 2019, prepared by the directors of the consolidated companies and adjusted, where necessary, to align them with the Group's IFRS-compliant accounting and classification policies. As mentioned in Section 2.1 of this report, on 30 September 2019 the wholly-owned subsidiary IGD Management S.r.l. purchased the remaining 50% of RGD Ferrara 2013 S.r.l. (owner of the Darsena City business since 2013), of which it was previously joint owner. Therefore, at 31 December 2019, the Group owned 100% of RGD Ferrara 2013 S.r.l. and the subsidiary was consolidated on a line-by-line basis. This entailed consolidating its statement of financial position data as of 31 December 2019 and its income statement figures for the period 1 October 2019 - 31 December 2019.

In short, the acquisition of RGD Ferrara 2013 S.r.l. contributed the following opening balance sheet figures at 30 September 2019 (in €/000):

Asset / Liabilities values	30/09/2019
Goodwill	**115**
Deferred tax assets	**74**
Receivables and other current assets	**177**
Cash	**78**
Assets	**444**
Financial liabilities to non current associates	**95**
Payables and other current liabilities	**243**
Liabilities	**338**
Net equity (A)	**106**
Acquisition value of equity investment in IGD Management (B)	**59**
Carrying amount of equity investment in IGD at 31 December 2018 (B)	**54**
Higher acquisition value vs. acquired assets / liabilities to goodwill (B-A)	**7**

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.

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	Registred office	Country	Share capitale	Currency	% of consolidated Group interest	Held by	% of share capital held	Activities
Parent company								
IGD SIIQ S.p.A.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**749,738,139.26**	Euro				Shopping center management
Subsidiaries fully consolidated								
IGD Management S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**75,071,221.00**	Euro	**100%**	IGD SIIQ S.p.A.	**100.00%**	Shopping center management and services
Millennium Gallery S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**100,000.00**	Euro	**100%**	IGD SIIQ S.p.A.	**100.00%**	Shopping center management
Porta Medicea S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**60,000,000.00**	Euro	**100%**	IGD Management S.r.l.	**100.00%**	Construction and marketing company
Win Magazin S.A.	Bucarest	Romania	**113,715.30**	Lei	**100%**	IGD Management S.r.l. 99.9% IGD SIIQ S.p.A. 0.01%	**100.00%**	Shopping center management
Winmarkt Management S.r.l.	Bucarest	Romania	**1,001,000**	Lei	**100%**	Win Magazin S.A.	**100.00%**	Services, Agency and facility management
Arco Campus S.r.l.	Bologna via dell'Arcoveggio n.49/2	Italy	**1,500,000.00**	Euro	**99.98%**	IGD SIIQ S.p.A.	**99.98%**	Activities of asset management, sport facilities and equipments management, construction, sale and rent of properties to be used for commercial and sport activities
RGD Ferrara 2013 S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**100,000.00**	Euro	**100%**	IGD SIIQ S.p.A. 50% IGD Management S.r.l. 50%	**100.00%**	Darsena City shopping center management

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Name	Type of control	% held	Regisered 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 Centro Lame	Direct	**66.43%**	via Marco Polo 3, Bologna (BO)
Consortium of SC Katanè	Direct	**53.00%**	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
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 Centro 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, Forlì (FC)
Owner consortium of commercial area Commendone	Direct	**52.60%**	via Ecuador snc, Grosseto
Owner consortium of SC Le Porte di Napoli	Direct	**70.56%**	via S. Maria La Nuova, Afragola (NA)

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 2019. 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.

4.6.2.3. // 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.

4.6.2.4. // 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.

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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 intangible assets. 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.

4.6.2.5. // 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, More specifically:

> 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.

4.6.2.6. // 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.

4.6.2.7. // 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 system - telephone	25%
Special plant	25%
Alarm / security system	30%
Sundry equipment	15%
Office furnishing	12%
Cash registers and EPD 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

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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.

4.6.2.8. // 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).

4.6.2.9. // 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.

4.6.2.10. // 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.

4.6.2.11. // 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.

4.6.2.12. // 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.

4.6.2.13. // 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.

4.6.2.14. // 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).

4.6.2.15. // 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.

4.6.2.16. // Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (trattamento di fine rapporto or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to a specific reserve in the statement of comprehensive income under "other comprehensive income." The Group does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Group does not offer employee incentive plans in the form of share participation instruments.

4.6.2.17. // Revenue

Revenue is recognized to the extent the Group is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the 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.

4.6.2.18. // 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.

4.6.2.19. // Income taxes

a) Current taxes

Current tax liabilities for the present and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date. Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes

Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.

Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse. Income taxes relating to items that are credited or charged directly to equity are also charged or credited directly to equity and not to profit or loss.

4.6.2.20. // Earnings per share

As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings per share for profit or loss from continuing operations attributable to the equity holders of IGD SIIQ S.p.A. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of IGD SIIQ S.p.A. by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding, in accordance with paragraphs 19 and 26, plus the weighted average number of shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

4.6.2.21. // Derecognition of financial assets and financial liabilities

a) Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

> The rights to receive cash flows from the asset have expired;

> The Group still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;

> The Group has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Group's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that the Group could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

4.6.2.22. // Derivative financial instruments

The Group holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities. In accordance with 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.

4.6.2.23. // 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 IGD Group's consolidated financial statements).

At 31 December 2019, 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.

4.6.3. // 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

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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 2019, 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.

Regarding the effects of applying the new IFRS 16 from 1 January 2019, see Section 4.6.2.1 of this report.

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The following table shows IGD Group investment property by type, measured at fair value at 31 December 2019. 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 31/12/2019 Amounts in thousands of Euro	Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)	Significant inputs observable in the markets (Level 2)	Significant inputs not observable in the market (Level 3)
Investment property Italy			
Malls and retail parks			1,555,490
Hypermarkets and supermarkets			583,623
Residual portion of property			21,011
Total Investment property Italy			2,160,124
Investment property Romania			
Shopping malls			147,590
Office Building			2,700
Total Investment property Romania			150,290
IGD Group investment property			2,310,414
Porta a Mare project			
Porta a Mare project (*)			34,700
Total assets held for trading			34,700
Right to use (IFRS 16)			
Right to use (IFRS 16)			54,810
Total right to use (IFRS 16)			54,810
Total IGD Group investment property measured at fair value			2,399,924

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 2019:

Portfolio	Appraisal method	Discount rate 31/12/2019		Gross Cap Out 31/12/2019		Yearly rent €/sqm 31/12/2019	
		min	max	min	max	min	max
Total Malls / RP	Income-based (DCF)	6.10%	7.67%	5.79%	9.04%	10	515
Total Hyper / Super	Income-based (DCF)	5.60%	7.52%	5.30%	7.00%	66	240
Total Winmarkt	Income-based (DCF)	7.35%	9.40%	6.27%	9.60%	40	203

The Group 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 2019 is reported below.

Sensitivity analysis at 31.12.2019

Asset class	Hypermarkets and supermarkets	Malls and retail parks	Other	Investment property Romania	Total
Market value at 31/12/2019 + 0.5 discount rate	(22,189)	(59,797)	(1,214)	(6,020)	(89,220)
Market value at 31/12/2019 - 0.5 discount rate	22,845	61,207	1,443	6,480	91,975
Market value at 31/12/2019 + 0.5 Gross cap out	(27,229)	(65,271)	(785)	(4,830)	(98,115)
Market value at 31/12/2019 - 0.5 Gross cap out	32,056	74,706	935	5,670	113,367
Market value at 31/12/2019 + 0.5 discount rate + 0.5 Gross cap out	(47,921)	(120,517)	(1,878)	(10,630)	(180,946)
Market value at 31/12/2019 - 0.5 discount rate - 0.5 Gross cap out	56,922	140,993	2,380	12,260	212,555
Market value at 31/12/2019 + 0.5 discount rate. - 0.5 Gross cap out	8,753	12,153	(299)	(840)	19,767
Market value at 31/12/2019 - 0.5 discount rate+ 0.5 Gross cap out	(5,475)	(6,303)	638	1,170	(9,970)

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.

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> 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.

4.6.4 // 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.

Profit and Loss	Core business properties		Services		"Porta a Mare" Project		Shared		Total	
	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18
Total revenue and operating income	**155,259**	**151,760**	**6,383**	**6,309**	**406**	**4,445**	**0**	**0**	**162,048**	**162,514**
Change in work in progress inventory	**0**	**0**	**0**	**0**	**1,288**	**(4,365)**	**0**	**0**	**1,288**	**(4,365)**
Direct costs (a) (excluding provision for doubtful accounts)	**19,083**	**26,882**	**5,491**	**5,130**	**1,769**	**866**	**0**	**0**	**26,343**	**32,878**
G&A expenses (b)	**0**	**0**	**0**	**0**	**0**	**0**	**12,273**	**11,757**	**12,273**	**11,757**
Total operating costs (a)+(b)	**19,083**	**26,882**	**5,491**	**5,130**	**1,769**	**866**	**12,273**	**11,757**	**38,616**	**44,635**
(Depreciation and amortizations)	**(1,400)**	**(1,567)**	**0**	**(52)**	**(2)**	**(1)**	**(185)**	**(368)**	**(1,587)**	**(1,988)**
(Impairment losses) / reversals on work in progress and inventory	**(72)**	**0**	**0**	**0**	**(920)**	**(930)**	**0**	**0**	**(992)**	**(930)**
Fair value change - increase / (decreases)	**(71,796)**	**(29,349)**	**0**	**0**	**0**	**0**	**0**	**0**	**(71,796)**	**(29,349)**
Total depreciation, amortization, provisions, impairment and fair value changes	**(73,268)**	**(30,916)**	**0**	**(52)**	**(922)**	**(931)**	**(185)**	**(368)**	**(74,375)**	**(32,267)**
EBIT	**62,908**	**93,962**	**892**	**1,127**	**(997)**	**(1,717)**	**(12,458)**	**(12,125)**	**50,345**	**81,247**
Income / (loss) from equity investments and property sales	**0**	**0**	**0**	**0**	**0**	**0**	**11**	**(85)**	**11**	**(85)**
Financial income	**0**	**0**	**0**	**0**	**0**	**0**	**86**	**92**	**86**	**92**
Financial charges	**0**	**0**	**0**	**0**	**0**	**0**	**36,840**	**32,590**	**36,840**	**32,590**
Net financial income	**0**	**0**	**0**	**0**	**0**	**0**	**(36,754)**	**(32,498)**	**(36,754)**	**(32,498)**
PRE-TAX PROFIT	**62,908**	**93,962**	**892**	**1,127**	**(997)**	**(1,717)**	**(49,201)**	**(44,708)**	**13,602**	**48,664**
Income taxes for the period	**0**	**0**	**0**	**0**	**0**	**0**	**1.011**	**2.276**	**1.011**	**2.276**
NET PROFIT FOR THE PERIOD	**62,908**	**93,962**	**892**	**1,127**	**(997)**	**(1,717)**	**(50,212)**	**(46,984)**	**12,591**	**46,388**
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 for the period	**62,908**	**93,962**	**892**	**1.127**	**(997)**	**(1,717)**	**(50,212)**	**(46,984)**	**12,591**	**46,388**

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

Balance sheet	Core business properties		Services		"Porta a Mare" project		Shared		Total	
	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18
Investment property	2,365,214	2,346,527	0	0	0	0	0	0	2,365,214	2,346,527
Assets under contruction	40,827	36,563	0	0	0	0	0	0	40,827	36,563
Intangible assets	11,478	11,655	1,007	1,007	0	0	50	34	12,535	12,696
Other tangible assets	1,131	1,718	190	9	7	1	7,642	7,887	8,970	9,615
Sundry receivables and other non-current assets	0	0	0	0	0	0	117	111	117	111
Equity investments	(0)	25	0	0	0	0	223	252	223	277
NWC	(16,797)	(8,236)	1,112	1,534	34,127	32,721	0	0	18,442	26,019
Founds	(1,584)	(6,812)	(5,516)	(1,327)	(25)	(25)	0	0	(7,125)	(8,164)
Non-current payables and other liabilities	(15,953)	(13,822)	0	0	(5,920)	(5,920)	0	0	(21,873)	(19,742)
Net deferred tax (assets) / liabilities	(28,875)	(20,568)	0	0	2,562	(5,772)	0	0	(26,313)	(26,340)
Total use of founds	2,355,441	2,347,050	(3,207)	1,223	30,751	21,005	8,032	8,284	2,391,017	2,377,562
Total shareholders' equity	1,184,472	1,233,772	(4,509)	(320)	31,051	18,886	0	0	1,211,014	1,252,338
Net (assets) and liabilities for derivative instruments	17,365	17,364	0	0	0	0	0	0	17,365	17,364
Net financial position	1,153,604	1,095,914	1,302	1,543	(300)	2,119	8,032	8,284	1,162,638	1,107,860
Total sources	2,355,441	2,347,050	(3,207)	1,223	30,751	21,005	8,032	8,284	2,391,017	2,377,562

Revenue from freehold properties	Northern Italy		Central/southern Italy & islands		Abroad		Total	
	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18	31-dec-19	31-dec-18
Lease & retail income	76,078	72,554	52,425	53,350	9,950	9,638	138,453	135,542
One-off revenue	4	44	0	17	0	0	4	61
Temporary location rentals	2,405	2,236	1,307	1,257	0	0	3,712	3,493
Other rental income	85	2	411	175	15	13	511	190
Total	78,572	74,836	54,143	54,799	9,965	9,651	142,680	139,286

4.6.5 // Notes to the consolidated financial statements

> NOTE 1) REVENUE AND OTHER INCOME

	Note	31/12/2019	31/12/2018	Change
Revenue	1.1	155,259	151,760	3,499
Revenues from third parties		113,375	109,105	4,270
Revenues from related parties		41,884	42,655	(771)
Other revenue	2.1	6,383	6,309	74
Other revenues from third parties		3,791	3,869	(78)
Other revenues from related parties		2,592	2,440	152
Revenues from property sales	2.2	406	4,445	(4,039)
Operating revenues		162,048	162,514	(466)

In 2019 the IGD Group earned revenue and other income of €162,048K, including €406K from property sales (residential units in the Mazzini section of the Porta a Mare project). The decrease of €466K is due primarily to the trend in property sales, partially offset by the positive impact of portfolio changes with the acquisition of four businesses in April 2018.

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 1.1) REVENUE

	Note	31/12/2019	31/12/2018	Change
Freehold hypermarkets - Rents and business leases from related parties	a.1	37,805	38,293	(488)
Leasehold hypermarkets - Business leases from related parties	a.2	121	120	1
Freehold supermarkets - Rents and business leases from related parties	a.3	1,403	1,719	(316)
Freehold supermarkets - Rents and business leases from third parties	a.4	43	0	43
TOTAL HYPERMARKETS / SUPERMARKETS	a	39,372	40,132	(760)
Freehold malls, offices and city center	b.1	99,640	95,693	3,947
Rents		19,155	18,693	462
To related parties		1,099	1,182	(83)
To third parties		18,056	17,511	545
Business leases		80,485	77,000	3,485
To related parties		975	917	58
To third parties		79,510	76,083	3,427
Leasehold malls	b.2	11,764	11,657	107
Rents		626	614	12
To related parties		118	117	1
To third parties		508	497	11
Business leases		11,138	11,043	95
To related parties		258	253	5
To third parties		10,880	10,790	90
Other contracts and temporary rents	b.3	4,483	4,278	205
Other contracts and temporary rents		4,378	4,224	154
Other contracts and temporary rents - related parties		105	54	51
TOTAL MALLS	b	115,887	111,628	4,259
GRAND TOTAL	a + b	155,259	151,760	3,499
Of which related parties		41,884	42,665	(771)
Of which third parties		113,375	109,105	4.270

Rent and business lease revenue increased by €3,499K for the year.

Rent from freehold hypermarkets and supermarkets decreased by €760K with respect to 2018.

Rent and business lease revenue from freehold malls and offices rose by €4,259K, chiefly as a result of:

> The full-year contribution of the four businesses acquired in April 2018;

> The full-year contribution of the Crema shopping center expansion, completed in May 2018;

> Like-for-like growth (+0.3%) thanks to occupancy initiatives completed in the final quarter of 2019, rising fees, and increased rent from temporary spaces, partially offset by greater temporary discounts granted;

> Higher like-for-like revenue in Romania (+3.2%), due in part to occupancy and renegotiation initiatives.

For further information, see the income statement review (section 2.2.1) in the Directors' Report.

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 2.1) OTHER INCOME

	31/12/2019	31/12/2018	Change
Out-of-period income / charges	7	0	7
Facility management revenues	3,297	3,258	39
Portfolio and rent management revenues	229	293	(64)
Pilotage and construction revenues	164	225	(61)
Marketing revenues	0	47	(47)
Other income	94	46	48
Other revenues from third parties	3,791	3,869	(78)
Facility management revenues from related parties	2,507	2,233	274
Pilotage and construction revenues from related parties	3	112	(109)
Marketing revenues vs related parties	53	23	30
Portfolio and rent management revenues from related parties	29	72	(43)
Other revenues from related parties	2,592	2,440	152
Other revenue	6,383	6,309	74

Other income from third parties decreased by €78K, primarily reflecting the trend in pilotage revenue, marketing revenue, and portfolio and rent management fees.

Other income from related parties increased by €152K, due mainly to the rise in facility management revenue.

> NOTE 2.2) INCOME FROM THE SALE OF TRADING PROPERTIES

This came to €406K in 2019 and concerns 1 residential unit, 2 enclosed garage units and one parking space in the Mazzini section of Porta a Mare.

In 2018 the Group sold 14 residential units, 14 enclosed garage units and one parking space.

> NOTE 3) SERVICE COSTS

	31/12/2019	31/12/2018	Change
Service costs from third parties	12,587	20,684	(8,097)
Paid rents	220	10,448	(10,228)
Promotional and advertising expenses	1,078	428	650
Centers management expenses for vacancies	1,772	1,290	482
Centers management expenses for ceiling to tenants' costs	1,617	1,603	14
Facility management administration costs	753	700	53
Insurances	839	841	(2)
Professional fees	110	126	(16)
Directors' and statutory auditors' fees	1,263	787	476
External auditing fees	232	216	16
Investor relations, Consob, Monte Titoli costs	484	436	48
Shopping center pilotage and construction costs	19	30	(11)
Consulting	1,302	901	401
Real estate appraisals fees	480	470	10
Maintenance and repair expenses	369	360	9
Other costs from related parties	2,049	2,048	(1)
Service costs from related parties	3,260	3,205	55
Service	316	327	(11)
Centers management expenses for vacancies	1,055	606	449
Centers management expenses for ceiling to tenants' costs	1,726	2,046	(320)
Insurances	71	71	0
Directors' and statutory auditors' fees	88	151	(63)
Other costs of services	4	4	0
Service costs	15,847	23,889	(8,042)

Service costs decreased by €8,042K for the year.

Most of the trend is explained by a reduction in rent paid due to the recognition from 1 January 2019 of the leases for the Centro Nova, Centro Piave and Fonti del Corallo (Livorno) malls and for the parking lot at Centro d'Abruzzo in accordance with the new accounting standard IFRS 16. For further information on the new standard, see Section 4.6.2.1 of this report. That decrease was partially offset by *(i)* greater promotional expenses as a result of more initiatives held at various shopping centers during the year, *(ii)* greater costs for unlet space, *(iii)* the provision of end-of-term benefits for directors, and *(iv)* consulting fees.

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

Related party service costs increased by €55K, due mainly to greater costs for unlet space, offset by decreased costs for ceilings on tenants' expenses and lower directors' and statutory auditors' fees.

> NOTE 4) COST OF LABOR

	31/12/2019	31/12/2018	Change
Wages and salaries	7,585	7,156	429
Social security	1,992	1,860	132
Severance pay	431	491	(60)
Other costs	209	303	(94)
Cost of labour	10,217	9,810	407

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 €147K.

The workforce is broken down by category below:

	31/12/2019	31/12/2018
Executives	5	6
Middle managers	29	27
Junior managers	73	70
Clerks	70	72
Total	177	175

> NOTE 5) OTHER OPERATING COSTS

	31/12/2019	31/12/2018	Change
IMU/ TASI/Property Tax	9,540	9,262	278
Other taxes	119	97	22
Contract registrations	442	381	61
Out-of period income / charges	20	58	(38)
Membership fees	143	142	1
Losses on receivables	90	13	77
Fuel and tools	223	221	2
Other costs	246	198	48
Other operating costs	10,823	10,372	451

Most of the increase in other operating costs refers to IMU/TASI/Property tax for the Group's share of IMU (municipal tax) on the four malls acquired with the purchase of four businesses in April 2018, as well as greater losses on receivables.

> NOTE 6) CHANGE IN WORK IN PROGRESS INVENTORY

	31/12/2019	31/12/2018	Change
Construction costs for the period	1,729	565	1,164
Change in inventories for disposal	(441)	(4,930)	4,489
Change in inventory	1,288	(4,365)	5,653

Work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno decreased by €1,288K 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).

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> NOTE 7) DEPRECIATION, AMORTIZATION, PROVISIONS AND FAIR VALUE CHANGES

	31/12/2019	31/12/2018	Change
Amortization of intangible assets	**(18)**	**(19)**	**1**
Amortization of tangible assets	**(470)**	**(801)**	**331**
Provisions for risks	**(538)**	**(284)**	**(254)**
Depreciation, amortization, provisions	**(1,026)**	**(1,104)**	**78**
Provisions for doubtful accounts	**(561)**	**(884)**	**323**
(Impairment losses) / Reversal on work in progress and inventories	**(992)**	**(234)**	**(758)**
Change in fair value	**(71,796)**	**(42,902)**	**(28,894)**
Net revaluation acquisition	**0**	**12,857**	**(12,857)**
Depreciation, amortization, provisions, impairment anche change in fair value	**(74,375)**	**(32,267)**	**(42,108)**

> Depreciation and amortization decreased by €332K, due mainly to the application of the new accounting standard IFRS 16 (see Section 4.6.2.1 for details).

> Other provisions reflect the estimated liability for two IMU (municipal property tax) disputes regarding La Torre (Palermo) shopping center, for which €113K has been provided, and Esp shopping center (Ravenna), for which €25K has been set aside. This item also increased because of a €400K provision for a lawsuit pending before the labor section of the Court of Treviso, brought by former employees of Galimberti S.p.A., which had leased retail space from IGD at Conè shopping center but has since vacated the premises;

> The allocation to the provision for doubtful accounts came to €561K, a decrease of €323K compared with the previous year, reflecting the release of provisions no longer deemed necessary. 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" (-€992K) cover the following: (i) an impairment loss of €72K 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 2019; (ii) an impairment loss of €920K 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 2019 (see Note 22);

> The item "Fair value changes" (-€71,796K) primarily covers: (i) a net writedown of €71,862 (see Note 14) to match the carrying value of investment property to its market value at 31 December 2019; (ii) a writeback of €66K to match the carrying amount of work in progress on Officine Storiche to its market value, as discussed in Note 17.

> NOTE 8) INCOME/(LOSS) FROM EQUITY INVESTMENTS AND PROPERTY SALES

	31/12/2019	31/12/2018	Change
Income / (loss) from property sales	**11**	**0**	**11**
Income / (loss) from equity investments	**0**	**(85)**	**85**
Income / (loss) from equity investments and asset disposal	**11**	**(85)**	**96**

Net income of €11K for the year refers to the sale of Palazzo Orlando (see Section 2.5 of the directors' report to the consolidated financial statements).

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 9) FINANCIAL INCOME AND CHARGES

	31/12/2019	31/12/2018	Change
Bank interest income	**15**	**8**	**7**
Other interests income and equivalents	**20**	**34**	**(14)**
Interest income from related parties	**1**	**0**	**1**
Exchange rate (losses) / gains	**48**	**47**	**1**
Financial income from third parties	**84**	**89**	**(5)**
Interest income from related parties	**2**	**3**	**(1)**
Financial income from related parties	**2**	**3**	**(1)**
Financial Income	**86**	**92**	**(6)**

Financial income was essentially in line with the previous year.
Interest income from related parties is described in Note 40.

	31/12/2019	31/12/2018	Change
Interest expenses on security deposits	**104**	**36**	**68**
Financial charges from related parties	**104**	**36**	**68**
Interest expenses to banks	**38**	**5**	**33**
Mortgages interests vs banks	**6,222**	**3,410**	**2,812**
Amortized mortage loan costs	**1,195**	**430**	**765**
IRS spread	**6,365**	**6,663**	**(298)**
Bond financial charges	**14,363**	**18,859**	**(4,496)**
Bond amortized costs	**5,290**	**2,064**	**3,226**
Financial charges on leasing	**48**	**52**	**(4)**
Financial charges IFRS 16	**1,931**	**0**	**1,931**
Other interests and charges	**1,284**	**1,071**	**213**
Financial charges from third parties	**36,736**	**32,554**	**4,182**
Financial charges	**36,840**	**32,590**	**4,250**
Net financial expense	**36,754**	**32,498**	**4,256**

Total financial charges increased by €4,250K.

Financial charges with third parties increased by €4,182K, due primarily to:

> A reduction in IRS spreads reflecting the lower notional principal amount;

> A decrease in interest on bonds, given the settlement in January 2019 of the €150 million bond loan and the completion in November 2019 of an operation entailing a new €400 million bond loan issue and the partial buyback of outstanding bonds worth a total of €237,607K (€229,207K from the €300 million bond issue and €8,400K from the €162 million issue);

> An increase of €3,226K in amortized cost expense resulting from the recognition of the difference between the present value of new cash flows discounted at the original effective interest rate and the present value of the cash flows of the original liability, in the context of the operation entailing a new €400 million bond loan issue and the partial buyback of outstanding bonds worth a total of €237,607K;

> Additional financial charges of €1,931K due to the adoption of IFRS 16 (see Note 4.6.2.1 for details);

> Greater borrowing interest in light of the acquisition of the four businesses in April 2018 and the €200 million loan disbursed in two installments in the first quarter of 2019;

> Greater interest on committed credit lines.

For 2019, the average cost of debt (without considering recurring and non-recurring transaction costs) was 2.35%, down from 2.65% the previous year, while the weighted average effective cost of debt went from 2.88% to 2.98%.

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 10) INCOME TAXES

	31/12/2019	31/12/2018	Change
Current taxes	1,450	1,431	19
Deferred tax liabilities	(502)	488	(990)
Deferred tax assets	37	359	(322)
Out-of-period income / charges - Provisions	26	(2)	28
Total income taxes for the period	1,011	2,276	(1,265)

Current and deferred taxes came to €1,011K, improved since the previous year.

Current taxes were consistent with 2018.

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, and to the adoption of IFRS 16 from 1 January 2019.

From 18 September to 18 December 2019, the Ravenna provincial tax office audited Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A. (merged to form IGD SIIQ S.p.A. in 2017) for tax years 2015 and 2016, and IGD Management S.r.l. for tax year 2016.

On 29 October 2019, IGD Management S.r.l. received the audit report, with one finding as regards VAT: a violation of Art. 17(6)(a) ter of Presidential Decree 633/72 (the reverse charge rule).

On 28 November 2019, Punta di Ferro SIINQ S.p.A. received its audit report with the following findings:

> Finding no. 1: IRES and IRAP taxes for 2015 on invoices treated in the income statement as maintenance, while the auditors believe they should be treated as assets, for disallowed deductions of €144,500.00.

> Finding no. 2: IRES tax for 2016 on a non-deductible provision for doubtful accounts of €40,238.00 that was mistakenly included among increases for exempt operations, rather than taxable operations.

Note that finding no. 1 would make it possible to deduct depreciation in the coming years on the amount added back to income.

Management is considering whether to recover depreciation for the years 2016, 2017 and 2018, as the Company obtained SIINQ status in 2016 and was later merged into a SIIQ (IGD), so the deduction (for taxable operations only) would increase consolidated fiscal losses by around €1,200 per year without producing any tax benefit. For IRAP purposes, the benefit would be approximately 100 euros.

Finding no. 2 does not generate any tax charge as the Company can use its ACE benefits for that year.

On 18 December 2019, IGD Property SIINQ S.p.A. received a clean audit report. Regarding the findings described above, as of 31 December 2019 IGD SIIQ S.p.A. had recognized a provision of €30K under taxes.

Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2019 and 31 December 2018.

Reconciliation of income tax applicable to profit before taxes	31/12/2019	31/12/2018
Pre-tax profit	13,602	48,665
Theoretical tax charges (rate 24%)	3,264	11,680
Profit resulting in the income statement	13,602	48,665
Increase		
IMU - Property tax	8,634	8,319
Fair value on work in progress and inventories	992	234
Other increases	13,117	8,101
Decreases		
Change in tax-exempt income	(65,586)	(76,589)
Deductible depreciation	(6,453)	(11,305)
Negative Fair value	67,601	42,902
Other changes	(28,290)	(11,130)
Tax income	3,617	9,917
Use of past losses	51	0
Use of ACE Benefit	2,631	2,379
Taxable income net of losses and ACE Benefit	935	6,818
Lower current taxes recognized direcly in equity	(3)	(98)
Current taxes of the year	987	1,012
Total current IRES for the year (a)	987	1,012
Difference between value and cost of production	120,093	127,047
Theoretical tax charges (rate 3.9%)	4,684	4,955
Difference between value and cost of production	120,093	127,047
Changes		
Increases	12,782	10,045
Decreases	(12,135)	(12,138)
Change in exempt income	(99,411)	(107,439)
Other decuctions	(9,193)	(8,801)
Taxable IRAP income	12,136	8,714
Lower taxes for Irap recognized directly in equity	0	(10)
Current IRAP for the year (b)	463	421
Total current taxes (a+b)	1,450	1,433

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> 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 2019. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.

	31/12/2019	31/12/2018
Net profit attributable to IGD SIIQ S.p.A. shareholders	**12,591**	**46,388**
Diluted net profit attributable to IGD SIIQ S.p.A. shareholders	**12,591**	**46,388**
Weighted average number of ordinary shares for purposes of basic earnings per share	**109,989,326**	**101,104,970**
Weighted average number of ordinary shares for purposes of diluted earnings per share	**109,989,326**	**101,104,970**
Basic earnings per share	**0,114**	**0,459**
Diluted earnings per share	**0,114**	**0,459**

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 12) INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

	01/01/2018	Increase	Decrease	Amortization	31/12/2018
Intangible assets with finite useful lives	**35**	**18**	**0**	**(19)**	**34**

	01/01/2019	Increase	Decrease	Amortization	31/12/2019
Intangible assets with finite useful lives	**34**	**34**	**0**	**(18)**	**50**

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. During the year there were no impairment losses or reversals on intangible assets. The greatest increases during the year concern the tradenames of various freehold shopping centers (€9K), the renewal of a business software license (€11K), and the creation of a subsidiary's website (€10K).

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 13) GOODWILL

	01/01/2018	Increase	Variation of consolidated area	Impairment	Reclassification	31/12/2018
Goodwill	**12,662**	**0**	**0**	**0**	**0**	**12,662**

	01/01/2019	Increase	Variation of consolidated area	Impairment	Reclassification	31/12/2019
Goodwill	**12,662**	**123**	**0**	**-300**	**0**	**12,485**

Goodwill has been allocated to the individual cash generating units (CGUs).

Below is the breakdown of goodwill by CGU at 31 December 2019:

Goodwill	31/12/2019
Millennium Gallery s.r.l.	**3,952**
Win Magazin S.A.	**5,409**
Winmarkt Management s.r.l.	**1**
RGD Ferrara 2013 s.r.l.	**123**
Fonti del Corallo	**1,000**
Centro Nova	**546**
Centro Piave	**448**
Service	**1,006**
Goodwill	**12,485**

As mentioned in Section 4.6.2.1, under the rules for first-time adoption of IFRS 16, the value of the mall operation business at Fonti del Corallo shopping center has been reduced by €300K to bring it into line with selling value. In addition, as described in Section 4.6.2.2, goodwill has increased by €123K due to the first line-by-line consolidation of RGD Ferrara 2013 S.r.l.

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 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, Darsena, 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. For the Service and Winmarkt Management S.r.l. CGUs, value in use was calculated by projecting operating cash flows based on the 2020 budget and on estimates in the 2019-2021 strategic plan approved by the Board of Directors on 7 November 2018. The discount rate (WACC) was 4.19%; the risk premium contained in the cost of equity is 5.54%, while the borrowing rate used is the average rate of competitors or 2.02%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported. For Fonti del Corallo, value in use was adjusted to the amount stated in the contract with BNP Paribas for the sale of the retail licenses for the mall, to be finalized in 2026 when the current lease expires. For the Centro Nova, Centro Piave, and Darsena CGUs, value in use was compared with the sale value of the retail licenses as inferred from similar market transactions. This comparison did not raise the need to adjust the amounts in the financial statements.

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IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> 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.

	01/01/2018	IFRS 16	Increase	Aquisitions	Decrease	Revaluation	Devaluation	Reclassification	Other	31/12/2018
Investment property	2,157,176	0	11,109	208,336	(5)	37,791	(79,802)	1,922	0	2,346,527
Right-of-use IFRS 16	0	0	0	0	0	0	0	0	0	0
Investment property	2,157,176	0	11,109	208,336	(5)	37,791	(79,802)	1,922	0	2,346,527

	01/01/2019	IFRS 16	Increase	Aquisitions	Decrease	Revaluation	Devaluation	Reclassification	Other	31/12/2019
Investment property	2,346,527	0	14,353	14,133	(12,770)	5,269	(65,280)	6,736	1,446	2,310,414
Right-of-use IFRS 16	0	66,431	183	0	0	0	(11,851)	37	0	54,800
Investment property	2,346,527	66,431	14,536	14,133	(12,770)	5,269	(77,131)	6,773	1,446	2,365,214

The changes in investment property since 31 December 2018 concern:

> The first-time adoption of IFRS 16. As of 1 January 2019 the Group has recognized a right-of-use asset under investment property in the amount of €66,431K, in light of the rental contracts for the malls at Centro Nova, Centro Piave, and Fonti del Corallo shopping centers and the parking lot at Centro d'Abruzzo;

> The reclassification to investment property of the following finished projects: (i) restyling of the Fonti del Corallo shopping center (€1,497K); (ii) the remapping of that property under an agreement between IGD SIIQ and Unicoop Tirreno to reduce the size of the hypermarket and create three midsize retail areas (€1,421K); (iii) the restyling and remapping (combination/splitting of stores) of the first floor of the Casilino mall in Rome (€2,585K); and (iv) the restyling of the Gran Rondò mall in Crema (€1,232K);

> Extraordinary maintenance and earthquake proofing at shopping centers (€14,536K), specifically Città delle Stelle in Ascoli, Casilino and Tiburtino in Rome, La Torre in Palermo, Centro Lame in Bologna, and Esp in Ravenna;

> The addition of €1,446K to the purchase price of the Katanè mall as ordered by the Court of Ravenna on 7 June 2019. For further information, see Section 2.5 of this report and Note 45 to the consolidated financial statements;

> IGD's purchase on 30 September 2019 of 50% of the Darsena City mall in Ferrara (€14,133K), of which it was previously joint owner;

> The sale by the wholly-owned subsidiary Porta Medicea S.r.l. of Palazzo Orlando, an office building in Livorno, for €12.8 million plus taxes;

> Fair value adjustments. Specifically, investment property was revalued in the amount of €5,269K and written down by €77,131K, for a net negative impact of €71,862K.

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> NOTE 15) BUILDINGS

	01/01/2018	Increase	Decrease	Amortization	31/12/2018
Historical cost	10,114	0	0	0	10,114
Depreciation fund	(1,983)	0	0	(244)	(2,227)
Net book value	8,131	0	0	(244)	7,887

	01/01/2019	Increase	Decrease	Amortization	31/12/2019
Historical cost	10,114	0	0	0	10,114
Depreciation fund	(2,227)	0	0	(244)	(2,471)
Net book value	7,887	0	0	(244)	7,643

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.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 16) PLANT AND MACHINERY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

	01/01/2018	Increase	Decrease	Amortization	Reclassification	31/12/2018
Historical cost	3,168	29	0	0	0	3,197
Depreciation fund	(2,908)	0	0	(76)	0	(2,984)
Plant and machinery	260	29	0	(76)	0	213
Historical cost	5,532	136	(40)	0	66	5,694
Depreciation fund	(4,516)	(4)	0	(206)	0	(4,726)
Equipment and other goods	1,016	132	(40)	(206)	66	968
Historical cost	2,992	27	0	0	0	3,019
Depreciation fund	(2,195)	0	0	(277)	0	(2,472)
Leasehold improvements	797	27	0	(277)	0	547

	01/01/2019	Increase	Decrease	Amortization	Reclassification	31/12/2019
Historical cost	3,197	176	(165)	0	0	3,208
Depreciation fund	(2,984)	0	35	(98)	0	(3,047)
Plant and machinery	213	176	(130)	(98)	0	161
Historical cost	5,694	326	0	0	0	6,020
Depreciation fund	(4,726)	0	0	(128)	0	(4,854)
Equipment and other goods	968	326	0	(128)	0	1,166
Historical cost	3,019	0	(780)	0	(35)	2,204
Depreciation fund	(2,472)	0	268	0	0	(2,204)
Leasehold improvements	547	0	(512)	0	(35)	0

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect (i) purchases during the year (€502K), mainly latest-generation movie projectors for the cinema at Sarca shopping center and office equipment for the HQ space leased to third parties; (ii) depreciation for the period (€226K); and (iii) the adoption of IFRS 16 from 1 January 2019 (see Section 4.6.2.2 for details).

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 17) ASSETS UNDER CONSTRUCTION

	01/01/2018	Increase	Decrease	(Writedowns) /Revaluation	Fair Value changes	Reclassification to assets under construction	Reclassification	31/12/2018
Assets under contruction	38,233	8,112	0	(887)	(190)	0	(11,324)	33,944
Advance payments	2,233	677	(201)	0	0	0	(90)	2,619
Assets under contruction and advance payment	40,466	8,789	(201)	(887)	(190)	0	(11,414)	36,563

	01/01/2019	Increase	Decrease	(Writedowns) /Revaluation	Fair Value changes	Reclassification to assets under construction	Reclassification	31/12/2019
Assets under contruction	33,944	10,472	0	(72)	66	1,572	(6,773)	39,209
Advance payments	2.619	1,596	(1,025)	0	0	(1,572)	0	1,618
Assets under contruction and advance payment	36,563	12,068	(1,025)	(72)	66	0	(6,773)	40,827

The change for the year in assets under construction and advances refers to:

> Investments during the year including reclassifications from advances, for a total of €11,889K, primarily for: (i) completion of the restyling of Fonti del Corallo shopping center (€934K); (ii) completion of Fonti del Corallo remapping under an agreement between IGD SIIQ and Unicoop Tirreno (€1,061K); (iii) restyling and remapping (combination/splitting of stores) of the first floor of the Casilino mall in Rome (€2,622K); (iv) restyling of the Gran Rondò mall in Crema (€1,232K); (v) restyling plans for La Favorita (Mantua) and Porto Grande (San Benedetto del Tronto) shopping centers (€210K); (vi) remapping of the shopping centers Le Maioliche (Faenza), Conè (Conegliano), and Porto Grande (San Benedetto del Tronto) under the agreement between IGD SIIQ and Coop Alleanza 3.0 to reduce the size of the hypermarket and expand the shopping mall (€698K); (vii) construction of new midsize retail areas at Gran Rondò shopping center and retail park in Crema (€45K); (viii) restyling of Darsena (Ferrara) and Punta di Ferro (Forlì) shopping centers (€103K); and (ix) ongoing work at Officine Storiche (€4,984K);

> The reclassification of investments completed during the year (€6,773K): €6,736 to investment property, as described earlier, and €37K to equipment and other assets;

> A writedown of €72K for the Portogrande expansion, offset by a positive €66K for the fair value measurement of the Officine Storiche project (Porta a Mare), which is nearing completion;

> A net decrease in advances paid (€1,001K).

> 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:

	31/12/2019	31/12/2018	Change
Capital operation	0	2	(2)
Taxed provisions	395	332	63
Interest rate swap operation	4,005	3,990	15
Impariment 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	(79)	(18)	(61)
Other effects	318	22	296
IFRS 16	364	0	364
Total deferred tax assets	8,997	8,322	675

	31/12/2019	31/12/2018	Change
Property investments	14,798	13,697	1,101
Bond	0	9	(9)
Interest rate swap operations	0	(1)	1
Other effects	184	170	14
IFRS 16	331	0	331
Total deferred tax liabilities	15,313	13,875	1,438

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	31/12/2019	31/12/2018	Change
Net deferred tax assets	**0**	**0**	**0**
Net deferred tax liabilities	**(6,316)**	**(5,553)**	**(763)**

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 period reflects deferred tax assets on mortgage hedging instruments (IRS) due to the decrease in their negative fair value, as well as the adoption of IFRS 16 from 1 January 2019 (see Section 4.6.2.2 for further information).

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 2019, for the Italian companies, the balance of deferred tax assets of €8,997K and deferred tax liabilities of €15,313K was a net liability of €6,316K.

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.

	31/12/2019	31/12/2018	Change
Property investments Romania	**19,997**	**20,787**	**(790)**
Italian companes net deferred tax liabilities	**6,316**	**5,553**	**763**

> NOTE 19) SUNDRY RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31/12/2019	31/12/2018	Change
Security deposits	**94**	**88**	**6**
Due to other	**24**	**23**	**1**
Sundry receivables and other non-current assets	**118**	**111**	**7**

This item increased as a result of security deposits paid during the year.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 20) EQUITY INVESTMENTS

	01/01/2019	Increase	Decrease	Revaluations/ (Write-downs)	31/12/2019
Cons. propr. del compendio com. del Commendone (GR)	6	0	0	0	6
Consorzio prop. Fonti del Corallo	7	0	0	0	7
Consorzio I Bricchi	4	0	0	0	4
Consorzio Leonardo	52	0	0	0	52
Consorzio Punta di Ferro	6	0	0	0	6
Equity investment in subsidiaries	75	0	0	0	75
Rgd Ferrara 2013	54	0	(54)	0	0
Millennium Center	4	0	0	0	4
Equity investment in associates	58	0	(54)	0	4
Equity investments in other companies	144	0	0	0	144
Equity investments	277	0	(54)	0	223

The decrease in equity investments in associates is due to the first line-by-line consolidation of RGD Ferrara 2013 S.r.l., previously carried using the net equity method, of which IGD Management S.r.l. acquired the remaining 50% on 30 September 2019.

> NOTE 21) NON-CURRENT FINANCIAL ASSETS

	31/12/2019	31/12/2018	Change
Non-current financial assets	174	243	(69)

These consist of the interest-free loan due from Iniziative Bologna Nord S.r.l (in liquidation) in the amount of €174K, net of a €430K writedown. The decrease since 31 December 2018 reflects a repayment received in the first half of 2019.

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> NOTE 22) WORK IN PROGRESS INVENTORY

	01/01/2019	Increase	Decrease	Revaluations/ (Writedowns)	Reclassification	31/12/2019
"Porta a Mare" project	33,170	1,729	(441)	(920)	21	33,559
Advances	43	21	0	0	(21)	43
Work in progress inventory	33,213	1,750	(441)	(920)	0	33,602

Inventory for work in progress related to land, buildings (completed and under construction) and urban infrastructure works at the multifunctional complex in Livorno underwent: (i) an increase for work on the Officine Storiche section, totaling €1,729K; (ii) a decrease for the final sale of 1 property, 2 enclosed garage units and 1 parking space (€441K); (iii) a writedown to adjust carrying amount to the lower of cost and appraised market value (€920K).

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 23) TRADE AND OTHER RECEIVABLES

	31/12/2019	31/12/2018	Change
Trade and other receivables	24,394	26,404	(2,010)
Provision for doubtful accounts	(13,280)	(13,488)	208
Trade and other receivables	11,114	12,916	(1,802)

Trade receivables, gross of the provision for doubtful accounts, decreased by €2,010K due mainly to an increase in payments received, an improvement in maturity brackets, and the closure of some receivables associated with the sale of apartments in 2018 by the subsidiary Porta Medicea S.r.l. Receivables are recognized net of the provision for doubtful accounts, which reflects positions not considered to be fully recoverable. The allocation for the year, €807K, was calculated based on the problems encountered with individual receivables recognized at 31 December 2019 and on all available information. The use of €1,135K from the provision concerns doubtful accounts/problem credits identified in previous years that were fully written off during the period.

The change in the scope of consolidation concerns the provision for doubtful accounts of RGD Ferrara 2013 S.r.l. as a result of IGM Management S.r.l.'s purchase of the remaining 50% of that company and its consequent line-by-line consolidation in the Group's financial statements.

Movements in the provision for doubtful accounts are shown below:

	31/12/2019	31/12/2018	Change
Provision for doubtful account at the beginning of the period	13,488	14,107	(619)
Foreign exchange effect	(29)	(2)	(27)
Reverse	(1,135)	(1,593)	458
Write-down / (uses) interest on late payments	(3)	(14)	11
Provision	807	884	(77)
Variation area / extraord. operations	152	0	152
Other movements	0	106	(106)
Provision for doubtful account at the end of the period	13,280	13,488	(208)

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4.6 NOTES TO THE FINANCIAL STATEMENTS

The following table shows receivables by geographical area:

	31/12/2019	31/12/2018	Change
Receivables Italy	22,704	24,690	(1,986)
Provision for doubtful accounts	(12,104)	(12,274)	170
Net receivables Italy	10,600	12,416	(1,816)
Receivables Romania	1,690	1,714	(24)
Provision for doubtful accounts	(1,176)	(1,214)	38
Net receivables Romania	514	500	14
Total Net Receivables	11,114	12,916	(1,802)

> NOTE 24) RELATED PARTY TRADE AND OTHER RECEIVABLES

	31/12/2019	31/12/2018	Change
Coop Alleanza 3.0	71	90	(19)
Librerie Coop s.p.a.	13	11	2
Alleanza Luce e Gas	23	26	(3)
Unicoop Tirreno s.c.a.r.l.	31	736	(705)
Cons. propr. del compendio com. del Commendone (GR)	0	2	(2)
Consorzio Coné	0	2	(2)
Consorzio Crema (Gran Rondò)	0	8	(8)
Consorzio Katané	326	546	(220)
Consorzio Lame	0	56	(56)
Consorzio Leonardo	61	1	60
Consorzio La Torre	124	121	3
Consorzio Porta a Mare	24	24	0
Rgd Ferrara 2013	0	393	(393)
Consorzio Punta di Ferro	6	0	6
Millennium Center	16	7	9
Consorzio Proprietari Centro Luna	7	0	7
Consorzio Esp	1	1	0
Consorzio La Favorita	17	0	17
Consorzio Le Porte di Napoli	197	1	197
Mercato Coperto Ravenna	4	0	4
Related party trade and other receivables	921	2,024	(1,103)

See Note 40 for details.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 25) OTHER CURRENT ASSETS

	31/12/2019	31/12/2018	Change
Tax credits			
VAT credits	**997**	**1,101**	**(104)**
IRES credit	**380**	**375**	**5**
IRAP credit	**339**	**651**	**(312)**
Due from others			
Advances paid to suppliers	**0**	**3**	**(3)**
Insurance credits	**4**	**34**	**(30)**
Accured income and prepayments	**1,072**	**469**	**603**
Deferred costs	**3**	**2,553**	**(2,550)**
Other costs of services	**289**	**252**	**37**
Other current assets	**3,084**	**5,438**	**(2,354)**

Other current assets decreased by a total of €2,354. Most of the decrease in tax receivables reflects the trend in the IRAP (regional business tax) credit. The reduction in other assets is due to deferred costs, which at the end of the previous year covered the fees incurred for a two-tranche syndicated loan of €200 million contracted on 16 October 2018. When the loan was disbursed in the first quarter of 2019, those fees were reclassified to financial liabilities and released to the income statement following the amortized cost method.

> NOTE 26) FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

	31/12/2019	31/12/2018	Change
Financial receivables and other current financial assets	**0**	**0**	**0**
Related parties financial receivables	**0**	**96**	**(96)**
Related parties financial receivables and other current financial assets	**0**	**96**	**(96)**

Financial assets from related parties referred to the loan granted to RGD Ferrara 2013 S.r.l. and decreased in 2019 due to the line-by-line consolidation of that subsidiary.

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> NOTE 27) CASH AND CASH EQUIVALENTS

	31/12/2019	31/12/2018	Change
Cash and cash equivalents	128,599	2,380	126,219
Cash on hand	78	92	(14)
Cash and cash equivalents	128,677	2,472	126,205

Cash and cash equivalents at 31 December 2019 consisted mainly of current account balances at banks. The substantial increase in this item is explained primarily by the new €400 million bond loan, used only in part to buy back outstanding bonds for a total of €237,607K. The liquidity should be used to redeem the remaining portion of the €300 million bond loan maturing in the first half of 2021.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 28) NET EQUITY

	31/12/2019	31/12/2018	Change
Share capital	749,738	749,738	0
Share premium reserve	30,058	31,504	(1,446)
Other reserves	416,065	410,109	5,956
Legal reserve	121,845	119,952	1,893
Merger surplus reserve	0	557	(557)
Treasury share reserve	(198)	(492)	294
Result treasury share sale effect	(33)	(33)	0
Bond issue reserve	14,865	14,865	0
Translation reserve	(4,687)	(4,554)	(133)
FTA IFRS 9 reserve	(4,354)	(4,354)	0
Recalculation of defined benefit plans	(17)	153	(170)
Cash flow hedge reserve	(12,196)	(13,376)	1,180
Fair value reserve	311,118	307,736	3,382
Subsidiaries cash flow hedge reserve	(1,808)	(86)	(1,722)
Recalculation of defined benefit plans subsidiaries	(51)	69	(120)
Capital increase reserve	(10,305)	(10,328)	23
FTA IFRS 16 reserve	1,886	0	1,886
Net profit (loss) of the year	15,153	60,987	(45,834)
Group profit (loss) carried forward	2,562	14,599	(12,037)
Group profit	12,591	46,388	(33,797)
Total Group net equity	1,211,014	1,252,338	(41,324)
Capital and reserves of non-controlling interests	0	0	0
Net Equity	1,211,014	1,252,338	(41,324)

Consolidated net equity at 31 December 2019 amounted to €1,211,014K, a decrease of €41,324 for the year. The change is due to:

> Payment of €55,153K in dividends for 2018;

> Adjustment of the cash flow hedge reserves for outstanding derivatives (+€1,180K for the parent company and -€1,722K for a subsidiary);

> Movements in treasury shares, for €294K;

> The positive effect of first-time adoption of the new accounting standard IFRS 16, for €1,886K;

> Movements in the reserve for the translation of foreign currency financial statements, for a negative €133K;

> Adjustment of the reserve for the recalculation of defi-

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4.6 NOTES TO THE FINANCIAL STATEMENTS

ned benefits, for a negative €290K;

> Positive change in costs for the capital increase carried out in 2018 (€23K net of the tax effect), recognized in a separate negative equity reserve as required by the accounting standards;

> Group's share of net profit for the year (€12,591K).

As discussed in Section 2.5 of the directors' report, on 11 November 2019 the parent company's extraordinary shareholders' meeting approved a voluntary reduction in share capital for IGD SIIQ S.p.A., pursuant to and for the purposes of Civil Code Art. 2445, from €749,738K to €650,000K. The share capital will be reduced by €99,738K by allocating €8,155K to the legal reserve and €91,583K to a new distributable reserve. As a result, the legal reserve will have the balance required by Art. 2430 of the Italian Civil Code.

The purpose of this operation is to provide greater flexibility to the net equity structure by increasing the undistributable legal reserve while creating a distributable supply of funds, which also marries the particularities of SIIQ status (i.e. the mandatory distribution of 70% of the profit from exempt operations) with the expectations of the capital markets (return on investment or dividend yield).

On 19 February 2020, IGD SIIQ S.p.A. recognized the capital reduction once the corresponding resolution had become fully effective, in accordance with Civil Code Art. 2445, as the deadline for opposing the reduction had passed without any creditors raising objections.

The shareholders' equity of IGD SIIQ S.p.A. reflecting the voluntary reduction in capital is broken down below.

	31/12/2019	31/12/2018	Change
Share capital	650,000	749,738	(99,738)
Share premium reserve	30,058	31,504	(1,446)
Other reserves	515,803	410,109	105,694
Legal reserve	130,000	119,952	10,048
Merger surplus reserve	0	557	(557)
Treasury share reserve	(198)	(492)	294
Result treasury share sale effect	(33)	(33)	0
Bond issue reserve	14,865	14,865	0
Translation reserve	(4,687)	(4,554)	(133)
FTA IFRS 9 reserve	(4,354)	(4,354)	0
Recalculation of defined benefit plans	(17)	153	(170)
Cash flow hedge reserve	(12,196)	(13,376)	1,180
Fair value reserve	311,118	307,736	3,382
Subsidiaries cash flow hedge reserve	(1,808)	(86)	(1,722)
Recalculation of defined benefit plans subsidiaries	(51)	69	(120)
Capital increase reserve	(10,305)	(10,328)	23
FTA IFRS 16 reserve	1,886	0	1,886
Other available reserves	91,583	0	91,583
Net profit (loss) of the year	15,153	60,987	(45,834)
Group profit (loss) carried forward	2,562	14,599	(12,037)
Group profit	12,591	46,388	(33,797)
Total Group net equity	1,211,014	1,252,338	(41,324)
Capital and reserves of non-controlling interests	0	0	0
Net Equity	1,211,014	1,252,338	(41,324)

IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.6 NOTES TO THE FINANCIAL STATEMENTS

> RECONCILIATION BETWEEN NET EQUITY AND PROFIT OF IGD SIIQ S.P.A. AND THE CORRESPONDING CONSOLIDATED AMOUNTS

	Net Profit		Net Equity	
	Group	Non-controlling interests	Group	Non-controlling interests
Balances shown in the parent's financial statements	9,471	0	1,208,542	0
Reversal of dividends	(4,500)	0	0	0
Reversal of impairment losses on consolidated equity investments	2,279	0	0	0
Valuation at net equity of companies recorded in the statutory financial statements at cost	0	0	(387,896)	0
Effect of CFH reserve - subsidiaries	0	0	(1,722)	0
Effect of recalculation of defined benefit plans - subsidiaries	0	0	(120)	0
Adjustment of capital gain on the sale of assets from subsidiaries	(1,410)	0	(1,410)	0
Net equity and net profit (loss) for the year of consolidated companies	6,751	0	384,250	0
Allocation of differences to the assets of consolidated companies		0		0
Goodwill fron consolidated of Millennium	0	0	3,952	0
Goodwill fron consolidated of Win Magazin S.A.	0	0	5,410	0
Goodwill fron consolidated of Winmarkt management s.r.l.	0	0	1	0
Goodwill fron consolidated of RGD Ferrara	0	0	7	0
SALDI COME DA BILANCIO CONSOLIDATO	12,591	0	1,211,014	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	31/12/2019	31/12/2018	Change
Mortgage loans		473,289	323,298	149,991
04 BNL Rimini IGD Malatesta - Rimini	06/09/2006 - 06/07/2021	0	3,495	(3,495)
09 Interbanca IGD	25/09/2006 - 05/10/2021	15,012	29,546	(14,534)
05 BreBanca IGD Mondovicino (Galleria)	23/11/2006 - 10/01/2023	3,238	4,409	(1,171)
08 Carisbo Guidonia IGD Tiburtino	27/03/2009 - 27/03/2024	35,144	39,130	(3,986)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	5,605	6,326	(721)
01 Unipol Sarca	10/04/2007 - 06/04/2027	59,394	62,377	(2,983)
07 Carige Nikefin Asti I Bricchi	31/12/2008 - 31/03/2024	15,364	17,071	(1,707)
13 CR Veneto Mondovì (Retail Park)	08/10/2009 - 01/11/2024	14,091	15,693	(1,602)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	7,893	8,823	(930)
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	17,298	19,380	(2,082)
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	11,846	13,523	(1,677)
15 CentroBanca Coné (Galleria)	22/12/2010 - 31/12/2025	22,982	25,602	(2,620)
29 ICREA	14/12/2017 - 30/06/2021	4,991	4,986	5
Loan Ubi 5 Leonardo	19/04/2018 - 17/10/2022	45,389	47,360	(1,971)
Loan Ubi 1 Lame Rp Favorita	19/04/2018 - 17/07/2023	6,849	9,341	(2,492)
Loan Ubi 2 Lame Rp Favorita	19/04/2018 - 17/10/2021	8,107	9,597	(1,490)
Loan Ubi 3 Rp Lungo	19/04/2018 - 17/10/2021	3,316	6,639	(3,323)
Loan BNL 200 ML Lungo	01/01/2019 - 15/10/2023	196,770	0	196,770
Debts for bonds		710,306	557,304	153,002
Bond 100 ML	11/01/2017 - 11/01/2024	99,598	99,506	92
Bond 162 ML	21/04/2015 - 21/04/2022	151,625	159,079	(7,454)
Bond 300 ML	31/05/2016 - 31/05/2021	70,611	298,719	(228,108)
Bond 400 ML	28/11/2019 - 28/11/2024	388,472	0	388,472
Due to other source of finance		49,074	3,595	45,479
Sardaleasing for Bologna office	30/04/2009 - 30/04/2027	3,249	3,595	(346)
IFRS 16 Livorno LT liabilities	01/01/2019 - 31/03/2026	16,365	0	16,365
IFRS 16 Abruzzo LT liabilities	01/01/2019 - 31/12/2023	347	0	347
IFRS 16 Nova LT liabilities	01/01/2019 - 28/02/2027	25,487	0	25,487
IFRS 16 Piave LT liabilities	01/01/2019 - 30/06/2022	3,626	0	3,626
non-current financial liabilities		1,232,669	884,197	348,472

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4.6 NOTES TO THE FINANCIAL STATEMENTS

The following table shows movements in non-current financial liabilities:

Non current financial liabilities	31/12/2018	Increases	Repayments	Amortized cost	Reclassification	31/12/2019
Payables due to mortage	**323,298**	**200,000**	**(3,500)**	**(2,780)**	**(43,729)**	**473,289**
Payables due to bond	**557,304**	**388,472**	**(237,607)**	**2,137**	**0**	**710,306**
Payables due to IFRS 16	**0**	**54,550**	**0**	**0**	**(8,725)**	**45,825**
Payables due to other source of finance	**3,595**	**0**	**0**	**0**	**(346)**	**3,249**
Total	**884,197**	**643,022**	**(241,107)**	**(643)**	**(52,800)**	**1,232,669**

Mortgage loans are secured by properties. The change in 2019 concerns: (i) the reclassification to current financial liabilities of the principal falling due in the next 12 months; and (ii) the disbursement of the €200 million loan contracted by IGD on 16 October 2018 with a pool of banks, including BNP Paribas Italian Branch as mandated lead arranger, underwriter global coordinator, and bookrunner. IGD has taken out a three-year, variable-rate senior unsecured loan whose maturity can be extended to five years at the Company's request. As agreed by the parties, the loan was disbursed in two tranches in the first quarter of 2019. Tranche A, €125 million, was used for the redemption of the original €150 million bond loan on 7 January 2019. Tranche B, €75 million, was used to pay back some short-term credit lines and cover general cash needs.

> DUE TO OTHER SOURCES OF FINANCE AND FOR IFRS 16

This item covers the non-current portion of liabilities arising from:

> The lease for HQ premises;

> The adoption of IFRS 16 for the malls at Fonti del Corallo, Nova, and Piave shopping centers and the parking lot at Centro d'Abruzzo.

> BONDS

On 11 November 2019 the Board of Directors approved a new non-subordinated, non-convertible bond loan of up to €500 million. The main purpose of the operation is to reduce the cost of debt and extend existing financial maturities. On 20 November 2019 IGD completed the placement of the new non-subordinated, non-convertible bond with institutional investors in Italy and abroad, in accordance with applicable laws and regulations (excluding the United States pursuant to Regulation S of the United States Securities Act of 1933, as amended). On 28 November 2019 IGD issued the new bonds with a unit nominal value of €100,000, and multiples of 1,000 up to a maximum of €199,000, for a total nominal value of €400,000,000.

The new bonds are governed by English law and have the following characteristics:

> 5-year duration, maturity 28 November 2024;

> Issue price at 99.336% of nominal value;

> Fixed rate of 2.125% per annum, payable at the end of every year, with a possible annual increase of no more than 1.25% contingent on factors associated with the bonds' rating;

> At maturity, lump-sum redemption at par plus interest payable at that time; early redemption is possible under various circumstances, including change of control, under the terms and conditions stated in the bond regulations.

With the funds raised through the bond issue, IGD SIIQ S.p.A. has:

> Conducted a partial buy-back, through an intermediate tender offer also approved by the Board of Directors on 11 November 2019, of the following outstanding bonds for a total of €237.6 million: (i) €229.2 million worth of the €300 million bond loan maturing on 31 May 2021 and paying 2.5% interest; and (ii) €8.4 million worth of the €162 million bond loan maturing on 21 April 2022 and paying 2.65% interest;

> Acquired the cash needed to redeem, at maturity, the non-repurchased portion of the €300 million bond loan maturing on 31 May 2021 (€70.8 million);

> Raised the funds needed to partially finance and/or refinance the investments called for in the 2020 Strategic Plan (€91.6 million).

Details of outstanding bonds are presented in the table below:

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4.6 NOTES TO THE FINANCIAL STATEMENTS

	Non-current portion	Current portion					Non-current portion	Current portion		
Debts for bonds	31/12/2018	31/12/2018	New issue / refund	Repurchase of old bonds	Ancillary costs amortization at 31/12/2019	Financial charges at 31/12/2019	31/12/2019	31/12/2019	Nominal interest rate	Actual interest rate
Bond 150 ML		**124,900**	**(124,900)**				**0**	**0**		
Addittional transition costs		**(8)**			**8**		**0**	**0**		
Coupon rate 31/12/2018		**4,747**				**(4,747)**	**0**			
Paid interests						**4,840**	**0**	**0**		
Coupon rate 31/12/2019							**0**	**0**		
Total Bond 150 ML	**0**	**129,639**		**0**	**8**	**93**	**0**	**0**	**3.875%**	**4.17%**
Bond 162 ML	**162,000**			**(8,400)**			**153,600**			
Additional transition cost	**(2,921)**			**266**	**680**		**(1,975)**			
Coupon rate 31/12/2018		**2,969**				**(2,969)**				
Paid interests						**4,427**				
Coupon rate 31/12/2019						**2,815**		**2,815**		
Total Bond 162 ML	**159,079**	**2,969**		**(8,134)**	**680**	**4,273**	**151,625**	**2,815**	**2.650%**	**3.94%**
Bond 300 ML	**300,000**			**(229,207)**			**70,793**			
Addittional transition costs	**(1,280)**			**633**	**466**		**(182)**			
IFRS 9 Effects					**3,505**					
Coupon rate 31/12/2018		**4,375**				**(4,375)**		**0**		
Paid interests						**10,334**				
Coupon rate 31/12/2019						**1,032**		**1,032**		
Total Bond 300 ML	**298,720**	**4,375**		**(228,574)**	**3,971**	**6,991**	**70,611**	**1,032**	**2.500%**	**2.80%***
* Including the effect of the Cash Flow Hedge reserve										
Bond 100 ML	**100,000**						**100,000**			
Additional transition costs	**(494)**				**92**		**(402)**			
Coupon rate 31/12/2018		**1,056**				**(1,056)**				
Paid interests						**2,250**				
Coupon rate 31/12/2019						**1,056**		**1,056**		
Total Bond 100 ML	**99,506**	**1,056**		**0**	**92**	**2,250**	**99,598**	**1,056**	**2.250%**	**2.35%**
Bond 400 ML			**400,000**				**400,000**			
Additional transition costs			**(11,729)**		**201**		**(11,528)**			
Coupon rate 31/12/2018								**0**		
Paid interest						**0**				
Coupon rate 31/12/2019						**756**		**756**		
Totale Bond 400 ML	**0**	**0**	**388,271**	**0**	**201**	**756**	**388,472**	**756**	**2.125%**	**2.76%**

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4.6 NOTES TO THE FINANCIAL STATEMENTS

	Non-current portion	Current portion					Non-current portion	Current portion		
Debts for bonds	31/12/2018	31/12/2018	New issue / refund	Repurchase of old bonds	Ancillary costs amortization at 31/12/2019	Financial charges at 31/12/2019	31/12/2019	31/12/2019	Nominal interest rate	Actual interest rate
Total bonds	**557,304**	**138,039**	**388,271**	**(236,708)**	**4,952**	**14,363**	**710,306**	**5,660**		
Cash Flow Hedge reserve (bond 300 ML)	**(830)**				**337**		**(493)**			
Total financial charges					**5,289**	**14,363**				

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> COVENANTS

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2019.

Name	Guarantees givens	Type of product	End date	Financial "Covenant"	Indicator i)	Indicator ii)	Indicator iii)	Indicator iv)
05 BreBanca IGD	Mondovicino shopping mall	Mortgage	**10/01/2023**					
01 Unipol Larice	Sarca shopping mall	Mortgage	**06/04/2027**	Certified consolidated financial statement: ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 2.3	**0.93**			
06 Unipol Lungosavio IGD	Lungo Savio shopping center (Mall)	Mortgage	**31/12/2023**					
07 Carige Nikefin Asti	I Bricchi shopping mall	Mortgage	**31/03/2024**					
08 Carisbo Guidonia IGD	Tiburtino shopping center	Mortgage	**27/03/2024**	Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.6 through to maturity	**0.93**			
09 Interbanca IGD	Centro d'Abruzzo shopping center (Hypermarket); Porto Grande shopping center (Mall Hypermarket); SC Globo hypermarket; Le Porte di Napoli shopping center (Hypermarket); SC Il Maestrale hypermarket; SC Leonardo; SC Mirafiore hypermarket	Loan	**05/10/2021**	Consolidated financial statement: ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 2 from 31/12/2006 to maturity	**0.93**			
10 Mediocredito Faenza IGD	Le Maioliche shopping center (Hypermarket)	Loan	**30/06/2029**	IGD SIIQ SpA financial statements: ratio of external net debt to equity + Intercompany loan must not exceed 2.70	**0.94**			
14 MPS Palermo	La Torre shopping center (Mall)	Mortgage	**30/11/2025**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.7 ii) Loan to Value ratio for individual property must not exceed 70%	**0.93**	**37.981%**		
15 CentroBanca Coné Gall	Coné shopping center (Mall)	Loan	**31/12/2025**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 2	**0.93**			
13 CR Veneto Mondovì	Mondovicino Retail Park	Mortgage	**01/11/2024**	Certified consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.6	**0.93**			
17 Carige Palermo iGD	La Torre shopping center (Hypermarket)	Mortgage	**30/06/2027**					
29 Icrea Chirografario	none	Unsecured loan	**30/06/2021**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.60 from 31/12/2017 to maturity; ii) Ratio Total Asset - Intangible Asset to Total Debt (excluding derivative liabilities) under 60%	**0.90**	**48.73%**		
30 Ubi 1 lame_rp_fav	La Favorita shopping center (Mall e Retail Park) and Lame shopping center (Mall)	Mortgage backed loan	**17/07/2023**					
31 Ubi 2 lame_rp _fav	La Favorita shopping center (Mall e Retail Park) and Lame shopping center (Mall)	Mortgage backed loan	**18/10/2021**					
32 Ubi 3 rp	La Favorita shopping center (Retail Park)	Mortgage	**18/10/2021**					
33 Ubi 5 Leonardo	Leonardo shopping center (Mall) and Centro Luna shopping center (Mall)	Loan	**17/10/2023**	Consolidated financial statements i) Ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.6 ii) Loan to Value ratio for inividual property must not exceed 55%	**0.90**	**43.043%**		
26 Notes 2.65% - 21/04/2022	Unsecured	Bond	**21/04/2022**	i) Ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.55; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.00. - [excluding effects of IFRS 16 accounting standars]	**0.49**	**3.54**	**12.58%**	**1.61**
27 Notes 2.50% - 31/05/2021	Unsecured	Bond	**31/05/2021**	i) Ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.7; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.25. - [excluding effects of IFRS 16 accounting standars]	**0.49**	**3.54**	**12.58%**	**1.61**
28 Notes 2.25% - 11/01/2024	Unsecured	Bond	**11/01/2024**	i) ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.7; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.50. - [including effects of IFRS 16 accounting standars]	**0.50**	**3.54**	**14.41%**	**1.61**
35 Bond 400 M 2.125% - 28/11/2024	Unsecured	Bond	**28/11/2024**	i) Ratio Total Asset - Intangible Asset to Total Debt (excluding derivative liabilities and net Cash and Cash Equivalent) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.7; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt (net of Cash and Cash equivalents) > 1.25. - [excluding effects of IFRS 16 accounting standars]	**0.44**	**3.54**	**12.58%**	**1.88**
34 Syndicated Loan	Unsecured	Syndacated loan	**16/10/2023**	i) Ratio Total Asset - Intangible Asset 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 Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.25. - [excluding effects of IFRS 16 accounting standars]	**0.49**	**3.54**	**12.58%**	**1.61**

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 30) PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES

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

	01/01/2019	Actuarial (Gain) / Losses	Reverse	Provision	Financial charges IAS 19	31/12/2019
Provisions for employee severance indemnities	**2,567**	**289**	**(124)**	**276**	**49**	**3,057**

	01/01/2018	Actuarial (Gain) / Losses	Reverse	Provision	Financial charges IAS 19	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:

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.

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%**

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.

Financial Assumptions	2019
Cost of living increase	**1.20%**
Discount rate	**1.04%**
Increase in total compensation	Dirigenti: **2.5%** ; Impiegati/Quadri: **1.0%** ; Operai: **1.0%**
Increase in severance indemnity provision	**2.400%**

> SENSITIVITY ANALYSIS OF MAIN VARIABLES ON TFR AT 31 DECEMBER 2019

Inflation rate +0,25% - Provisions for employees sevenance indemnities	**3,115.49**
Inflation rate -0,25% - Provisions for employees sevenance indemnities	**2,951.90**
Discount rate +0,25% - Provisions for employees sevenance indemnities	**2,928.53**
Discount rate -0,25% - Provisions for employees sevenance indemnities	**3,141.32**
Turnover rate +1% - Provisions for employees sevenance indemnities	**2,984.43**
Turnover rate -1% - Provisions for employees sevenance indemnities	**3,087.35**

Service Cost 2019	**323.65**
Plan Duration	**19.15**

Estimated payments, year 1	**141.67**
Estimated payments, year 2	**299.01**
Estimated payments, year 3	**94.27**
Estimated payments, year 4	**101.87**
Estimated payments, year 5	**109.39**

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> NOTE 31) GENERAL PROVISIONS

	01/01/2019	Reverse	Provision	Reclassification	31/12/2019
Provision for taxation	1,840	(422)	168	150	1,737
Consolidated Fund risks and future charges	2,783	(3,686)	2,246	(150)	1,193
Bonus provisions	974	(974)	1,138	0	1,138
Provisions for risks and future charges	5,597	(5,082)	3,552	0	4,068

> Provision for taxation

This provision covers the charges that might arise from tax audits and other likely tax liabilities. Most of 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 the two shopping centers in Palermo and Ravenna (Esp). Decreases/reclassifications mostly concern:

> The payment of €181K for tax assessments following IMU (municipal property tax) disputes for 2014, 2015 and 2016 regarding Fonti del Corallo shopping center;

> The use of €7K in provisions to pay a tax assessment following an IMU dispute for 2013 regarding Esp shopping center;

> The release to the income statement of €159K in provisions for disputes concluded in IGD's favor;

> The reclassification of €25K to current tax payables reflecting the payment, to take place in February 2020, of a tax assessment following an IMU dispute for 2014 regarding Esp shopping center;

> The reclassification of €50K to risk provisions for Guidonia, which cover potential liabilities arising from a dispute with the town of Guidonia regarding various retail licenses.

> Bonus provision

The bonus provision covers the variable compensation that will be paid to employees in 2020 on the basis of the Group's 2019 estimated results. The utilization refers to the payment made in the first half of 2019.

> Other general provisions

These cover the risks arising from litigation in course, as well as probable future expenses. The principal changes during the year were as follows:

> The allocation of €1,446K and the use of €3,600K resulting from the settlement reached by IGD, IIS, and Demostene S.p.A. of a lawsuit concerning the price supplement for IGD's purchase of the mall at Katané shopping center in Gravina di Catania in 2019;

> The allocation of €400K for a lawsuit pending before the labor section of the Court of Treviso, brought by former employees of Galimberti S.p.A., which had leased retail space from IGD SIIQ S.p.A. at Conè shopping center but has since vacated the premises;

> The allocation of €400K in end-of-term benefits for directors.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 32) SUNDRY PAYABLES AND OTHER NON-CURRENT LIABILITIES

	31/12/2019	31/12/2018	Change
Deferred income	5,920	5,920	0
Advances due one year	800	0	800
Extention fee	1,000	0	1,000
Payable for substitute tax	0	1,471	(1,471)
Other liabilities	432	459	(27)
Sundry payables and other non-current liabilities	8,152	7,850	302

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).

During the year, sundry payables and other non-current liabilities underwent the following changes:

> A reduction due to the reclassification to current liabilities of the fifth and final 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 the 2015 administrative year;

> An increase in advances due beyond one year for the advance received from BNP Paribas under the agreement for the sale of retail licenses at Fonti del Corallo mall, to be finalized in 2026 when the current lease expires;

> An increase in extension fees reflecting the two €500K fees that IGD SIIQ S.p.A. will have to pay to BNP Paribas in 2021 and 2022 in order to extend the duration of the €200 million loan to 2022 and 2023, respectively. As of this writing, IGD SIIQ S.p.A. believes an extension to both 2022 and 2023 is likely.

Related party payables are shown below:

	31/12/2019	31/12/2018	Change
Coop Alleanza 3.0	13,191	11,362	1,829
Alleanza Luce e Gas S.r.l.	55	55	0
Unicoop Tirreno s.c.a.r.l.	25	25	0
Distribuzione Centro Sud S.r.l.	450	450	0
Related parties sundry payables and other non-current liabilities	13,721	11,892	1,829

Security deposits refer to sums received for the leasing of hypermarkets and malls. They pay interest at the rates provided for by law.

The increase in security deposits received from Coop Alleanza 3.0 falls under the framework agreement signed with Coop Alleanza in November 2018 that revises the duration and amount of rent.

See Note 40 for additional information.

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> NOTE 33) CURRENT FINANCIAL LIABILITIES

	Duration	31/12/2019	31/12/2018	Change
Bnl Bologna - Hot Money	**12/12/2019 - 29/03/2019**	**0**	**10,008**	**(10,008)**
Cassa risp. Firenze - Hot Money	**12/12/2019 - 29/03/2019**	**0**	**11,000**	**(11,000)**
Ubo Banca - Hot Money	**12/12/2019 - 29/03/2019**	**0**	**20,000**	**(20,000)**
Banca Popolare Emilia Romagna c/c	**on demand**	**0**	**261**	**(261)**
Emilbanca c/c	**on demand**	**0**	**1,494**	**(1,494)**
Due to banks		**0**	**42,763**	**(42,763)**
04 BNL Rimini IGD Malatesta - Rimini	**06/09/2006 - 06/07/2021**	**0**	**2,001**	**(2,001)**
05 BreBanca IGD Mondovicino (Galleria)	**23/11/2006 - 10/01/2023**	**1,184**	**1,122**	**62**
06 Unipol Lungosavio IGD	**31/12/2008 - 31/12/2023**	**723**	**681**	**42**
09 Interbanca IGD	**25/09/2006 - 05/10/2021**	**14,670**	**14,147**	**523**
08 Carisbo Guidonia IGD Tiburtino	**27/03/2009 - 27/03/2024**	**4,131**	**4,132**	**(1)**
01 Unipol Sarca	**10/04/2007 - 06/04/2027**	**3,020**	**3,037**	**(17)**
07 Carige Nikefin Asti I Bricchi	**31/12/2008 - 31/03/2024**	**1,716**	**1,609**	**107**
13 CR Veneto Mondovì (Retail Park)	**08/10/2009 - 01/11/2024**	**1,696**	**1,703**	**(7)**
10 Mediocredito Faenza IGD	**05/10/2009 - 30/06/2029**	**933**	**933**	**0**
14 MPS Palermo (Galleria)	**21/12/2010 - 30/11/2025**	**2,118**	**2,066**	**52**
17 Carige Palermo IGD (Iper)	**12/07/2011 - 30/06/2027**	**1,677**	**1,641**	**36**
15 CentroBanca Coné (Galleria)	**22/12/2010 - 31/12/2025**	**2,640**	**2,640**	**0**
Fin Ubi 5 Leonardo	**19/04/2018 - 17/10/2022**	**2,092**	**2,106**	**(14)**
Fin Ubi 1 Lame Rp Favorita	**19/04/2018 - 17/07/2023**	**2,570**	**2,584**	**(14)**
Fin Ubi 2 Lame Rp Favorita	**19/04/2018 - 17/10/2021**	**1,572**	**1,580**	**(8)**
Fin Ubi 3 Rp Lungo	**19/04/2018 - 17/10/2021**	**3,348**	**3,358**	**(10)**
Mortgage loans		**44,090**	**45,340**	**(1,250)**
Leasing Sede Igd	**30/04/2009 - 30/04/2027**	**345**	**334**	**11**
Pass IFRS 16 Livorno liabilities current	**01/01/2019 - 31/03/2026**	**2,777**	**0**	**2,777**
Pass IFRS 16 Abruzzo liabilities current	**01/01/2019 - 31/12/2023**	**109**	**0**	**109**
Pass IFRS 16 Nova liabilities current	**01/01/2019 - 28/02/2027**	**3,530**	**0**	**3,530**
Pass IFRS 16 Piave liabilities current	**01/01/2019 - 30/06/2022**	**2,309**	**0**	**2,309**
Due to other source of finance		**9,070**	**334**	**8,736**
Bond 100 ML	**11/01/2017 - 11/01/2024**	**1,056**	**1,056**	**0**
Bond 150 ML	**07/05/2014 - 07/01/2019**	**0**	**129,638**	**(129,638)**
Bond 162 ML	**21/04/2015 - 21/04/2022**	**2,815**	**2,969**	**(154)**
Bond 300 ML	**31/05/2016 - 31/05/2021**	**1,033**	**4,375**	**(3,342)**
Bond 400 ML	**28/11/2019 - 28/11/2024**	**756**	**0**	**756**
Debts for bonds		**5,660**	**138,038**	**(132,378)**
Current financial liabilities		**58,820**	**226,475**	**(167,655)**

Movements in current financial liabilities are shown in the table below:

Current financial liabilities	31/12/2018	Coupon of the year	Increases	Repayments	Reclassification	31/12/2019
Payables due to banks	**42,763**	**0**	**0**	**(42,763)**	**0**	**0**
Payables due to mortgage	**45,340**	**0**	**0**	**(44,978)**	**43,728**	**44,090**
Payables due to bond	**138,038**	**14,363**	**0**	**(146,750)**	**0**	**5,660**
Payables due to IFRS 16	**0**	**0**	**8,370**	**(8,370)**	**8,725**	**8,725**
Payables due to other source of finance	**334**	**0**	**0**	**(334)**	**345**	**345**
Total	**226,475**	**14,363**	**8,370**	**(243,195)**	**52,798**	**58,820**

Current financial liabilities with third parties include the current portion of lease payments on the new head office, the current portion of liabilities stemming from the adoption of IFRS 16, 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 closure of 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 current portion pertaining to the €400 million bond loan issued in November 2019;

> The adoption of IFRS 16 for the malls at Fonti del Corallo, Nova, and Piave shopping centers and the parking lot at Centro d'Abruzzo;

> The redemption of the €150 million bond loan early in the year.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 34) NET FINANCIAL POSITION

The table below presents the net financial position at 31 December 2019 and 31 December 2018. 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 €161 million, of which all was unutilized at the close of the year. Of the decrease in these facilities, €30 million 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.

	31/12/2019	31/12/2018	Change
Cash and cash equivalents	**(128,677)**	**(2,472)**	**(126,205)**
Financial receivables and other current financial assets vs. related parties	**0**	**(96)**	**96**
LIQUIDITY	**(128,677)**	**(2,568)**	**(126,109)**
Current financial liabilities	**0**	**42,763**	**(42,763)**
Mortgage loans - current portion	**44,090**	**45,340**	**(1,250)**
Leasing - current portion	**9,070**	**334**	**8,736**
Bond loans - current portion	**5,660**	**138,038**	**(132,378)**
CURRENT DEBT	**58,820**	**226,475**	**(167,655)**
CURRENT NET DEBT	**(69,857)**	**223,907**	**(293,764)**
Non-current financial assets	**(174)**	**(243)**	**69**
Leasing - non-current portion	**49,074**	**3,594**	**45,480**
Non-current financial liabilities	**473,289**	**323,298**	**149,991**
Bond loans	**710,306**	**557,304**	**153,002**
NON-CURRENT NET DEBT	**1,232,495**	**883,953**	**348,542**
Net debt	**1,162,638**	**1,107,860**	**54,778**

Net debt increased by about €55 million with respect to 31 December 2018, due mainly to:

- The first-time adoption of IFRS 16;
- The disbursement of the first and second tranches of the €200 million loan;
- The redemption of bonds in the amount of €125 million;
- The closure of some short-term credit lines;
- The payment of dividends for 2018;
- The issue of a new €400 million bond loan and simultaneous partial buy-back of outstanding bonds, for about €238 million;
- The closure of ultra-short-term credit lines.

> NOTE 35) TRADE AND OTHER PAYABLES

	31/12/2019	31/12/2018	Change
Trade payables due to suppliers	**15,960**	**14,301**	**1,659**
Trade and other payables	**15,960**	**14,301**	**1,659**

Trade payables increased due mainly to work carried out by the subsidiary Porta Medicea S.r.l. during the last quarter of the year.

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> NOTE 36) RELATED PARTY TRADE AND OTHER PAYABLES

	31/12/2019	31/12/2018	Change
Coop Alleanza 3.0	**248**	**217**	**31**
Robintur s.p.a.	**8**	**11**	**(3)**
Alleanza Luce e Gas	**183**	**0**	**183**
Cons. propr. del compendio com. del Commendone (GR)	**3**	**0**	**3**
Consorzio prop. Fonti del Corallo	**141**	**7**	**134**
Consorzio Coné	**0**	**14**	**(14)**
Consorzio Katané	**40**	**64**	**(24)**
Consorzio Lame	**0**	**47**	**(47)**
Consorzio Leonardo	**61**	**90**	**(29)**
Consorzio La Torre	**177**	**139**	**38**
Consorzio Porta a Mare	**36**	**39**	**(3)**
Consorzio Sarca	**12**	**44**	**(32)**
Distribuzione Centro Sud s.r.l.	**4**	**1**	**3**
Consorzio Le Maioliche	**0**	**1**	**(1)**
Consorzio Punta di Ferro	**6**	**58**	**(52)**
Consorzio Proprietari Centro Luna	**8**	**0**	**8**
Consorzio Esp	**4**	**4**	**(0)**
Consorzio La Favorita	**1**	**0**	**1**
Consorzio Le Porte di Napoli	**99**	**0**	**99**
Related parties trade and other payables	**1,031**	**736**	**295**

Most of the increase in related party payables (+€295K) reflects the amounts due to Alleanza Luce e Gas, the Consorzio Proprietari Fonti del Corallo, and the Consorzio Le Porte di Napoli.

See Note 40 for additional information.

> NOTE 37) CURRENT TAX LIABILITIES

	31/12/2019	31/12/2018	Change
Due tax authorities for withholdings	**646**	**591**	**55**
Irap	**64**	**2**	**62**
Ires	**258**	**217**	**41**
VAT	**117**	**72**	**45**
Drainage consortium	**0**	**2**	**(2)**
Other taxes	**31**	**18**	**13**
Substitute tax	**1,485**	**1,471**	**14**
Current tax liabilities	**2,601**	**2,373**	**228**

This item increased by €228K with respect to the previous year. In June, the fourth installment was paid on the substitute tax for the achievement of SIINQ status by the merged company Punta di Ferro SIINQ S.p.A. at the end of administrative year 2015, in the amount of €1,478K. The fifth and final installment of €1,485K, due in June 2020, has been reclassified from non-current liabilities.

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> NOTE 38) OTHER CURRENT LIABILITIES

	31/12/2019	31/12/2018	Change
Social security	**367**	**361**	**6**
Accured liabilities and deferred income	**686**	**855**	**(169)**
Insurance	**8**	**9**	**(1)**
Due to employees	**830**	**819**	**11**
Security deposits	**6,944**	**6,711**	**233**
Unclaimed dividends	**5**	**1**	**4**
Advances received due within the year	**581**	**73**	**508**
Amounts due to director for emoluments	**270**	**235**	**35**
Other liabilities	**997**	**1,097**	**(100)**
Other current liabilities	**10,688**	**10,161**	**527**

These consist mainly of security deposits received from tenants. The increase is due primarily to the change in deferred revenue on the Darsena property.

> NOTE 39) DIVIDENDS PAID

During the period, as determined by the Annual General Meeting held to approve the 2018 financial statements on 10 April 2019, a dividend of €0.50 was paid for each of the 110,305,912 shares outstanding, for a total of €55,153.

> NOTE 40) RELATED PARTY DISCLOSURES

Below is the information required by paragraph 18 of IAS 24.

	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-current assets	Fixed assets - Increase	Fixed assets - Decrease
Coop Alleanza 3.0	**71**	**0**	**249**	**13,191**	**0**	**0**	**0**	**0**
Robintur s.p.a.	**0**	**0**	**8**	**0**	**0**	**0**	**0**	**0**
Librerie Coop s.p.a.	**13**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Alleanza Luce e Gas	**23**	**0**	**183**	**55**	**0**	**0**	**151**	**0**
Unicoop Tirreno s.c.a.r.l.	**31**	**0**	**-**	**25**	**0**	**0**	**0**	**0**
Cons. propr. del compendio com. del Commendone (GR)	**0**	**0**	**3**	**0**	**0**	**0**	**0**	**0**
Consorzio prop. Fonti del Corallo	**0**	**0**	**141**	**0**	**0**	**0**	**135**	**0**
Consorzio Katané	**328**	**0**	**40**	**0**	**0**	**0**	**47**	**0**
Consorzio Leonardo	**61**	**0**	**61**	**0**	**0**	**0**	**0**	**0**
Consorzio La Torre	**124**	**0**	**177**	**0**	**0**	**0**	**17**	**0**
Consorzio Porta a Mare	**24**	**0**	**36**	**0**	**0**	**0**	**0**	**0**
Consorzio Sarca	**0**	**0**	**12**	**0**	**0**	**0**	**0**	**0**
Distribuzione Centro Sud s.r.l.	**0**	**0**	**4**	**450**	**0**	**0**	**0**	**0**
Consorzio Punta di Ferro	**6**	**0**	**6**	**0**	**0**	**0**	**0**	**0**
Millennium Center	**16**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Consorzio Proprietari Centro Luna	**7**	**0**	**8**	**0**	**0**	**0**	**12**	**0**
Consorzio Esp	**1**	**0**	**4**	**0**	**0**	**0**	**0**	**0**
Consorzio La Favorita	**17**	**0**	**1**	**0**	**0**	**0**	**0**	**0**
Consorzio Le Porte di Napoli	**196**	**0**	**98**	**0**	**0**	**0**	**84**	**0**
Mercato Coperto Ravenna	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**921**	**0**	**1,031**	**13,721**	**0**	**0**	**446**	**0**
Amount reported	**48,721**	**174**	**27,679**	**21,873**	**1,291,489**	**118**		
Total increase / decrease for the period							**41,231**	**13,795**
% of the total	**1.89%**	**0.00%**	**3.73%**	**62.73%**	**0.00%**	**0.00%**	**1.08%**	**0.00%**

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	Operating revenues	Financial Income	Total operating costs	Financial charges
Coop Alleanza 3.0	33,080	0	384	100
Robintur s.p.a.	315	0	0	0
Librerie Coop s.p.a.	978	0	0	0
Alleanza Luce e Gas	213	0	0	0
Unicoop Tirreno s.c.a.r.l.	5,410	0	20	0
Cons. propr. del compendio com. del Commendone (GR)	150	0	64	0
Consorzio Coné	170	0	112	0
Consorzio Clodì	56	0	95	0
Consorzio Crema (Gran Rondò)	61	0	116	0
Consorzio I Bricchi	117	0	530	0
Consorzio Katané	210	0	269	0
Consorzio Lame	185	0	15	0
Consorzio Leonardo	235	0	5	0
Consorzio La Torre	204	0	345	0
Consorzio Porta a Mare	78	0	243	0
Consorzio Sarca	179	0	472	0
Distribuzione Centro Sud s.r.l.	1.463	0	0	4
Rgd Ferrara 2013	404	0	0	0
Consorzio Le Maioliche	174	0	214	0
R.P.T. Robintur	15	0	0	0
Consorzio Punta di Ferro	168	0	130	0
Millennium Center	112	0	22	0
Consorzio Proprietari Centro Luna	151	0	0	0
Consorzio Esp	208	0	202	0
Consorzio La Favorita	137	0	22	0
Mercato Coperto Ravenna	3	0	0	0
Total	44,476	0	3,260	104
Amount reported	162,048	86	38,616	36,840
% of the total	27.45%	0.00%	8.44%	0.28%

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.; and with 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 2019, including for retail premises, amounted to €33.1 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 2019, €315K 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 €978K 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 €213K under this arrangement.

Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0. Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.) refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.

Transactions with Unicoop Tirreno Soc. Coop.

Transactions with Unicoop Tirreno Soc. Coop. consist of:

> Security deposits received on leases;

> Receivables and income for the leasing of properties used as hypermarkets. For the year, the Company received €5.4 million under these arrangements.

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., Win Magazin S.A., and RGD Ferrara 2013 S.r.l. 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., Millennium Gallery S.r.l., and RGD Ferrara 2013 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.

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> 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 2.12 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 94.79% 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

Interest rate risk - Exposure and sensitivity analysis	Benchmark	Income Statement				Net equity			
		Shock up		Shock down		Shock up		Shock down	
		31-dic-19	31-dic-18	31-dic-19	31-dic-18	31-dic-19	31-dic-18	31-dic-19	31-dic-18
Interest-bearing assets	Euribor	**1,287**	**25**	**(129)**	**(2)**	**0**	**0**	**0**	**0**
Hot Money	Euribor	**0**	**(428)**	**0**	**(43)**	**0**	**0**	**0**	**0**
Financial liabilities at variable rate	Euribor	**(3,499)**	**(3,692)**	**325**	**365**	**0**	**0**	**0**	**0**
Derivatives									
Cash Flow		**3,122**	**2,383**	**(286)**	**(238)**	**0**	**0**	**0**	**0**
Fair value		**0**	**0**	**0**	**0**	**12,369**	**11,959**	**(1,210)**	**(1,241)**
Total		**910**	**(1,712)**	**(90)**	**82**	**12,369**	**11,959**	**(1,210)**	**(1,241)**

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 2012 and 2011.

The method used to analyze and determine significant variables did not change since the previous period.

> 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.

Maximun exposure to credit risk	2019	2018
Receivables and loans		
Sundry receivables and other assets	118	111
Financial assets	0	0
Trade and other receivables	11,114	12,916
Related party trade and other receivables	921	2,024
Other assets	1,368	3,311
Cash and cash equivalents	128,599	2,380
Financial receivables and other financial assets	174	243
Total	142,294	20,985

> 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 (committed and uncommitted).

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.

LIQUIDITY RISK

Maturity analisys at 31 December 2019	On sight	< 3 months	3 - 6 months	6 months - 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Liabilities								
Non derivative financial instruments								
Mortgage loans	7,448	3,677	13,302	26,617	61,353	355,422	79,010	544,829
Leasing	32	64	97	195	396	1,248	1,811	3,843
Bond	1,125	0	5,840	9,625	87,383	688,795	0	792,768
Short-term credit lines	0	0	0	0	0	0	0	0
Total	8,605	3,741	19,239	34,437	149,132	1.045,465	80,821	1,341,440
Derivatives financial instruments								
Interest rate swaps	619	772	1,658	2,765	4,515	6,843	620	17,792
Total	619	772	1,658	2,765	4,515	6,843	620	17,792
Exposure at 31 December 2019	9,224	4,513	20,897	37,202	153,647	1,052,308	81,441	1,359,232

LIQUIDITY RISK

Maturity analisys at 31 December 2018	On sight	< 3 months	3 - 6 months	6 months - 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Liabilities								
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
Bond	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
Derivatives financial instruments								
Interest rate swaps	674	694	1,710	2,906	4,725	6,139	(260)	16,588
Total	674	694	1,710	2,906	4,725	6,139	(260)	16,588
Exposure at 31 December 2018	182,225	3,802	26,726	28,484	63,307	652,514	238,964	1,201,022

> 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:

> Keeping the net debt/equity ratio at 1x or below. The ratio was 0.88x at 31 December 2018 and 0.95x at the end of 2019 (0.91x disregarding the effects of the revised gearing ratio in accordance with IFRS 16);

> Keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50%. The ratio was 47.58% at 31 December 2019 (46.38% disregarding the effects of IFRS 16), compared with 45.77x a year earlier.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> 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	31/12/2019	31/12/2018	Change	Level
Derivative assets	**0**	**0**	**0**	**2**
Derivative liabilities	**(17,365)**	**(17,364)**	**(1)**	**2**
IRS net effect	**(17,365)**	**(17,364)**	**(1)**	

Contracts in detail	IRS 07 - Banca Aletti 3.420%	IRS 09 - Banca 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	**4,980,396**	**4,980,396**	**4,980,396**	**4,980,396**	**4,409,378**	**4,980,396**	**4,980,396**
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	Quartetly	Quartetly	Quartetly	Quartetly	Half-yearly	Quartetly	Quartetly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Consumer 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	**5,136,192**	**9,963,250**	**6,848,256**	**6,336,033**	**5,136,192**	**9,963,250**	**9,963,250**
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	Quartetly	Quartetly	Quartetly	Half-yearly	Quartetly	Quartetly	Quartetly
Bank rate	Euribor 3 mesi	Euribor 3 mesi	Euribor 3 mesi	Euribor 6 mesi	Euribor 3 mesi	Euribor 3 mesi	Euribor 3 mesi
Consumer 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%
Nominal account	**9,963,250**	**6,071,429**	**15,975,000**	**12,870,000**	**5,148,000**	**7,722,000**	**31,250,000**
Inception date	**27/08/2010**	**12/07/2011**	**12/07/2011**	**12/09/2011**	**12/09/2011**	**12/09/2011**	**08/06/2017**
Maturity	**27/03/2024**	**31/03/2024**	**01/11/2024**	**31/12/2025**	**31/12/2025**	**31/12/2025**	**06/04/2027**
Irs frequency	Quartetly	Quartetly	Half-yearly	Quartetly	Quartetly	Quartetly	Quartetly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Consumer rate	**2.29%**	**2.80%**	**3.25%**	**2.43%**	**2.43%**	**2.43%**	**0.59%**

Contracts in detail	IRS 30 - BIntesa 0.5925%	IRS 31 - UBI 0.3333%	IRS 33 - BNP 0.115%	IRS 35 - MPS 0.115%	IRS 36 - BPM 0.115%	IRS 37 - ICCREA 0.115%	IRS 34 - BNP 0.075%
Nominal account	**31,250,000**	**47,500,000**	**48,000,000**	**50,000,000**	**30,000,000**	**15,000,000**	**57,000,000**
Inception date	**08/06/2017**	**17/01/2019**	**02/01/2019**	**02/01/2019**	**02/01/2019**	**02/01/2019**	**02/01/2019**
Maturity	**06/04/2027**	**17/10/2023**	**16/10/2023**	**16/10/2023**	**16/10/2023**	**16/10/2023**	**16/10/2023**
Irs frequency	Quartetly	Quartetly	Quartetly	Quartetly	Quartetly	Quartetly	Quartetly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Consumer rate	**0.59%**	**0.33%**	**0.12%**	**0.12%**	**0.12%**	**0.12%**	**0.08%**

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 43) SUBSEQUENT EVENTS

As described in Note 28, on 19 February 2020 IGD SIIQ S.p.A. recognized the capital reduction once the corresponding resolution had become fully effective, in accordance with Civil Code Art. 2445, as the deadline for opposing the reduction had passed without any creditors raising objections.

> NOTE 44) COMMITMENTS

At 31 December 2019 the Group had the following major commitments:

> Contract for the development of the Officine Storiche section, for a remaining amount of €17 million;

> Contract for earthquake proofing upgrades at Porto Grande shopping center (Porto San Giorgio), for a remaining amount of €850K;

> Contract for the remapping of Conè shopping center (Conegliano Veneto), for a remaining amount of €595K.

Please refer to what reported in the chapter 2.11 “Outlook” as regards the coronavirus emergency.

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4.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 45) DISPUTES

Information is provided below on the main disputes involving Group companies.

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 was 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 was 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 had 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 owed 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.

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 agreed to allow expert testimony to quantify the rent valid for calculating the price supplement, if any, and indicated 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) clarified a number of issues, it was indeed somewhat ambiguous and left 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.

On 25 November 2017, the Court ordered the expert witness to perform additional steps as requested by IGD in its filings, and scheduled a review of the conclusions 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 have entailed 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 have entailed a price supplement (because annual rent would have 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, were deemed to be moot if the Court confirmed that the threshold above which a price supplement applied referred 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 supplementary report was filed, and IGD had asked the judge for clarifications regarding some conclusions with which it disagreed, the Court set the deadline for submitting concluding statements, which were filed by the parties on time.

In a judgment dated 3 June 2019, the Court settled the dispute by siding largely with the plaintiff, and issued a detailed report supporting its findings.

Specifically, the Court deemed that Art. 3 of the mall purchase agreement, which sets the rules for calculating the price supplement, reflects the parties' intention, "in accordance with industry practice, to anchor any price supplement to the property's overall profitability following the start-up phase." In the Court's opinion, "the reference in said article to the 'total annual rent in force upon the fifth anniversary, received for the rental/leasing of the stores making up the mall' means that in determining whether a price supplement is due, the key criterion is the rent charged over the period in question, where the word 'received' indicates that the computation shall exclude all that is not strictly attributable to the rental/leasing of the individual stores located in the mall and does not suggest that the criterion is the sum actually received by the defendant."

Accordingly, the Court ordered IGD to cover all legal and expert witness expenses, and to pay: (i) a price supplement of €4,616,023.84, plus interest at the legally mandated rate from February 9, 2018 through the date of payment; and (ii) the sum of €230,801.19, plus inflation adjustment and interest at the legally mandated rate, as damages for the "failure to honor the price supplement with reference to variable rent."

On 14 June 2019, Demostene S.p.A., assignee of the entire receivable due under the Court judgment, notified IGD by registered email of the non-recourse factoring in its favor of the rights produced by the decision in addition to accrued and future interest and ancillary payments. The parties then began to negotiate the contours of a possible settlement.

At 30 June 2019, based on how the negotiations were proceeding for a settlement more favorable than the court judgment, IGD increased the provisions set aside in prior years by an additional €1,446K.

On 2 August 2019, IGD, IIS, and Demostene reached a settlement under which IGD will refrain from appealing the court judgment and pay to IIS and Demostene an all-inclusive amount of €3,600,000 (three million, six hundred thousand euros) plus VAT, while IIS and Demostene will refrain from: (i) appealing the court judgment (to seek the greater damages requested during the trial); (ii) enforcing the judgment and claiming, in particular, the greater damages it awards (on top of the €3,600,000 agreed in the settlement).

For whatever it may be worth, the deadline for appealing the judgment was 3 January 2020.

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 Proprietari 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 SIIQ S.p.A. 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 decision discussed on 10 January 2020.

> 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 2019 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 2019 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 2019 and 31 December 2018

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4.6 NOTES TO THE FINANCIAL STATEMENTS

	CARRYING VALUE				CARRYING VALUE						
Data at 31 December 2019	Financial assets / liabilities designated at fair value	Financial assets / liabilities measured at fair value held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives	Total	Of which current	Of which non current	Fair Value
ASSETS											
Other non current assets											
Sundry receivables and other non current assets	0	0	118	0	0	0	0	118	0	118	118
Equity investments	0	0	223	0	0	0	0	223	0	223	223
Non current financial assets	0	0	174	0	0	0	0	174	0	174	174
Current assets											
Trade and other receivables	0	0	11,114	0	0	0	0	11,114	11,114	0	11,114
Related party trade and other receivables	0	0	921	0	0	0	0	921	921	0	921
Other current assets	0	0	3,084	0	0	0	0	3,084	3,084	0	3,084
Cash and cash equivalents	0	0	128,677	0	0	0	0	128,677	128,677	0	128,677
TOTAL FINANCIAL ASSETS	0	0	144,311	0	0	0	0	144,311	143,796	515	144,311
LIABILITIES											
Financial liabilities											
Derivative labilities	0	0	0	0	0	0	17,365	17,365	0	17,365	17,365
Due to banks	0	0	0	0	0	0	0	0	0	0	0
Leasing	0	0	0	0	0	3,594	0	3,594	345	3,249	3,496
Bond	0	0	0	0	0	715,966	0	715,966	5,660	710,306	733,694
Due to other source of finance	0	0	0	0	0	54,550	0	54,550	8,725	45,825	54,550
Mortgage loans	0	0	0	0	0	517,379	0	517,379	44,090	473,289	505,384
Non current liabilities											
Sundry payables and other non current liabilities	0	0	0	0	0	8,152	0	8,152	0	8,152	8,152
Related party sundry payables and other non current liabilities	0	0	0	0	0	13,721	0	13,721	0	13,721	13,721
Current liabilities											
Trade and other payables	0	0	0	0	0	15,960	0	15,960	15,960	0	15,960
Related party trade and other payables	0	0	0	0	0	1,031	0	1,031	1,031	0	1,031
Other current liabilities	0	0	0	0	0	10,688	0	10,688	10,688	0	10,688
TOTAL FINANCIAL LIABILITIES	0	0	0	0	0	1,341,041	17,365	1,358,406	86,499	1,271,907	1,364,041

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4.6 NOTES TO THE FINANCIAL STATEMENTS

	CARRYING VALUE				CARRYING VALUE						
Data at 31 December 2018	Financial assets / liabilities designated at fair value	Financial assets / liabilities measured at fair value held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives	Total	Of which current	Of which non current	Fair Value
ASSETS											
Other non current assets											
Sundry receivables and other non current assets	0	0	111	0	0	0	0	111	0	111	111
Equity investments	0	0	277	0	0	0	0	277	0	277	277
Non current financial assets	0	0	243	0	0	0	0	243	0	243	243
Current assets											
Trade and other receivables	0	0	12,916	0	0	0	0	12,916	12,916	0	12,916
Related party trade and other receivables	0	0	2,024	0	0	0	0	2,024	2,024	0	2,024
Other current assets	0	0	3,311	0	0	0	0	3,311	3,311	0	3,311
Cash and cash equivalents	0	0	2,472	0	0	0	0	2,472	2,472	0	2,472
TOTAL FINANCIAL ASSETS	0	0	21,354	0	0	0	0	21,354	20,723	631	21,354
LIABILITIES											
Financial liabilities											
Derivative labilities	0	0	0	0	0	0	17,364	17,364	0	17,364	17,364
Due to banks	0	0	0	0	0	42,763	0	42,763	42,763	0	42,763
Leasing	0	0	0	0	0	3,929	0	3,929	334	3,595	3,773
Bond	0	0	0	0	0	695,342	0	695,342	138,038	557,304	700,034
Due to other source of finance	0	0	0	0	0	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	368,638	0	368,638	45,340	323,298	352,985
Non current liabilities											
Sundry payables and other non current liabilities	0	0	0	0	0	6,379	0	6,379	0	6,379	6,379
Related party sundry payables and other non current liabilities	0	0	0	0	0	11,892	0	11,892	0	11,892	11,892
Current liabilities											
Trade and other payables	0	0	0	0	0	14,301	0	14,301	14,301	0	14,301
Related party trade and other payables	0	0	0	0	0	736	0	736	736	0	736
Other current liabilities	0	0	0	0	0	9,107	0	9,107	9,107	0	9,107
TOTAL FINANCIAL LIABILITIES	0	0	0	0	0	1,153,087	17,364	1,170,451	250,619	919,832	1,159,334

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 2019 the estimated credit spread was 2.25% (2.50% the previous year).

> Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

Collateral given	Carrying value	
	2019	2018
Security deposits		
Sundry receivabled and other assets	118	111

The following table shows the impairment of trade receivables:

Impairment	Impairment of trade receivable	
	2019	2018
Opening balance	13,488	14,107
Allocations for individual writedowns	804	870
Utilizations	(1,135)	(1,593)
Other movements	123	104
Total	13,280	13,488

> 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 a positive €1,180K in 2019 and a positive €2,672K 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 a negative €1,722K in 2018 and a negative €175K the previous year.

INCOME AND LOSS FROM FINANCIAL INSTRUMENTS

Income statement at 31/12/2019	Carrying value						
	Financial assets/ liabilities measured at fair values	Financial assets/ liabilities measured at fair values	Receivables and loand	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives
	31-dec-19						
Net gain (loss)							
Financial assets/ liabilities	0	0	0	0	0	0	(6,365)
Trade and other receivables	0	0	(561)	0	0	0	0
Total	0	0	(561)	0	0	0	(6,365)

INCOME AND LOSS FROM FINANCIAL INSTRUMENTS

Income statement at 31/12/2018	Carrying value						
	Financial assets/ liabilities measured at fair values	Financial assets/ liabilities measured at fair values	Receivables and loand	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives
	31-dec-18						
Net gain (loss)							
Financial assets/ liabilities	0	0	0	0	0	0	(6,663)
Trade and other receivables	0	0	(884)	0	0	0	0
Total	0	0	(884)	0	0	0	(6,663)

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The next table shows income and charges from financial assets and liabilities not measured at fair value:

Interest income	2019	2018
Interest income in financial assets not measured at fair value		
Deposits	**36**	**42**
Related party receivables	**2**	**3**

Interest expenses	2019	2018
Interest expenses on financial liabilities not measured at fair value		
Security deposits	**104**	**36**
Sundry payables and other liabilities	**1,284**	**1,071**
Financial liabilities		
Mortgage loans	**7,417**	**3,840**
Leasing	**48**	**52**
IFRS 16	**1,931**	**0**
Bonds	**19,653**	**20,923**
Short-term borrowing	**38**	**5**

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 statement COOP Alleanza 3.0 BALANCE SHEET (ex art. 2424 C.C.)	Year 2018	Year 2017
ASSETS		
A) Subscribed capital unpaid	**1,031**	**442,177**
B) Fixed assets	**3,974,023,535**	**4,190,805,870**
C) Current assets	**3,961,149,809**	**4,451,752,240**
D) Accured income and prepayments	**13,409,267**	**11,948,496**
Total Assets	**7,948,583,642**	**8,654,948,783**
LIABILITIES		
A) Net equity	**2,082,384,102**	**2,358,221,190**
B) General provisions	**128,384,530**	**76,818,746**
C) Provisions for employees severance indemnities	**143,094,515**	**143,363,446**
D) Payables	**5,588,350,696**	**6,069,778,776**
E) Accured income and prepayments	**6,369,799**	**6,766,625**
Total liabilities and net equity	**7,948,583,642**	**8,654,948,783**
Memorandum account INCOME STATEMENT(ex art. 2425 C.C.)		
A) Production value	**4,144,396,616**	**4,155,265,332**
B) Production costs	**(4,478,023,443)**	**(4,297,412,798)**
C) Financial income and charges	**144,034,311**	**198,503,203**
D) Adjustments to the value of fnancial assets	**(107,249,036)**	**(87,723,587)**
E) Extraordinary income and charges Income taxes	**7,274,581**	**(6,227,688)**
Profit (loss) for the period	**(289,566,971)**	**(37,595,538)**

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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 2019.

Name	Registered office	Country	Share capitale	Currency	% of consolidated Group interest	Held by	% of share capital held	Activities
Parent company								
IGD SIIQ S.p.A.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**749,738,139.26**	Euro				Shopping center management
Subsidiaries fully consolidated								
IGD Management S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**75,071,221.00**	Euro	**100%**	IGD SIIQ S.p.A.	**100.00%**	Shopping center management and services
Millennium Gallery S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**100,000.00**	Euro	**100%**	IGD SIIQ S.p.A.	**100.00%**	Shopping center management
Porta Medicea S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**60,000,000.00**	Euro	**100%**	IGD Management S.r.l.	**100.00%**	Construction and marketing company
Win Magazin S.A.	Bucarest	Romania	**113,715.30**	Lei	**100%**	IGD Management S.r.l. 99.9% IGD SIIQ S.p.A. 0.01%	**100.00%**	Shopping center management
Winmarkt Management S.r.l.	Bucarest	Romania	**1,001,000**	Lei	**100%**	Win Magazin S.A.	**100.00%**	Services, Agency and facility management
Arco Campus S.r.l.	Bologna via dell'Arcoveggio n.49/2	Italy	**1,500,000.00**	Euro	**99.98%**	IGD SIIQ S.p.A.	**99.98%**	Activities of asset management, sport facilities and equipments management, construction, sale and rent of properties to be used for commercial and sport activities
RGD Ferrara 2013 S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**100,000.00**	Euro	**100%**	IGD SIIQ S.p.A. 50% IGD Management S.r.l. 50%	**100.00%**	Darsena City shopping center management

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 2019 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

(amounts in thousand of Euro)	Service provider	Recipient	Fees in 2019
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	**138**
	PricewaterhouseCoopers S.p.A.	Subsidiaries: - IGD Management S.r.l. - Millennium Gallery S.r.l. - Porta Medicea S.r.l. - Arco Campus S.r.l.	**43**
	PricewaterhouseCoopers Audit S.r.l.	Romanian subsidiaries	**26**
Sustainability report auditing	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	**25**
New bond issuance consulting (*)	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	**170**
Total			**402**

(*): *The fees paid to PricewaterhouseCoopers Advisory S.p.A. in connection with the new bond loan issued in November 2019 have been recognized as ancillary expenses for that operation and included in amortized costs.*

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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 2019.

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, 27 Februrary 2020

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 together with its subsidiaries, the "IGD Group"), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 the IGD Group as of 31 December 2019, 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 consolidated 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

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 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 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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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.

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 N. 7, 14, 17 and 22 and paragraphs "Summary of accounting standards" and "Use of estimates" of the illustrative notes to the consolidated financial statements as of 31 December 2019.*	
As of 31 December 2019, IGD Group's investment properties and work in progress inventory are equal to, respectively, Euro 2,406 million (of which Euro 40.8 million relating to assets under construction) and Euro 33.6 million, totaling Euro 2,439.6 million, which represented 93.6% 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 realizable value (which corresponds to fair value less cost to sell). 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, assets under construction 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 IGD Group'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	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, assets under construction 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

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
property space that remains vacant), the rate used to capitalize 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.	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 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.

IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.11 EXTERNAL AUDITORS' REPORT

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	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 regarding the methodology adopted to determine fair value, the estimate of inputs, the results of valuations and the fair value 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 the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are 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 they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are 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, the Directors use the going concern basis of accounting unless they either intend to liquidate Immobiliare Grande Distribuzione SIIQ SpA or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is 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 auditor's 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 our 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 the Directors;
- We concluded on the appropriateness of the Directors' 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.

IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
4.11 EXTERNAL AUDITORS' REPORT

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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 and the consolidated financial statements for the years ending 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 the board of statutory auditors, in its 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

The Directors of Immobiliare Grande Distribuzione SIIQ SpA are 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 2019, 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 2019 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 IGD Group as of 31 December 2019 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 2020

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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// IGD SIIQ S.P.A. DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019

DETAILED INDEX

5.1 // Income statement

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)/(B)
Revenue	1	127,633,926	123,743,501	3,890,425
Revenues from third parties		82,451,366	78,140,522	4,310,844
Revenues from related parties		45,182,560	45,602,979	(420,419)
Other revenue	2	874,580	1,145,188	(270,608)
Other revenues from third parties		421,399	547,182	(125,783)
Other revenues from related parties		453,181	598,006	(144,825)
Operating		128,508,506	124,888,689	3,619,817
Revenues and change in inventory		128,508,506	124,888,689	3,619,817
Service costs	3	11,845,204	13,221,587	(1,376,383)
Service costs from third parties		9,194,428	10,442,195	(1,247,767)
Service costs from related parties		2,650,776	2,779,392	(128,616)
Cost of labour	4	5,693,735	5,324,283	369,452
Other operating costs	5	9,228,998	8,828,144	400,854
Total operating costs		26,767,937	27,347,014	(606,077)
Depreciations, amortization and provisions		(928,607)	(693,226)	235,381
(Impairment losses)/ Reversals on work in progress and inventories		(71,710)	(189,526)	117,816
Provisions for doubtful accounts		(465,857)	(666,137)	200,280
Change in fair value		(56,226,719)	(35,557,460)	(20,669,259)
Net revaluation acquisition		0	12,857,270	(12,857,270)
Depreciations, amortization, provisions,impairment and change in fair value	6	(57,692,893)	(24,249,079)	(33,443,814)
EBIT		44,047,676	73,265,596	(29,217,920)
Income/ (loss) from equity investments and asset disposal	7	4,539	(76,738)	81,277
Financial Income		139,245	197,947	(58,702)
Financial Income from third parties		14,417	21,917	(7,500)
Financial Income from related parties		124,828	176,030	(51,202)

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)/(B)
Financial charges		34,753,258	31,697,182	3,056,076
Financial charges from third parties		34,646,059	31,659,035	2,987,024
Financial charges from related parties		107,199	38,147	69,052
Net financial income (expense)	8	34,614,013	(31,499,235)	(3,114,778)
Pre-tax profit		9,438,202	41,689,623	(32,251,421)
Income taxes	9	(32,366)	447,459	(479,825)
Net Profit for the period		9,470,568	41,242,164	(31,771,596)

5.2 // Statement of comprehensive income

(In thousands of Euros)	31/12/2019	31/12/2018
Net Profit for the period	9,470,568	41,242,164
Other components of comprehensive income that will not be reclassified to profit/ (loss)		
Recalculation of defined benefit plans	(170,027)	169,373
Total other components of comprehensive income that will not be reclassified to profit/ (loss)	(170,027)	169,373
Other components of comprehensive income that will be reclassified to profit/ (loss)	1,446,615	3,411,657
Effects of hedge derivatives on net equity	1,446,615	3,411,657
Tax effects of hedge derivatives on net equity	(266,398)	(740,204)
Total other components of comprehensive income that will be reclassified to profit/ (loss)	1,180,217	2,671,453
Total comprehensive profit/ (loss) for the period	10,480,758	44,082,990

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5.3 STATEMENT OF FINANCIAL POSITION

5.3 // Statement of financial position

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)/(B)
NON CURRENT ASSETS:				
Intangible assets				
Intangible assets with finite useful lives	10	31,464	24,648	6,816
Goodwill	11	1,000,000	1,300,000	(300,000)
		1,031,464	1,324,648	(293,184)
Property, plant, and equipment				
Investment property	12	2,016,326,762	2,019,215,281	(2,888,519)
Buildings	13	7,643,966	7,887,472	(243,506)
Plant and machinery	14	163,472	82,150	81,322
Equipment and other goods	14	407,861	280,893	126,968
Lasehold improvements	14	-	35,025	(35,025)
Assets under construction and advance payments	15	26,423,514	26,284,555	138,959
		2,050,965,575	2,053,785,376	(2,819,801)
Other non-current assets				
Deferred tax assets	16	5,300,362	5,191,614	108,748
Sundry receivables and other non-current assets	17	75,116	71,978	3,138
Equity investments	18	186,473,918	186,473,918	0
		191,849,396	191,737,510	111,886
TOTAL NON-CURRENT ASSETS (A)		2,243,846,435	2,246,847,534	(3,001,099)
CURRENT ASSETS:				
Trade and other receivables	19	8,091,691	8,022,046	69,645
Related party trade and other receivables	20	237,239	1,439,057	(1,201,818)
Other current assets	21	1,615,686	4,277,082	(2,661,396)
Related parties other current assets	22	317,414	294,964	22,450
Related parties financial receivables and other current financial assets	23	91,923,773	98.767.426	(6.843.653)
Cash and cash equivalents	24	124,539,213	1,461,534	123,077,679
TOTAL CURRENT ASSETS (B)		226,725,016	114,262,109	112,462,907
TOTAL ASSETS (A+B)		2,470,571,451	2,361,109,643	109,461,808

(In thousands of Euros)	Note	31/12/2019 (A)	31/12/2018 (B)	Change (A)/(B)
NET EQUITY:				
Share capital		749,738,139	749,738,139	0
Share premium reserve		30,058,205	31,504,094	(1,445,889)
Treasury share reserve		(198,017)	(491,610)	293,593
Other reserves		419,472,787	415,171,690	4,301,097
Profit		9,471,179	58,425,167	(48,953,988)
TOTAL NET EQUITY (C)	25	1,208,542,293	1,254,347,480	(45,805,187)
NON-CURRENT LIABILITIES:				
Derivates - liabilities	40	14,835,796	17,110,619	(2,274,823)
Non-current financial liabilities	26	1,144,161,496	821,817,423	322,344,073
Provisions for employee severance indemnities	27	1,847,402	1,584,248	263,154
Provisions for risks and future charges	28	3,669,020	5,222,153	(1,553,133)
Sundry payables and other non-current liabilities	29	1,810,713	1,481,448	329,265
Related parties sundry payables and other non-current liabilities	29	13,721,967	11,892,499	1,829,468
TOTAL NON-CURRENT LIABILITIES (D)		1,180,046,394	859,108,390	320,938,004
CURRENT LIABILITIES:				
Current financial liabilities	30	49,960,840	223,439,468	(173,478,628)
Related parties current financial liabilities	31	9,317,969	1,703,932	7,614
Trade and other payables	32	11,272,157	11,611,986	(339,829)
Related parties trade and other payables	33	1,012,001	693,184	318,817
Current tax liabilities	34	1,952,146	1,868,786	83,360
Other current liabilities	35	8,415,441	7,975,772	439,669
Related parties other current liabilities	36	52,210	360,645	(308,435)
TOTAL CURRENT LIABILITIES (E)		81,982,764	247,653,773	(165,671,009)
TOTAL LIABILITIES (F=D+E)		1,262,029,158	1,106,762,163	155,266,995
TOTAL NET EQUITY AND LIABILITIES (C+F)		2,470,571,451	2,361,109,643	109,461,808

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5.4 STATEMENT OF CHANGES IN EQUITY

5.4 // Statement of changes in equity

(In thousands of Euros)	Share Capital	Share premium reserve	Other reserves	Profit for the year	Total net equity
Balance on 01/01/2019	**749,738**	**31,504**	**414,680**	**58,425**	**1,254,347**
FTA IFRS 16	**0**	**0**	**(1,450)**	**0**	**(1,450)**
Balance on 01/01/2019 post IFRS 16	**749,738**	**31,504**	**413,230**	**58,425**	**1,252,897**
Profit for the year	**0**	**0**	**0**	**9,471**	**9,471**
Cash flow hedge derivative assessment	**0**	**0**	**1,180**	**0**	**1,180**
Other comprehensive income (losses)	**0**	**0**	**(170)**	**0**	**(170)**
Total comprehensive profit (losses)	**0**	**0**	**1,010**	**9,471**	**10,481**
Change of capital increase costs	**0**	**0**	**23**	**0**	**23**
Sale of treasury shares	**0**	**0**	**294**	**0**	**294**
Allocation of 2018 profit					
Dividends paid	**0**	**(1,446)**	**(557)**	**(53,150)**	**(55,153)**
To legal reserve	**0**	**0**	**1,893**	**(1,893)**	**0**
To other reserve	**0**	**0**	**3,382**	**(3,382)**	**0**
Balance at 31/12/2019	**749,738**	**30,058**	**419,275**	**9,471**	**1,208,542**

(In thousands of Euros)	Share Capital	Share premium reserve	Other reserves	Profit for the year	Total net equity
Balance on 01/01/2018	**599,760**	**29,971**	**389,312**	**103,774**	**1,122,817**
FTA IFRS 9	**0**	**0**	**(4,354)**	**0**	**(4,354)**
Balance on 01/01/2018 post IFRS 9	**599,760**	**29,971**	**384,958**	**103,774**	**1,118,463**
Profit for the year	**0**	**0**	**0**	**41,242**	**41,242**
Cash flow hedge derivative assessment	**0**	**0**	**2,671**	**0**	**2,671**
Other comprehensive income (losses)	**0**	**0**	**169**	**0**	**169**
Total comprehensive profit (losses)	**0**	**0**	**2,840**	**41,242**	**44,082**
Share capital increase	**149,978**	**0**	**0**	**0**	**149,978**
Share capital increase costs	**0**	**0**	**(4,172)**	**0**	**(4,172)**
Sales of unexercised rights	**0**	**1,533**	**0**	**0**	**1,533**
Sale of treasury shares	**0**	**0**	**(366)**	**0**	**(366)**
Allocation of 2017 profit					
Dividends paid	**0**	**0**	**0**	**(55,171)**	**(55,171)**
To legal reserve	**0**	**0**	**0**	**0**	**0**
To other reserve	**0**	**0**	**31,420**	**(31,420)**	**0**
Balance at 31/12/2018	**749,738**	**31,504**	**414,680**	**58,425**	**1,254,347**

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5.5 STATEMENT OF CASH FLOWS

5.5 // Statement of cash flows

(Amounts in thousands of Euro)	31/12/2019	31/12/2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Pre-tax profit	**9,438**	**41,690**
Adjustments to reconcile net profit for the period with cash flow generated (absorbed) by operating activities		
Financial charges/(income)	**34,612**	**30,644**
Amortization and provisions	**929**	**693**
Doubtful accounts	**466**	**666**
Impairmente losses/(Reverals) on asset under construction and work in progress	**72**	**190**
Change in fair value - Increase/(decreases)	**56,227**	**35,557**
Acquisition net (revaluation)	**0**	**(12,857)**
Equity investments management	**0**	**81**
CASH FLOW FROM OPERATING ACTIVITIES	**101,744**	**96,664**
Paid financial charges	**(34,505)**	**(27,851)**
Income taxes	**18**	**(447)**
CASH FLOW FROM OPERATING ACTIVITIES NET OF TAXES	**67,257**	**68,366**
Net change in current assets and liabilities with third parties	**2,370**	**(3,024)**
Net change in current assets and liabilities with related parties	**1,190**	**577**
Net change in non-current assets and liabilities with third parties	**(2,840)**	**(1,155)**
Net change in non-current assets and liabilities with related parties	**1,829**	**1**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES (A)	**69,806**	**64,765**
(Investments) in fixed assets	**(31,649)**	**(14,129)**
Disposals of fixed assets	**0**	**0**
(Investments) in 4 business units	**0**	**(104,640)**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(31,649)**	**(118,769)**

(Amounts in thousands of Euro)	31/12/2019	31/12/2018
Change in non current financial assets	**0**	**(9)**
Change in financial receivables and other current financial assets	**6,843**	**(8,237)**
Sale/(purchase) of treasury share	**294**	**(366)**
(Adjustments)/ share capital increase costs	**24**	**147,339**
Dividend distribution	**(55,153)**	**(55,171)**
Change in current financial debt with third parties	**(176,353)**	**10,500**
Change in current financial debt with related parties	**7,615**	**216**
Change in non current financial debt with third parties	**302,746**	**(39,624)**
Change in non current financial debt with related parties	**(1,095)**	**(643)**
CASH FLOW FROM FINANCING ACTIVITIES (C)	**84,921**	**54,005**
NET INCREASE (DECREASE) IN CASH BALANCE (A+B+C)	**123,078**	**1**
CASH BALANCE AT THE BEGINNING OF THE YEAR	**1,461**	**1,460**
CASH BALANCE AT THE END OF THE YEAR	**124,539**	**1,461**

IGD SIIQ S.P.A. DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019
5.6 NOTES TO THE FINANCIAL STATEMENTS

5.6 // Notes to the financial statements

5.6.1. // General information

The draft separate financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2019 were approved and authorized for publication by the Board of Directors on 27 February 2020.

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.

5.6.2. // Summary of accounting standards

5.6.2.1. // Preparation criteria

> Statement of compliance with International Accounting Standards

The separate financial statements for 2019 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 with the exception of the IFRS16, as it is described in the paragraph "Changes in accounting standards".

> 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 income statement 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.

> Presentation of the notes to the financial statements

To facilitate comprehension, all amounts below are expressed in thousands of euros (€/K) unless otherwise specified.

> Changes in accounting standards

a) New accounting standards

The new accounting standard **IFRS 16 - Leases**, which replaces IAS 17 ("Leasing") and its interpretations, has been applied since 1 January 2019. A lessee holding a lease with a term of more than 12 months is now 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.

IGD SIIQ S.p.A. has used 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 adoption. The right-of-use asset has been recognized as investment property under property, plant and equipment; in accordance with IFRS 16 and IAS 40, its fair value has been appraised by independent experts. Changes in fair value have been recognized in a separate equity reserve during the transition to the new standard, and will subsequently be recognized under "Fair value changes" in the income statement.

To determine the fair value of the right-of-use, for each asset held under an operating lease (a mall that is in turn rented to third parties and a parking lot at Centro d'Abruzzo shopping center), the Group has discounted to present value the estimated cash flows over the life of the rental contracts. Unlike traditional real estate appraisals, the terminal value at the end of the explicit period has not been considered.

In light of the lease contracts for the parking lot and the mall at Fonti del Corallo shopping center, as of 1 January 2019 the Company has recognized a right-of-use asset under investment property in the amount of €20,851K and a lease liability of €22,364K. 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, is recognized in a separate negative equity reserve amounting to €1,450K net of the tax effect.

Under the rules for first-time adoption of IFRS 16, the value of the commercial licenses for the mall at Fonti del Corallo shopping center has been reduced by €300K to bring it into line with selling value.

The total negative impact of IFRS 16 on shareholders' equity at 1 January 2019, net of the tax effect, amounts to €1,450K.

In accordance with IAS 40, at the end of every financial period the Group will adjust the right-of-use assets recognized under investment property on the basis of independent appraisals. At 31 December 2019 this fair value adjustment led to a writedown of €4,178K.

The table below shows the income statement effects of IFRS 16 for the period ended 31 December 2019:

Amounts in thousands of Euro	31/12/2019
Lower payable leases 2019	**3,446**
Higher impairment due to rights of use affected by IFRS 16	**(4,178)**
Higher financial charges	**(678)**
Fiscal effect	**109**
Income statement total negative effect due to IFRS 16 adoption	**(1,301)**

In adopting IFRS 16, the Company has opted for the exemption permitted by IFRS section 16:5(a) with respect to short-term leases.

Likewise, the Company has opted for the exemption permitted by IFRS 16:5(b) with respect to leases for which the underlying asset qualifies as low-value.

For these leases, the introduction of IFRS 16 has not resulted in the recognition of a lease liability and right-of-use asset, but the lease installments are recognized in profit or loss on a straight line basis over the lease term.

On December 12, 2017 the IASB published "Annual Improvements to IFRSs: 2015-2017 Cycle." The main improvements concern:

> IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: to clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. This is not the case if an entity obtains joint control.

> IAS 12 Income Taxes: to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.

Adoption of these amendments has not affected the Company's separate financial statements.

On 7 February 2018 the IASB published the document **"Plant Amendment, Curtailment or Settlement" (Amendments to IAS 19)** to clarify how an entity should treat an amendment, curtailment or settlement of a defined benefit plan. The entity is now required to update assumptions and remeasure the net liability or asset arising from the plan, and after the event takes place, it must use those updated assumptions to measure the current service cost and net interest for the period after the remeasurement. This amendment has had no effect on the Company's financial statements.

On 7 June 2017 the IASB published **"Uncertainty over Income Tax Treatments" (IFRIC Interpretation 23)**. The interpretation requires entities to analyze uncertain tax treatments (individually or collectively, depending on the circumstances) on the assumption that the taxation authority will examine the amounts and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that the taxation authority will accept a particular tax treatment, it has to reflect the impact of the uncertainty when measuring its current and deferred income taxes. The interpretation includes no new mandatory disclosures, but requires the entity to determine whether it should provide information on the considerations made by management regarding the uncertainty of its accounting tax position, in accordance with IAS 1. The new interpretation has been applied since 1 January 2019. This amendment has had no effect

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5.6 NOTES TO THE FINANCIAL STATEMENTS

on the Company's financial statements.

b) Accounting standards, amendments, and interpretations not yet effective and not applied in advance

> On 31 October 2018 the IASB published the document **"Definition of Material (Amendments to IAS 1 and IAS 8)"**, which changed the definition of the term "material" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment aims to make the definition of "material" more specific and introduces the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards. It clarifies that information is "obscured" if it has been described in such a way as to have an effect on primary readers of financial statements similar to that which would have occurred if such information had been omitted or incorrect. The changes were approved on 29 November 2019 and apply to all transactions after 1 January 2020. The directors do not expect the amendment to have a significant impact on the Company's financial statements.

> On 29 March 2018, the IASB amended the **"References to the Conceptual Framework in IFRS Standards"**.
The amendment is effective for periods beginning on or after 1 January 2020, although early adoption is permitted. The Conceptual Framework defines the basic concepts for financial reporting and guides the Board in its development of the IFRS. It helps ensure that the standards are conceptually consistent and that similar transactions are treated in the same way, to provide useful information to investors, lenders and other creditors. The Conceptual Framework helps companies develop accounting policies when no IFRS applies to a particular transaction and, more generally, assists all parties in understanding and interpreting the IFRS. The directors do not expect the amendment to have a significant impact on the Company's financial statements.

> On 26 September 2019, the IASB published **"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform"**. These modify IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment introduces temporary exceptions to some of the hedge accounting requirements, to mitigate the impact of uncertainty on future cash flows while the IBOR reform is still ongoing. The amendment also requires companies to make additional financial statement disclosures on the hedging relationships directly affected by the uncertainty of the IBOR reform to which they apply these exceptions. The amendments are effective from 1 January 2020, with early adoption permitted. The directors do not expect the amendment to have a significant impact on the Company's financial statements.

c) Accounting policies, amendments and interpretations 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:

> On 22 October 2018 the IASB published the document **"Definition of a Business (Amendments to IFRS 3)"**, which provides clarifications on how to define a business for the purposes of correctly applying IFRS 3. Specifically, it clarifies that while a business usually creates an output, the presence of an output is not strictly necessary to identify a business where there is an integrated set of activities/processes and assets. However, to satisfy the definition of a business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. To that end, the IASB has replaced the phrase "ability to create outputs" with "ability to contribute to the creation of outputs" to clarify that a business can exist even if it does not have all the inputs and processes needed to produce an output. The amendment has also added an optional "concentration test," which allows an entity to exclude a business if the price paid for it refers substantially to a single asset or a group of assets. The changes apply to all business combinations and asset acquisitions occurring after 1 January 2020. The Directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

> On 18 May 2017 the **"IFRS 17 – Insurance Contracts"**, which will replace IFRS 4 of the same designation. The new standard aims to make sure an entity gives pertinent information that accurately represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses of existing practices, by providing a single, principle-based framework to account for all insurance contracts, including reinsurance contracts. The new standard also includes presentation and disclosure requirements to improve comparability among the entities belonging to this sector. Entities must apply the new standard to insurance and reinsurance policies issued, to reinsurance policies held, and to investment contracts with a discretionary participation feature (DPF). The standard is effective from 1 January 2021. The Directors do not expect a significant effect on the Company's financial statements from the adoption of this amendment.

5.6.2.2. // 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.

5.6.2.3. // 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

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5.6 NOTES TO THE FINANCIAL STATEMENTS

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 intangible assets. 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.

5.6.2.4. // 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, More specifically;

> 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.

5.6.2.5. // 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.

5.6.2.6. // 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:

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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 register and EPD machines	**20%**
Personal computer 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.

5.6.2.7. // 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.

5.6.2.8. // 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).

5.6.2.9. // 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.

5.6.2.10. // 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.

5.6.2.11. // 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.

5.6.2.12. // 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.

5.6.2.13. // Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.

They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

5.6.2.14. // General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated.

The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

5.6.2.15. // Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to the statement of comprehensive income under "other comprehensive income". The Company does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Company does not offer employee incentive plans in the form of share participation instruments.

5.6.2.16. // Revenue

Revenue is recognized to the extent the Company is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the 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.

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5.6.2.17. // Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

5.6.2.18. // Dividends

Dividends are recognized when the Company is entitled to their receipt.

5.6.2.19. // Income taxes

a) Current taxes

Current tax liabilities for the 2019 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.

5.6.2.20. // Derecognition of financial assets and financial liabilities

a) Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

> The rights to receive cash flows from the asset have expired;

> The Company still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;

> The Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset;

> If the Company has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Company's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that IGD could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

5.6.2.21. // Derivative financial instruments

The Company holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities.

In accordance with 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.

5.6.2.22. // 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 2019, 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

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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)	31/12/2019	31/12/2019	31/12/2019
	Total	Exempt income	Taxable income
Total revenues and operating income	**128,508,506**	**120,090,742**	**8,417,764**
Total operating costs	**(26,767,937)**	**(25,654,226)**	**(1,113,711)**
(Amortizations and provisions)	**(1,394,464)**	**(1,472,774)**	**78,310**
(Impairment)/ Reversals on work in progress	**(71,710)**	**(71,710)**	**0**
Change in fair value - increases/ (decreases)	**(56,226,719)**	**(52,610,311)**	**(3,616,408)**
EBIT	**44,047,676**	**40,281,721**	**3,765,955**
Equity investments result	**4,539**	**0**	**4,539**
Financial income	**139,245**	**11,101**	**128,144**
Financial charges	**(34,753,258)**	**(32,323,331)**	**(2,429,927)**
Finanacial management result	**(34,614,013)**	**(32,312,230)**	**(2,301,783)**
PRE TAX PROFIT	**9,438,202**	**7,969,491**	**1,468,711**
Income taxes for the period	**(32,366)**	**0**	**(32,366)**
NET PROFIT FOR THE PERIOD	**9,470,568**	**7,969,491**	**1,501,077**

Confirmation of the economic conditions (Amounts in Euro)	31/12/2019
Rental and equivalent income (exempt income) **(A)**	**120,090,742**
Capital gains	**0**
Total **(A)**	**120,090,742**
Positive components **(B)**	**128,652,290**
Capital gains	**0**
Total **(B)**	**128,652,290**
Income ratio **(A/B)**	**93.35%**

Confirmation of financial conditions (Amounts in Euro)		31/12/2019
Rental properties		**2,016,326,762**
Properties under construction		**26,423,514**
Stakes in SIINQ		**0**
Right to use		**(16,714,113)**
Total rental properties, properties under construction and stakes in SIINQ	**A**	**2,026,036,163**
TOTAL ASSETS	**B**	**2,470,571,451**
Element excluded from the ratio:	**C**	**(237,736,243)**
Cash and cash equivalents		**(124,539,213)**
Group companies loans		**(91,923,772)**
Trade receivables		**(8,328,930)**
IGD SIIQ Headquarters		**(7,643,966)**
Derivate assets		**0**
Deffered tax assets		**(5,300,362)**
Tax credits		**0**
Right to use		**0**
Total adjusted assets **B-C=D**	**D**	**2,232,835,208**
FINANCIAL RATIO **A/D**		**90.74%**

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5.6.3. // 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 2019, 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 sta tus of each unit in each shopping center, as speci fied in the Company's internal procedure; proper ty 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

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commonly quoted intervals;

ii) implied volatility;

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 2019. 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 31/12/2019 (in K 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			**583.6**
Hypermarkets and supermarkets			**1,399.2**
Residual portions of property			**16.8**
Total investment property Italy			**1,999.6**
Right of use (IFRS 16)			
Right of use (IFRS 16)			**16.7**
Total Right of use (IFRS 16)			**16.7**
Total IGD investment property measured at Fair Value			**2,016.3**

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.

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5.6.4. // Segment reporting

The income statement is broken down below by business segment, in accordance with IFRS 8.

Profit and Loss	Core business properties		Services		Shared		Total	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Total revenue and operating income	127,634	123,784	874	1,105	0	0	128,508	124,889
Direct costs (a) (excluding provision for doubtful accounts)	15,406	17,169	15	29	0	0	15,421	17,198
G&A expenses (b)	0	0	0	0	11,348	10,177	11,348	10,177
Total operating costs (a) + (b)	15,406	17,169	15	29	11,348	10,177	26,769	27,375
(Depreciation and amortizations)	(1,083)	(1,042)		0	(310)	(318)	(1,393)	(1,360)
(Impairment losses)/ Reversals on work in progress and invetory	(72)	0	0	0	0	0	(72)	0
Fair value change - increase/ (decreases)	(56,227)	(22,889)		0	0	0	(56,227)	(22,889)
Total depreciation, amortization, provisions, impairment and fair value changes	(57,382)	(23,931)	0	0	(310)	(318)	(57,692)	(24,249)
EBIT	54,846	82,684	859	1,076	(11,658)	(10,495)	44,047	73,265
Income/ (loss) from equity investments and property sales	0	0	0	0	5	(77)	5	(77)
Financial income	0	0	0	0	139	198	139	198
third parties	0	0	0	0	14	22	14	22
related parties	0	0	0	0	125	176	125	176
Financial charges:	0	0	0	0	(34,753)	(31,697)	(34,753)	(31,697)
third parties	0	0	0	0	(34,646)	(31,659)	(34,646)	(31,659)
related parties	0	0	0	0	(107)	(38)	(107)	(38)
Net financial income	0	0	0	0	(34,614)	(31,499)	(34,614)	(31,499)
PRE-TAX PROFIT	54,846	82,684	859	1,076	(46,267)	(42,071)	9,438	41,689
Income taxes for the period	0	0	0	0	(33)	447	(33)	447
NET PROFIT FOR THE PERIOD	54,846	82,684	859	1,076	(46,234)	(42,518)	9,471	41,242

5.6.5. // Notes to the financial statements

	Note	31/12/2019	31/12/2018	Change
Revenue	1	127,634	123,743	3,891
Revenues from third parties		82,452	78,140	4,321
Revenues from related parties		45,182	45,603	(421)
Other revenue	2	874	1,145	(271)
Other revenues from third parties		421	547	(126)
Other revenues from related parties		453	598	(145)
Operating revenues		128,508	124,888	3,620

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 1) REVENUE

	Note	31/12/2019	31/12/2018	Change
Freehold hypermarkets - Rents and business leases from related parties	a.1	37,805	38,293	(488)
Freehold supermarkets - Rents and business leases from related parties	a.2	1,403	1,719	(316)
Freehold supermarket - Rents and business leases from third parties	a.3	43	0	43
TOTAL HYPERMARKETS / SUPERMARKETS	a	39,251	40,012	(761)
Freehold malls, offices and city center	b.1	82,169	77,675	4,494
Rents		9,769	9,045	724
To related parties		4,873	4,565	308
To third parties		4,896	4,480	416
Business leases		72,400	68,630	3,770
To related parties		975	917	58
To third parties		71,425	67,713	3,712
Leasehold malls	b.2	3,284	3,250	34
Rents		219	197	22
To related parties		32	32	0
To third parties		187	165	22
Business leases		3,065	3,053	12
To related parties		59	56	3
To third parties		3,006	2,997	9
Other contracts and temporary rents	b.3	2,930	2,806	124
Other contracts and temporary rents		2,895	2,785	110
Other contracts and temporary rents - related parties		35	21	14
TOTAL MALLS	b	88,383	83,731	4,652
GRAND TOTAL	a + b	127,634	123,743	3,891
Of which related parties		45,182	45,603	(421)
Of which third parties		82,452	78,140	4,312

Rent and business lease revenue increased by a total of €3,891K for the year. The upturn concerned both rent and business lease revenue and income from the rental of commercial space, and stems primarily from the full-year contribution of revenue from the purchase of four shopping malls and a retail park in April 2018.

> NOTE 2) OTHER INCOME

	31/12/2019	31/12/2018	Change
Out-of-period income/ charges	5	0	5
Portfolio and rend management revenues	229	340	(111)
Pilotage and construction revenues	169	186	(17)
Other income	18	20	(2)
Other revenues from thir parties	421	546	(125)
Refunds from related parties	51	42	9
Pilotage and construction revenues from related parties	55	134	(79)
Portfolio and rent management revenues from related parties	29	72	(43)
Administrative services from related parties	318	351	(33)
Other revenues from related parties	453	599	(146)
Other revenue	874	1,145	(271)

Other income decreased by €271K. The trend concerned both third parties and related parties and reflects a decline in pilotage and portfolio & rent management revenue.

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> NOTE 3) SERVICE COSTS

	31/12/2019	31/12/2018	Change
Service costs from third parties	9,194	10,442	(1,248)
Paid rents	45	3,474	(3,429)
Utilities	131	155	(24)
Promotional and advertising expenses	953	397	556
Centers management expenses for vacancies	1,025	556	469
Centers management expenses for ceiling to tenants' costs	1,453	1,519	(66)
Insurances	716	719	(3)
Professional fees	72	79	(7)
Directors' and statutory auditors' fees	1,236	727	509
External auditing fees	163	159	4
Investor relations, Consob, Monte Titoli costs	484	436	48
Shopping center pilotage and construction costs	15	20	(5)
Consulting	1,070	659	411
Real estate appraisals fees	445	350	95
Maintenance and repair expenses	316	339	(23)
Other costs of services	1,070	853	217
Service costs from related parties	2,651	2,779	(128)
Paid rents	2	2	0
Service	315	326	(11)
Centers management expenses for vacancies	735	624	111
Centers management expenses for ceiling to tenants' costs	1,436	1,601	(165)
Insurances	71	71	0
Directors' and statutory auditors' fees	88	151	(63)
Other costs of services	4	4	0
Service costs	11,845	13,221	(1,376)

Service costs decreased by €1,376K with respect to the previous year. Most of the trend is explained by a reduction in rent paid due to the recognition from 1 January 2019 of the leases for the Fonti del Corallo mall in Livorno and the parking lot at Centro d'Abruzzo in accordance with the new accounting standard IFRS 16. For further information on the new standard, see Section 5.6.2.1 of this report. The decrease was partially offset by *(i)* greater promotional expenses as a result of more initiatives held at various shopping centers during the year, *(ii)* greater costs for unlet space and ceilings on tenants' expenses, *(iii)* the provision of end-of-term benefits for directors, and *(iv)* consulting fees.

Related party service costs went down by €128K, due mainly to the decrease in facility management costs and directors' and statutory auditors' fees.

The following table provides details of directors' and statutory auditors' fees for their work at the company. The fees indicated refer to compensation for 2019.

Directors and statutory auditors	Title	Dates in office	End of term	Fees
Board of directors				
Elio Gasperoni	Chairman	01/01/19 - 31/12/19	2020 FY Approval	75,000
	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Claudio Albertini	Chief Executive Officer	01/01/19 - 31/12/19	2020 FY Approval	300,000
	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Rossella Saoncella	Vice Chairman	01/01/19 - 31/12/19	2020 FY Approval	25,000
	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Elisabetta Gualandri	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Livia Salvini	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Luca Dondi Dall'Orologio	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Gian Maria Menabò	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Alessia Savino	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Sergio Lugaresi	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Eric Jean Veron	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Timothy Guy Michele Santini	Director	01/01/19 - 31/12/19	2020 FY Approval	20,000
Board of statutory auditors				
Anna Maria Allievi	Chairman	01/01/19 - 31/12/19	2020 FY Approval	30,000
Roberto Chiusoli	Standing Auditor	01/01/19 - 31/12/19	2020 FY Approval	20,000
Daniela Preite	Standing Auditor	01/01/19 - 31/12/19	2020 FY Approval	20,000

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Committes	Title	Dates in office	End of term	Fees
Control and risk committee				
Elisabetta Gualandri	Director (Chairman)	**01/01/19 - 31/12/19**	when no longer Director	**12,000**
Luca Dondi Dall'Orologio	Director	**01/01/19 - 31/12/19**	when no longer Director	**8,000**
Sergio Lugaresi	Director	**01/01/19 - 31/12/19**	when no longer Director	**8,000**
Compliance committee				
Gilberto Coffari	External (Chairman)	**01/01/19 - 31/12/19**	2020 FY Approval	**12,000**
Alessandra De Martino	External	**01/01/19 - 31/12/19**	2020 FY Approval	**8,000**
Paolo Maestri	External	**01/01/19 - 31/12/19**	2020 FY Approval	**8,000**
Nominations and compensation committee				
Rossella Saoncella	Director (Chairman)	**01/01/19 - 31/12/19**	when no longer Director	**3,750**
Livia Salvini	Director	**01/01/19 - 31/12/19**	when no longer Director	**3,000**
Timothy Guy Michele Santini	Director	**01/01/19 - 31/12/19**	when no longer Director	**3,750**
Related parties committee				
Livia Salvini	Director	**01/01/19 - 31/12/19**	when no longer Director	**1,500**
Luca Dondi Dall'Orologio	Director	**01/01/19 - 31/12/19**	when no longer Director	**1,500**
Eric Jean Veron	Director	**01/01/19 - 31/12/19**	when no longer Director	**1,500**

For further details, see the Remuneration Report prepared in accordance with the law.

> NOTE 4) COST OF LABOR

The cost of labor is detailed below:

	31/12/2019	31/12/2018	Change
Wages and salaries	**4,111**	**3,713**	**398**
Social security	**1,195**	**1,114**	**81**
Severance pay	**258**	**274**	**(16)**
Other costs of services	**129**	**223**	**(94)**
Cost of labour	**5,693**	**5,234**	**369**

The main reason for the increase in the cost of labor is the full implementation of contractual adjustments. Severance pay includes contributions to supplementary funds in the amount of €92K.

The workforce is broken down by category below:

	31/12/2019	31/12/2018
Executives	**5**	**6**
Middle managers	**16**	**15**
Junior managers	**24**	**22**
Clerks	**31**	**33**
Total	**76**	**76**

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> NOTE 5) OTHER OPERATING COSTS

	31/12/2019	31/12/2018	Change
IMU/ TASI/ Property tax	**8,232**	**7,941**	**291**
Other taxes	**105**	**81**	**24**
Contract registrations	**361**	**304**	**57**
Out-of-period income/ charges	**10**	**49**	**(39)**
Membership fees	**143**	**142**	**1**
Losses on receivable	**84**	**11**	**73**
Fuel and tolls	**129**	**143**	**(14)**
Other costs of services	**165**	**157**	**8**
Other operating costs	**9,229**	**8,828**	**401**

The increase in other operating costs is due chiefly to the municipal property tax, reflecting the full-year impact of the tax on the new malls acquired in April 2018.

> NOTE 6) DEPRECIATION, AMORTIZATION, PROVISIONS AND FAIR VALUE CHANGES

	31/12/2019	31/12/2018	Change
Amortization of intangible assets	**(12)**	**(14)**	**2**
Amortization of tangible assets	**(379)**	**(395)**	**16**
Provisions for risks	**(538)**	**(284)**	**(254)**
Depreciations, amortization and provisions	**(929)**	**(693)**	**(236)**
Provisions for doubtful accounts	**(466)**	**(666)**	**200**
(Impairment losses)/ Reversals on work in progress and inventories	**(72)**	**(190)**	**118**
Change in fair value	**(56,227)**	**(35,557)**	**(20,670)**
Net revaluation acquisition	**0**	**12,857**	**(12,857)**
Depreciations, amortization, provisions, impairment and change in fair value	**(57,694)**	**(24,249)**	**(33,445)**

> Amortization decreased by €2K as various software licenses have now been completely amortized. Depreciation went down by €16K, due mostly to the conclusion of the depreciation process for various equipment;

> Other provisions reflect the estimated liability for two IMU (municipal property tax) disputes regarding La Torre (Palermo) shopping center, for which €113K has been provided, and Esp shopping center (Ravenna), for which €25K has been set aside; and the allocation of €400K for a lawsuit pending before the labor section of the Court of Treviso, brought by former employees of Galimberti S.p.A., which had leased retail space from IGD SIIQ S.p.A. at Conè shopping center but has since vacated the premises;

> The allocation to the provision for doubtful accounts came to €466K, a decrease of €200K with respect to the previous year. The amount was determined by evaluating the individual positions of clients in order to adjust them to estimated realizable value. See Note 19 for changes in this provision;

> (Impairment losses)/reversals on work in progress (-€72K) 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" (€56,227K) covers *(i)* a revaluation of €4,339K and a writedown of €56,388K carried out to match the carrying value of investment property to appraised market value at 31 December 2019 (See Note 12 for details of movements in investment property); and *(ii)* a writedown of €4,178K due to the adoption of IFRS 16 and the consequent adjustment of right-of-use assets to independently appraised fair value as of 31 December 2019.

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 7) INCOME/(LOSS) FROM EQUITY INVESTMENTS AND PROPERTY SALES

	31/12/2019	31/12/2018	Change
Dividends	5	4	1
Income/(loss) from equity investments	0	(81)	81
Income/(loss) from equity investments and asset disposal	5	(77)	82

This item consists of dividends from the subsidiary Win Magazin SA and other companies.

> NOTE 8) FINANCIAL INCOME AND CHARGES

	31/12/2019	31/12/2018	Change
Bank interest income	2	1	1
Other interest income and equivalents	12	21	(9)
Financial income from third parties	14	22	(8)
Interest income from related parties	125	176	(51)
Financial income from related parties	125	176	(51)
Financial income	139	198	(59)

Financial income decreased for the year. The trend was caused primarily by a drop in interest from related parties due to repayments during the year on loans granted previously to the subsidiaries Millennium Gallery S.r.l. and IGD Management S.r.l.

	31/12/2019	31/12/2018	Change
Interest expenses on security deposits	104	35	69
Interest expenses to parent company	3	3	-
Financial charges from related parties	107	38	69
Interest expenses to banks	25	5	20
Amortized mortgage loan costs	6,094	3,260	2,834
Loans amortized costs	1,180	416	764
IRS spread	5,755	6,041	(286)
Bond financial charges	14,363	18,859	(4,496)
Bond amortized costs	5,290	2,064	3,226
Financial charges on leasing	48	52	(4)
IFRS 16 financial charges	678	0	678
Other interests and charges	1,213	962	251
Financial charges from third parties	34,646	31,659	2,987
Financial charges	34,753	31,697	3,056

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Total financial charges increased by €3,056K.

With related parties, financial charges increased due to the rise in the legally mandated interest rate from 0.3% in 2018 to 0.8% in 2019, 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 increased by €2,987K, due primarily to:

> A reduction in IRS spreads reflecting the lower notional principal amount;

> A decrease in interest on bonds, given the settlement in January 2019 of the €150 million bond loan and the completion in November 2019 of an operation entailing a new €400 million bond loan issue and the partial buyback of outstanding bonds worth a total of €237,607K (€229,207K from the €300 million bond issue and €8,400K from the €162 million issue);

> An increase of €3,226K in amortized cost expense resulting from the recognition of the difference between the present value of new cash flows discounted at the original effective interest rate and the present value of the cash flows of the original liability, in the context of the operation entailing a new €400 million bond loan issue and the partial buyback of outstanding bonds worth a total of €237,607K;

> Additional financial charges of €678K due to the adoption of IFRS 16 (see Note 5.6.2.1 for details);

> Greater borrowing interest in light of the acquisition of the four businesses in April 2018 and the €200 million loan disbursed in two installments in the first quarter of 2019;

> Greater interest on committed credit lines.

> NOTE 9) INCOME TAXES

	31/12/2019	31/12/2018	Change
IRES current taxes	***(318)***	***98***	***(416)***
IRAP current taxes	***272***	***268***	***4***
Total current taxes	**(46)**	**366**	**(412)**
Deffered tax liabilities	**(9)**	**-**	**(9)**
Deffered tax assets	**(6)**	**33**	**(39)**
Out od period income/charges - Provisions	**28**	**49**	**(21)**
Income taxes	**(33)**	**448**	**(481)**

Current and deferred tax decreased to a positive €33K.

IRES was positive, unlike the previous year, as a result of the tax consolidation process. In 2018 the tax consolidation produced a loss against which no deferred tax assets nor consolidation income were provided. Conversely, in 2019, the tax consolidation 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 ACE benefit not used to reduce taxable income. The transfer led to the recognition of income that lowered the amount of IRES due.

IRAP was in line with the previous year.

See Note 16 for movements in deferred tax liabilities and deferred tax assets.

From 18 September to 18 December 2019, the Ravenna provincial tax office audited Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A. (merged to form IGD SIIQ S.p.A. in 2017) for tax years 2015 and 2016.

On 28 November 2019, Punta di Ferro SIINQ S.p.A. received its audit report with the following findings:

> Finding no. 1: IRES and IRAP taxes for 2015 on invoices treated in the income statement as maintenance, while the auditors believe they should be treated as assets, for disallowed deductions of €144,500.

> Finding no. 2: IRES tax for 2016 on a non-deductible provision for doubtful accounts of €40,238 that was mistakenly included among increases for exempt operations, rather than taxable operations.

Note that finding no. 1 would make it possible to deduct depreciation in the coming years on the amount added back to income.

Management is considering whether to recover depreciation for the years 2016, 2017 and 2018, as the Company obtained SIINQ status in 2016 and was later merged into a SIIQ (IGD), so the deduction (for taxable operations only) would increase consolidated fiscal losses by around €1,200 per year without producing any tax benefit. For IRAP purposes, the benefit would be approximately 100 euros.

Finding no. 2 does not generate any tax charge as the Company can use its ACE benefits for that year.

On 18 December 2019, IGD Property SIINQ S.p.A. received a clean audit report. Regarding the findings described above, as of 31 December 2019 IGD SIIQ S.p.A. had recognized a provision of €30K under taxes.

Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2019 and 31 December 2018.

Reconciliation of income tax applicable to profit before taxes	31/12/2019	31/12/2018
Pre-tax profit	**9,438**	**41,690**
Theoretical tax charges (rate 24%)	**2,265**	**10,006**
Profit resulting in the income statement	**9,438**	**41,690**
Increase:	**0**	**0**
IMU - Property tax	**7,930**	**7,617**
Negative fair value	**55,888**	**72,052**
Fair value on work in progress and inventories	**72**	**190**
Other increases	**8,463**	**2,413**
Decreases:	**0**	**0**
Change in tax-exempt income	**(65,586)**	**(76,589)**
Deductible depreciation	**(136)**	**(5,319)**
Positive fair value	**(3,839)**	**(36,494)**
Other changes	**(9,736)**	**(3,021)**
Tax income	**2,494**	**2,269**
Use of ACE Benefit	**2,494**	**2,269**
Lower current taxes recognized direcly in equity	**(3)**	**(98)**
Current taxes of the years	**3**	**98**
Income from tax consolidation	**(321)**	**0**
Total current IRES for the year	**(318)**	**98**
Difference between value and costs of production	**106,557**	**115,301**
Theoretical tax charges (rate 3,9%)	**4,156**	**4,497**
Difference between value and costs of production	**106,557**	**115,301**
Changes:	**0**	**0**
Increases	**9,354**	**8,414**
Decreases	**(3,944)**	**(4,369)**
Changes in exempt income	**(99,411)**	**(107,439)**
Other deductions	**(5,588)**	**(5,328)**
Taxable IRAP income	**6,968**	**6,579**
Lower taxes for Irap recognized direcly in equity	**0**	**(10)**
Current IRAP for the year	**272**	**268**

> NOTE 10) INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

	01/01/2018	Increase	Decrease	Amortization	Reclassification	31/12/2018
Intangible assets with finite useful lives	**22**	**17**	**0**	**(15)**	**0**	**24**

	01/01/2019	Increase	Decrease	Amortization	Reclassification	31/12/2019
Intangible assets with finite useful lives	**24**	**20**	**0**	**(12)**	**0**	**32**

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. During the year there were no impairment losses or reversals on intangible assets. The greatest increases during the period concern the tradenames of various shopping centers (€9K) and the renewal of a business software license (€11K).

> NOTE 11) GOODWILL

	01/01/2018	Increase	Decrease	Amortization	Reclassification	31/12/2018
Goodwill	**1,300**	**0**	**0**	**0**	**0**	**1,300**

	01/01/2019	Increase	Decrease	Amortization	Reclassification	31/12/2019
Goodwill	**1,300**	**0**	**(300)**	**0**	**0**	**1,000**

Goodwill has been allocated to the individual cash generating units (CGUs).

Below is the breakdown of goodwill by CGU at 31 December 2019:

Goodwill	31/12/2019	31/12/2018
Fonti del Corallo	**1,000**	**1,300**
Goodwill	**1,000**	**1,300**

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> 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.

	01/01/2018	IFRS 16	Increase	Acquisitions	Other movements	Revaluation	Devaluation	Reclassification	31/12/2018
Investment property	**1,829,951**	**0**	**9,595**	**208,336**	**0**	**36,850**	**(72,407)**	**6,890**	**2,019,215**
Right of use IFRS 16	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Investment property	**1,829,951**	**0**	**9,595**	**208,336**	**0**	**36,850**	**(72,407)**	**6,890**	**2,019,215**

	01/01/2019	IFRS 16	Increase	Acquisitions	Other movements	Revaluation	Devaluation	Reclassification	31/12/2019
Investment property	**2,019,215**	**0**	**10,132**	**14,133**	**1,446**	**4,339**	**(56,388)**	**6,735**	**1,999,612**
Right of use IFRS 16	**0**	**20,852**	**3**	**0**	**0**	**0**	**(4,178)**	**37**	**16,714**
Investment property	**2,019,215**	**20,852**	**10,135**	**14,133**	**1,446**	**4,339**	**(60,566)**	**6,772**	**2,016,326**

The change in investment property is due to:

> The first-time adoption of IFRS 16. As of 1 January 2019 the Company has recognized a right-of-use asset under investment property in the amount of €20,851K, concerning leases for the malls at Fonti del Corallo shopping center and the parking lot at Centro d'Abruzzo (see Section 5.6.2.1 for details);

> The reclassification to investment property of the following finished projects: *(i)* restyling of the Fonti del Corallo shopping center (€1,497K); *(ii)* the remapping of that property under an agreement between IGD SIIQ and Unicoop Tirreno to reduce the size of the hypermarket and create three midsize retail areas (€1,421K); *(iii)* the restyling and remapping (combination/splitting of stores) of the first floor of the Casilino mall in Rome (€2,585K); and *(iv)* the restyling of the Gran Rondò mall in Crema (€1,232K);

> Extraordinary maintenance and earthquake proofing at shopping centers (€10,132K), specifically Città delle Stelle in Ascoli, Casilino and Tiburtino in Rome, La Torre in Palermo, Centro Lame in Bologna, and Esp in Ravenna;

> The addition of €1,446K to the purchase price of the Katanè mall as ordered by the Court of Ravenna on 7 June 2019. For further information see Note 43, and Section 2.5 of the directors' report;

> IGD's purchase on 30 September 2019 of 50% of the Darsena City mall in Ferrara (€14,133K), of which it was previously joint owner;

> Fair value adjustments. Specifically, investment property was revalued in the amount of €4,339K and written down by €60,566K, for a net negative impact of €56,227K. See Section 2.2.1 of the directors' report for further information.

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.

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 13) BUILDINGS

	01/01/2018	Increase	Decrease	Amortization	Reclassification	31/12/2018
Historical cost	**10,114**	**0**	**0**	**0**	**0**	**10,114**
Depreciation fund	**(1,983)**	**0**	**0**	**(244)**	**0**	**(2,227)**
Next book value	**8,131**	**0**	**0**	**(244)**	**0**	**7,887**

	01/01/2019	Increase	Decrease	Amortization	Reclassification	31/12/2019
Historical cost	**10,114**	**0**	**0**	**0**	**0**	**10,114**
Depreciation fund	**(2,227)**	**0**	**0**	**(244)**	**0**	**(2,471)**
Next book value	**7,887**	**0**	**0**	**(244)**	**0**	**7,643**

This item refers to the purchase of the building that houses the head office. As in 2016, the only movement during the year was depreciation.

> NOTE 14) PLANT AND MACHINERY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

	01/01/2018	Increase	Decrease	Amortization	Reclassification	31/12/2018
Historical cost	**191**	**25**	**0**	**0**	**0**	**216**
Depreciation fund	**(112)**	**0**	**0**	**(22)**	**0**	**(134)**
Plant and machinery	**79**	**25**	**0**	**(22)**	**0**	**82**
Historical cost	**2,793**	**133**	**0**	**0**	**0**	**2,926**
Depreciation fund	**(2,518)**	**0**	**0**	**(128)**	**0**	**(2,646)**
Equipment and other goods	**275**	**133**	**0**	**(128)**	**0**	**280**
Historical cost	**12**	**25**	**0**	**0**	**0**	**37**
Depreciation fund	**0**	**0**	**0**	**0**	**0**	**0**
Leasehold improvements	**12**	**25**	**0**	**0**	**0**	**37**

	01/01/2019	Increase	Decrease	Amortization	Reclassification	31/12/2019
Historical cost	**216**	**107**	**0**	**0**	**0**	**323**
Depreciation fund	**(134)**	**0**	**0**	**(26)**	**0**	**(160)**
Plant and machinery	**82**	**107**	**0**	**(26)**	**0**	**163**
Historical cost	**2,926**	**199**	**0**	**0**	**37**	**3,162**
Depreciation fund	**(2,646)**	**0**	**0**	**(109)**	**0**	**(2,755)**
Equipment and other goods	**280**	**199**	**0**	**(109)**	**37**	**407**
Historical cost	**37**	**0**	**0**	**0**	**(37)**	**0**
Depreciation fund	**0**	**0**	**0**	**0**	**0**	**0**
Leasehold improvements	**37**	**0**	**0**	**0**	**(37)**	**0**

Most of the change in plant & machinery and equipment reflects work performed during the year (€306K), depreciation (€135K), and the reclassification of assets under construction (€37K). The decrease in leasehold improvements reflects the application of IFRS 16 from 1 January 2019 (for details, see Section 5.6.2.1 of this report).

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 15) ASSETS UNDER CONSTRUCTION

	01/01/2018	Increase	Decrease	(Impairment/ losses)/ Reversals	Reclassification from advance payments	Reclassification to assets	31/12/2018
Assets under constructon	6,623	4,178	0	(190)	0	(6,934)	3,677
Advance payments	22,453	155	0	0	0	0	22,608
Assets under constructon and Advance payments	29,076	4,333	0	(190)	0	(6,934)	26,285

	01/01/2019	Increase	Decrease	(Impairment/ losses)/ Reversals	Reclassification from advance payments	Reclassification to assets	31/12/2019
Assets under constructon	3,677	5,488	0	(72)	1,572	(6,773)	3,892
Advance payments	22,608	1,496	0	0	(1,572)	0	22,532
Assets under constructon and Advance payments	26,285	6,984	0	(72)	0	(6,773)	26,424

The increase of €139K is mostly due to:

> Investments during the year for a total of €7,060K (including the reclassification of the pre-payments), primarily for: (i) completion of the restyling of Fonti del Corallo shopping center (€934K); (ii) completion of Fonti del Corallo remapping under an agreement between IGD SIIQ and Unicoop Tirreno (€1,061K); (iii) restyling and remapping (combination/splitting of stores) of the first floor of the Casilino mall in Rome (€2,622K; (iv) restyling of the Gran Rondò mall in Crema (€1,232K); (v) restyling plans for La Favorita (Mantua) and Porto Grande (San Benedetto del Tronto) shopping centers (€210K); (vi) remapping of the shopping centers Le Maioliche (Faenza), Conè (Conegliano), and Porto Grande (San Benedetto del Tronto) under the agreement between IGD SIIQ and Coop Alleanza 3.0 to reduce the size of the hypermarket and expand the shopping mall (€698K); (vii) construction of new mid-size retail areas at Gran Rondò shopping center and retail park in Crema (€45K); and (viii) restyling of Darsena (Ferrara) and Punta di Ferro (Forlì) shopping centers (€103K);

> The reclassification of investments completed during the year (€6,773K): €6,736 to investment property, as described earlier, and €37K to equipment and other assets;

> The writedown of the Portogrande expansion (€72K);

> A net decrease in advances paid (€76K).

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.

	31/12/2019	31/12/2018	Change
Deffered tax assets	5,300	5,200	100
Deffered tax liabilities	0	(9)	9
Net deffered tax assets	5,300	5,191	109

Deferred tax assets are shown in detail below:

	31/12/2019	31/12/2018	Change
Capital operations	0	3	(3)
Taxed provisions	73	70	3
IAS 19	5	2	3
IRS operations	3,696	3,962	(266)
Loss from tax consolidation	1,163	1,163	0
IFRS 16 Livorno	363	0	363
Deffered tax assets	5,300	5,200	100

Deferred tax assets mainly originate from:

> Taxed provisions, such as the provision for doubtful accounts and the bonus provision;

> 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; and *(ii)* the effects of applying IFRS 16 from 1 January 2019.

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.

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5.6 NOTES TO THE FINANCIAL STATEMENTS

Deffered tax assets	Balance at 31/12/2018		Increase	Decrease	Increase	Decrease	Balance at 31/12/2019	
	Temporary difference	Deffered tax assets	Temporary difference		Deffered tax assets		Temporary difference	Deffered tax assets
TFR Provision - Ias 19	102	2	12	0	3	0	114	5
Doubtful accounts	837	59	56	73	13	17	820	55
Variable salary	662	11	1,139	662	18	11	1,139	18
Loss from tax consolidation	4,847	1,164	0	0	0	0	4,848	1,163
Irs operations*	16,509	3,962	713	1,823	171	437	15,399	3,696
2015 capitalized costs on 2014 capital increase reserve*	22	0	0	22	0	0	0	0
Cost for capital increase 2015*	115	2	0	115	0	2	0	0
IFRS 16 Livorno	0	0	1,513	0	363	0	1,513	363
Total	23,094	5,200	3,433	2,695	568	467	23,833	5,300

(*): Effect charged or credited directly to equity

Below are the details of deferred tax liabilities:

	31/12/2019	31/12/2018	Change
Bond	0	9	(9)
Deffered tax liabilities	0	9	(9)

Deferred tax liabilities refer to temporary differences regarding the value for tax purposes of the bond loans.

Deffered tax liabilities	Balance at 31/12/2018		Increase	Decrease	Increase	Decrease	Balance at 31/12/2019	
	Temporary difference	Deffered tax assets	Temporary difference		Deffered tax assets		Temporary difference	Deffered tax assets
Bond	495	9	0	495	0	9	0	0
Total	495	9	0	495	0	9	0	0

> NOTE 17) SUNDRY RECEIVABLES AND OTHER NON-CURRENT ASSETS

	31/12/2019	31/12/2018	Change
Security deposits	75	72	3
Sundry receivables and other non-current assets	75	72	3

This item increased as a result of security deposits paid during the year.

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 18) EQUITY INVESTMENTS

Equity investments are detailed in the table below:

	31/12/2018	Increase	Decrease	Write-downs	31/12/2019
IGD Management S.r.l.	**170,183**	**0**	**0**	**0**	**170,183**
Millennium Gallery S.r.l.	**14,463**	**0**	**0**	**0**	**14,463**
Consorzio Proprietari Fonti del Corallo	**7**	**0**	**0**	**0**	**7**
Consorzio Proprietari C.C. Leonardo	**52**	**0**	**0**	**0**	**52**
Winmagazin S.A.	**186**	**0**	**0**	**0**	**186**
Consorzio I Bricchi	**4**	**0**	**0**	**0**	**4**
Consorzio del Commendone	**6**	**0**	**0**	**0**	**6**
Consorzio Puntadiferro	**6**	**0**	**0**	**0**	**6**
Arco Campus S.r.l.	**1,441**	**0**	**0**	**0**	**1,441**
Equity investment in subsidiaries	**186,348**	**0**	**0**	**0**	**186,348**
Rgd Ferrara 2013 S.r.l.	**54**	**0**	**0**	**0**	**54**
Equity investment in associates	**54**	**0**	**0**	**0**	**54**
Equity investment in other companies	**72**	**0**	**0**	**0**	**72**
Equity investments	**186,474**	**0**	**0**	**0**	**186,474**

This item is unchanged with respect to the prior year.

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 4.19%, or 4.22% for equity investments in Romania; the risk premium contained in the cost of equity is 5.54%, while the borrowing rate used is the average rate of competitors or 2.02%. 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) TRADE AND OTHER RECEIVABLES

	31/12/2019	31/12/2018	Change
Trade and other receivables	**18,172**	**18,457**	**(285)**
Provision for doubtful accounts	**(10,079)**	**(10,435)**	**356**
Trade and other receivables	**8,093**	**8,022**	**71**

Net trade receivables were stable with respect to the previous year.

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:

	31/12/2019	31/12/2018	Change
Provision for doubtful account at the beginning of the period	**10,435**	**10,998**	**(563)**
Reverse	**(1,065)**	**(1,326)**	**261**
Write-down/ (uses) interest on late payments	**(3)**	**(9)**	**6**
Provision	**712**	**666**	**46**
Acquisitions 4 businesses units effect	**0**	**106**	**(106)**
Provision for doubtful account at the end of the year	**10,079**	**10,435**	**(356)**

Receivables are written down based on an analysis of each tenant's position.

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> NOTE 20) RELATED PARTY TRADE AND OTHER RECEIVABLES

	31/12/2019	31/12/2018	Change
Coop Alleanza 3.0	**51**	**69**	**(18)**
Rgd Ferrara 2013	**68**	**393**	**(325)**
IGS Management S.r.l.	**37**	**61**	**(24)**
Porta Medicea S.r.l.	**0**	**39**	**(39)**
Millennium Gallery S.r.l.	**0**	**2**	**(2)**
Win Magazin S.A.	**0**	**8**	**(8)**
Winmarkt Management S.r.l.	**0**	**86**	**(86)**
Alleanza Luce e Gas S.r.l.	**23**	**26**	**(3)**
Consorzio Coné	**0**	**2**	**(2)**
Unicoop Tirreno s.c.a.r.l.	**29**	**736**	**(707)**
Arco Campus S.r.l.	**6**	**6**	**0**
Librerie Coop S.p.A.	**13**	**10**	**3**
Consorzio Punta di Ferro	**6**	**0**	**6**
Consorzio Proprietari Centro Luna	**4**	**0**	**4**
Cons. propr. del compendio com. del Commendone	**0**	**2**	**(2)**
Consorzio Le Maioliche	**0**	**(1)**	**1**
Related party trade and other receivables	**237**	**1,439**	**(1,202)**

See Note 38 for comments.

> NOTE 21) OTHER CURRENT ASSETS

	31/12/2019	31/12/2018	Change
Tax credits			
VAT credits	**235**	**296**	**(61)**
IRES credits	**379**	**375**	**4**
IRAP credits	**255**	**526**	**(271)**
Due from others			
Accrued income and prepayments	**546**	**374**	**172**
Deffered costs	**0**	**2,536**	**(2,536)**
Other costs of services	**201**	**170**	**31**
Other current assets	**1,616**	**4,277**	**(2,661)**

Other current assets decreased by a total of €2,661. Most of the decrease in tax receivables reflects the trend in the IRAP (regional business tax) credit. The reduction in other assets is due to deferred costs, which at the end of the previous year covered the fees incurred for a two-tranche syndicated loan of €200 million contracted on 16 October 2018. When the loan was disbursed in the first quarter of 2019, those fees were reclassified to financial liabilities and released to the income statement following the amortized cost method.

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 22) RELATED PARTY OTHER CURRENT ASSETS

	31/12/2019	31/12/2018	Change
Receivables from tax consolidation			
In detail:			
IGD Management S.r.l.	**50**	**187**	**(137)**
Millennium Gallery S.r.l.	**22**	**108**	**(86)**
Porta Medicea S.r.l.	**245**	**0**	**245**
Total receivables from tax consolidation	**317**	**295**	**22**

This item consists of the amounts due from the subsidiaries Millennium Gallery S.r.l., IGD Management S.r.l., and Porta Medicea S.r.l. The increase reflects the transfer of their 2019 taxable income and IRES credits to the tax consolidation.

> NOTE 23) FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

	31/12/2019	31/12/2018	Change
To other related parties	**91,829**	**98,672**	**(6,843)**
To associates	**95**	**96**	**(1)**
Related parties financial receivables and other current financial assets	**91,924**	**98,768**	**(6,844)**

The amount due from associates refers to the original €150K loan granted in 2013 to RGD Ferrara 2013 S.r.l., reduced to €95K in 2017, 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. Details of the major outstanding loans are provided below:

> Loan granted to Millennium Gallery S.r.l.: €3,988K, fully repaid during the year;

> Loan granted to IGD Management S.r.l. in previous years: €15 million;

> Loan granted to IGD Management S.r.l.: €70,029K. In addition to the €76,729K outstanding at the end of 2018, during the year an additional €18,900K was disbursed and the subsidiary made payments of €25,300K;

> Loan granted to Arco Campus S.r.l.: €2,749K. In addition to the €2,961K outstanding at the end of 2018, during the year an additional €60K was disbursed and the subsidiary made payments of €272K.

There is also a receivable arising from the use of a Group treasury account, due from Millennium Gallery S.r.l. for €3,532K.

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> NOTE 24) CASH AND CASH EQUIVALENTS

	31/12/2019	31/12/2018	Change
Cash and cash equivalents	124,507	1,421	123,086
Cash on hand	33	41	(8)
Cash and cash equivalents	124,540	1,462	123,078

Cash and cash equivalents at 31 December 2019 consisted mainly of current account balances at banks. The substantial increase in this item is explained primarily by the new €400 million bond loan, used only in part to buy back outstanding bonds for a total of €237,607K. The liquidity should be used to redeem the remaining portion of the €300 million bond loan maturing in the first half of 2021.

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> NOTE 25) NET EQUITY

	31/12/2019	31/12/2018	Change
Share capital	749,738	749,738	0
Share premium reserve	30,058	31,504	(1,446)
Other reserves	419,275	414,680	4,595
Legal reserve	121,845	119,952	1,893
Merger surplus reserve	0	557	(557)
Treasury share reserve	(198)	(492)	294
Result treasury share sale effect	(33)	(33)	0
Bond issue reserve	14,865	14,866	(1)
FTA IFRS 9 reserve	(4,354)	(4,354)	0
FTA IFRS 16 reserve	(1,450)	0	(1,450)
Recalculation of defined benefit plans	(17)	153	(170)
Cash flow hedge reserve	(12,196)	(13,376)	1,180
Fair value reserve	311,118	307,735	3,383
Capital increase reserve	(10,305)	(10,328)	23
Net profit (loss) of the year	9,471	58,426	(48,955)
Profit (loss) carried forward	0	17,184	(17,184)
Profit	9,471	41,242	(31,771)
Net Equity	1,208,542	1,254,348	(45,806)

The following actions taken during the year were approved by the annual general meeting held to approve the 2018 financial statements: (i) allocation of €3,382K in net profit to the fair value reserve; (ii) allocation of €1,893K in net profit to the legal reserve; and (iii) distribution of €55,153K in dividends for 2018 through the use of profit available for distribution (€34,745), a portion of profits carried forward from exempt and taxable operations (€18,405K), and the share premium reserve (€1,446K).

Net equity also changed due to:

> Adjustment of the cash flow hedge reserves relating to outstanding contracts, by €1,180K;

> Adjustment of the reserve for the recalculation of defined benefits (€170K);

> Sale of treasury shares, for €294K;

> Negative effect of first-time adoption of the new accounting standard IFRS 16, for €1,450K;

> Positive change in costs for the capital increase carried out in 2018 (€23K net of the tax effect), recognized in a separate negative equity reserve as required by the accounting standards;

> Recognition of the profit for the year in the amount of €9,471K.

As discussed in Section 2.5 of the directors' report, on 11 November 2019 the extraordinary shareholders' meeting approved a voluntary reduction in share capital pursuant to and for the purposes of Civil Code Art. 2445, from €749,738,139.26 to €650,000,000.00. The share capital will be reduced by €99,738K by allocating €8,155K to the legal reserve and €91,583K to a new distributable reserve. As a result, the legal reserve will have the balance required by Art. 2430 of the Italian Civil Code.

The purpose of this operation is to provide greater flexibility to the net equity structure by increasing the undistributable legal reserve while creating a distributable supply of funds, which also marries the particularities of SIIQ status (i.e. the mandatory distribution of 70% of the profit from exempt operations) with the expectations of the capital markets (return on investment or dividend yield).

On 19 February 2020, the Company recognized the capital reduction once the corresponding resolution had become fully effective, in accordance with Civil Code Art. 2445, as the deadline for opposing the reduction had passed without any creditors raising objections.

The shareholders' equity of IGD SIIQ S.p.A. reflecting the voluntary reduction in capital is broken down below.

	31/12/2019	31/12/2018	Change
Share capital	650,000	749,738	(99,738)
Share premium reserve	30,058	31,504	(1,446)
Other reserves	519,013	414,680	104,333
Legal reserve	130,000	119,952	10,048
Merger surplus reserve	0	557	(557)
Treasury share reserve	(198)	(492)	294
Result treasury share sale effect	(33)	(33)	0
Bond issue reserve	14,865	14,866	(1)
FTA IFRS 9 reserve	(4,354)	(4,354)	0
FTA IFRS 16 reserve	(1,450)	0	(1,450)
Recalculation of defined benefit plans	(17)	153	(170)
Cash flow hedge reserve	(12,196)	(13,375)	1,179
Fair value reserve	311,118	307,734	3,384
Capital increase reserve	(10,305)	(10,328)	23
Other reserves	91,583	0	91,583
Net profit (loss) of the year	9,471	58,426	(48,955)
Profit (loss) carried forward	0	17,184	(17,184)
Profit	9,471	41,242	(31,771)
Net Equity	1,208,542	1,254,348	(45,806)

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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 in the three-year period 2017-2019 refer solely to the dividend distribution in May 2019.

Item/ description	Amount	Eligibility for use	Amount available	Amount distributable	Summary of the uses made in the past three years	
					Due to negative reserves coverage	Due to other reasons
Share capital	650,000					
Capital reserves:						
Share premium reserve	30,058	A - B - C	30,058	30,058		(1,446)
Treasury share reserve	(198)	A - B - C **	(198)	(198)		
Result from sale of treasury share effect	(33)	A - B - C **	(33)	(33)		
Bond issue reserve	14,865	A - B - C	14,865	14,865		
Total capital reserve	44,692		44,692	44,692		
Profit reserves:						
Legal reserve*	130,000	B				
Fair value reserve	311,118	B				
FTA IFRS 9 reserve	(4,354)	A - B - C **	(4,354)	(4,354)		
FTA IFRS 16 reserve	(1,450)	A - B - C **	(1,450)	(1,450)		
Cash Flow Hedge reserve	(12,196)	-				
Share capital increase cost reserve	(10,305)	A - B - C **	(10,305)	(10,305)		
Recalculation of defined benefit plans	(17)	-				
Distributable reserve	91,583	A - B - C	91,583	91,583		
New net profit/loss	0	A - B - C	0	0		
Total profit reserve	504,379		75,474	75,474		
Total reserve	549,071		120,166	120,166		

LEGENDA

A *For capital increase*
B *For loss coverage*
C *For shareholder distribution*

* *Legal reserve contains capital for Euro 115,759 thousands*

** *Negative reserves reduce the available positive reserve*

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> NOTE 26) 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:

	Durata	31/12/2019	31/12/2018	Change
Mortgage loans		**413,895**	**260,919**	**152,976**
04 BNL Rimini IGD Malatesta - Rimini	**06/09/2006 - 06/07/2021**	**0**	**3,495**	**(3,495)**
09 Interbanca IGD	**25/09/2006 - 05/10/2021**	**15,012**	**29,546**	**(14,534)**
05 BreBanca IGD Mondovicino (Galleria)	**23/11/2006 - 10/01/2023**	**3,238**	**4,409**	**(1,171)**
08 Carisbo Guidonia IGD Tiburtino	**27/03/2009 - 27/03/2024**	**35,144**	**39,130**	**(3,986)**
06 Unipol Lungosavio IGD	**31/12/2008 - 31/12/2023**	**5,605**	**6,326**	**(721)**
07 Carige Nikefin Asti I Bricchi	**31/12/2008 - 31/03/2024**	**15,364**	**17,070**	**(1,706)**
13 CR Veneto Mondovì (Retail Park)	**08/10/2009 - 01/11/2024**	**14,091**	**15,693**	**(1,602)**
10 Mediocredito Faenza IGD	**05/10/2009 - 30/06/2029**	**7,893**	**8,822**	**(929)**
14 MPS Palermo (Galleria)	**21/12/2010 - 30/11/2025**	**17,298**	**19,380**	**(2,082)**
17 Carige Palermo IGD (Iper)	**12/07/2011 - 30/06/2027**	**11,846**	**13,523**	**(1,677)**
15 CentroBanca Coné (Galleria)	**22/12/2010 - 31/12/2025**	**22,982**	**25,602**	**(2,620)**
29 ICREA	**14/12/2017 - 30/06/2021**	**4,991**	**4,986**	**5**
Loan Ubi 1 Leonardo	**19/04/2018 - 17/10/2022**	**45,389**	**47,360**	**(1,971)**
Loan Ubi 1 Lame RP Favorita	**19/04/2018 - 17/07/2023**	**6,849**	**9,341**	**(2,492)**
Loan Ubi 2 Lame RP Favorita	**19/04/2018 - 17/10/2021**	**8,107**	**9,597**	**(1,490)**
Loan Ubi 3 RP	**19/04/2018 - 17/10/2021**	**3,316**	**6,639**	**(3,323)**
Loan BNL 200 ML LT	**01/01/2019 - 15/10/2023**	**196,770**	**0**	**196,770**
Debts for bonds		**710,306**	**557,305**	**153,001**
Bond 100 ML	**11/01/2017 - 11/01/2024**	**99,598**	**99,506**	**92**
Bond 162 ML	**21/04/2015 - 21/04/2022**	**151,625**	**159,079**	**(7,454)**
Bond 300 ML	**31/05/2016 - 31/05/2021**	**70,611**	**298,720**	**(228,109)**
Bond 400 ML	**28/11/2019 - 28/11/2024**	**388,472**	**0**	**388,472**
Due to other source of finance		**19,961**	**3,594**	**16,367**
Sardaleasing for Bologna office	**30/04/2009 - 30/04/2027**	**3,249**	**3,594**	**(345)**
IFRS 16 Livorno LT liabilities	**01/01/2019 - 31/03/2026**	**16,365**	**0**	**16,365**
IFRS 16 Abruzzo LT liabilities	**01/01/2019 - 31/12/2023**	**347**	**0**	**347**
Non-current financial liabilities		**1,144,162**	**821,818**	**322,344**
Related party non-current financial liabilities		**0**	**0**	**0**

Movements during the year are shown below:

Non current financial liabilities	31/12/2018	Increase	Repayments /Renegotiations	Amortized cost	Reclassifications	31/12/2019
Payables due to mortgage	**260,920**	**200,000**	**(3,500)**	**(2,797)**	**(40,728)**	**413,895**
Payables due to bond	**557,304**	**388,472**	**(237,608)**	**2,138**	**0**	**710,306**
Payables due to IFRS 16	**0**	**19,598**	**0**	**0**	**(2,886)**	**16,712**
Payables due to other source of finance	**3,594**	**0**	**0**	**0**	**(345)**	**3,249**
Total	**821,818**	**608,070**	**(241,108)**	**(659)**	**(43,959)**	**1,144,162**

> Mortgage loans

Mortgage loans are secured by properties. The change in 2019 reflects *(i)* the reclassification to current financial liabilities of the principal falling due in the next 12 months; and *(ii)* the disbursement of the €200 million loan contracted by IGD on 16 October 2018 with a pool of banks, including BNP Paribas Italian Branch as mandated lead arranger, underwriter global coordinator, and bookrunner.

IGD has taken out a three-year, variable-rate senior unsecured loan whose maturity can be extended to five years at the Company's request. As agreed by the parties, the loan was disbursed in two tranches in the first quarter of 2019. Tranche A, €125 million, was used for the redemption of the original €150 million bond loan on 7 January 2019. Tranche B, €75 million, was used to pay back some short-term credit lines and cover general cash needs.

> Due to other sources of finance and for IFRS 16

This item covers the non-current portion of liabilities arising from:

> The lease for HQ premises;

> The adoption of IFRS 16 for the mall at Fonti del Corallo shopping center and the parking lot at Centro d'Abruzzo.

> Bonds

On 11 November 2019 the Board of Directors approved a new non-subordinated, non-convertible bond loan of up to €500 million. The main purpose of the operation is to reduce the cost of debt and extend existing financial maturities. On 20 November 2019 IGD completed the placement of the new non-subordinated, non-convertible bond with institutional investors in Italy and abroad, in accordance with applicable laws and regulations (excluding the United States pursuant to Regulation S of the United States Securities Act of 1933, as amended). On 28 November 2019 IGD issued the new bonds with a unit nominal value of €100,000, and multiples of 1,000 up to a maximum of €199,000, for a total nominal value of €400,000,000.

The new bonds are governed by English law and have the following characteristics:

> 5-year duration, maturity 28 November 2024;

> Issue price at 99.336% of nominal value;

> Fixed rate of 2.125% per annum, payable at the end of every year, with a possible annual increase of no more than 1.25% contingent on factors associated with the bonds' rating;

> At maturity, lump-sum redemption at par plus interest payable at that time; early redemption is possible under various circumstances, including change of control, under the terms and conditions stated in the bond regulations.

With the funds raised through the bond issue, IGD SIIQ S.p.A. has:

> Conducted a partial buy-back, through an intermediate tender offer also approved by the Board of Directors on 11 November 2019, of the following outstanding bonds for a total of €237.6 million: (i) €229.2 million worth of the €300 million bond loan maturing on 31 May 2021 and paying 2.5% interest; and (ii) €8.4 million worth of the €162 million bond loan maturing on 21 April 2022 and paying 2.65% interest;

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> Acquired the cash needed to redeem, at maturity, the non-repurchased portion of the €300 million bond loan maturing on 31 May 2021 (€70.8 million);

> Raised the funds needed to partially finance and/or re-finance the investments called for in the 2020 Strategic Plan (€91.6 million).

Details of outstanding bonds are presented in the table below:

Debts for bonds	Non current portion 31/12/2018	Current portion 31/12/2018	New issue/ refund	Repurchase of old bonds	Ancillary costs amortization 31/12/2019	Financial charges at 31/12/2019	Non current portion 31/12/2019	Current portion 31/12/2019	Nominal interest rate	Actual interest rate
Bond 150 ML		**124,900**	**(124,900)**				**0**	**0**		
Additional transition costs		**(8)**			**8**		**0**	**0**		
Coupon rate 31/12/2018		**4,747**				**(4,747)**	**0**			
Paid interests						**4,840**	**0**	**0**		
Coupon rate 31/12/2019							**0**	**0**		
Total Bond 150 ML	**0**	**129,639**		**0**	**8**	**93**	**0**	**0**	**3.875%**	**4.17%**
Bond 162 ML	**162,000**			**(8,400)**			**153,600**			
Additional transition costs	**(2,921)**			**266**	**680**		**(1,975)**			
Coupon rate 31/12/2018		**2,969**				**(2,969)**				
Paid interests						**4,427**				
Coupon rate 31/12/2019						**2,815**		**2,815**		
Total Bond 162 ML	**159,079**	**2,969**		**(8,134)**	**680**	**4,273**	**151,625**	**2,815**	**2.650%**	**3.94%**
Bond 300 ML	**300,000**			**(229,207)**			**70,793**			
Additional transition costs	**(1,280)**			**633**	**466**		**(182)**			
Effetto IFRS 9					**3,505**					
Coupon rate 31/12/2018		**4,375**				**(4,375)**		**0**		
Paid interests						**10,334**				
Coupon rate 31/12/2019						**1,032**		**1,032**		
Total Bond 300 ML	**298,720**	**4,375**		**(228,574)**	**3,971**	**6,991**	**70,611**	**1,032**	**2.500%**	**2.80%***
* Including the effect of the Cash Flow Hedge reserve										
Bond 100 ML	**100,000**						**100,000**			

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	Non current portion	Current portion					Non current portion	Current portion		
Debts for bonds	31/12/2018	31/12/2018	New issue/ refund	Repurchase of old bonds	Ancillary costs amortization 31/12/2019	Financial charges at 31/12/2019	31/12/2019	31/12/2019	Nominal interest rate	Actual interest rate
Additional transition costs	**(494)**				**92**		**(402)**			
Coupon rate 31/12/2018		**1,056**				**(1,056)**				
Paid interests						**2,250**				
Coupon rate 31/12/2019						**1,056**		**1,056**		
Total Bond 100 ML	**99,506**	**1,056**		**0**	**92**	**2,250**	**99,598**	**1,056**	**2.250%**	**2.35%**
Bond 400 ML			**400,000**				**400,000**			
Additional transition costs			**(11,729)**		**201**		**(11,528)**			
Coupon rate 31/12/2018								**0**		
Paid interests						**0**				
Coupon rate 31/12/2019						**756**		**756**		
Total Bond 400 ML	**0**	**0**	**388,271**	**0**	**201**	**756**	**388,472**	**756**	**2.125%**	**2.76%**
Total bonds	**557,304**	**138,039**	**388,271**	**(236,708)**	**4,952**	**14,363**	**710,306**	**5,660**		
Cash Flow Hedge reserve (bond 300 ML)	**(830)**				**337**		**(493)**			
Total financial charges					**5,289**	**14,363**				

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> Covenants

The following table presents covenants on outstanding loans.
All of the covenants were satisfied at 31 December 2019.

Name	Guarantees givens	Type of product	End date	Financial "covenant"	Indicator i)	Indicator ii)	Indicator iii)	Indicator iv)
05 BreBanca IGD	Mondovicino shopping mall	Mortgage	**10/01/2023**					
06 Unipol Lungosavio IGD	Lungo Savio shopping center (Mall)	Mortgage	**31/12/2023**					
07 Carige Nikefin Asti	I Bricchi shopping mall	Mortgage	**31/03/2024**					
08 Carisbo Guidonia IGD	Tiburtino shopping center	Mortgage	**27/03/2024**	Financial condition of iGD Group: ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.6 through to maturity	**0.93**			
09 Interbanca IGD	Centro d'Abruzzo shopping center (Hypermarket); Porto Grande shopping center (Mall, hypermarket); SC Globo hypermarket; Le Porte di Napoli shopping center (hypermarket); SC Il Maestrale hypermarket; SC Leonardo; SC Miralfiore	Loan	**05/10/2021**	Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 2 from 31/12/2006 to maturity	**0.93**			
10 Mediocredito Faenza IGD	Le Maioliche shopping center (Hypermarket)	Loan	**30/06/2029**	IGD SIIQ SpA financial statements: ratio of external net debt to equity + Intercompany loan must not exceed 2.70	**0.94**			
14 MPS Palermo	La Torre shopping center (Mall)	Mortgage	**30/11/2025**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.7; ii) Loan to Value ratio for individual property must not exceed 70%	**0.93**	**37.981%**		
15 CentroBanca Coné Gall	Coné shopping center (Mall)	Loan	**31/12/2025**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 2	**0.93**			
13 CR Veneto Mondovì	Mondovicino Retail Park	Mortgage	**01/11/2024**	Certified consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.6	**0.93**			
17 Carige Palermo iGD	La Torre shopping center (Hypermarket)	Mortgage	**30/06/2027**					
29 Icrea Chirografario	none	Unsecured loan	**30/06/2021**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.60 from 31/12/2017 to maturity; ii) Ratio Total Asset - Intangible Asset to Total Debt (excluding derivative liabilities) under 60%	**0.90**	**48.73%**		
30 Ubi 1 lame_rp_fav	La Favorita shopping center (Mall and Retail Park) and Lame shopping center (Mall)	Mortgagebacked loan	**17/07/2023**					
31 Ubi 2 lame_rp _fav	La Favorita shopping center (Mall and Retail Park) and Lame shopping center (Mall)	Mortgagebacked loan	**18/10/2021**					
32 Ubi 3 rp	La Favorita shopping center (Retail Park)	Mortgage	**18/10/2021**					
33 Ubi 5 Leonardo	Leonardo shopping center (Mall) and Centro Luna shopping center (Mall)	Loan	**17/10/2023**	Consolidated financial statements: i) ratio of net debt (including derivative assets and liabilities) to net equity must not exceed 1.6; ii) Loan to Value ratio for individual property must not exceed 55%	**0.90**	**43.04%**		
26 Notes 2.65% - 21/04/2022	Unsecured	Bond	**21/04/2022**	i) Ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.55; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.00 - [excluding effect of IFRS 16 accounting standards]	**48.73%**	**3.54**	**12.58%**	**1.61**
27 Notes 2.50% - 31/05/2021	Unsecured	Bond	**31/05/2021**	i) Ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.7; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.25 - [excluding effect of IFRS 16 accounting standards]	**48.73%**	**3.54**	**12.58%**	**1.61**
28 Notes 2.25% - 11/01/2024	Unsecured	Bond	**11/01/2024**	i) Ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.7; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.50 - [including effect of IFRS 16 accounting standards]	**49.81%**	**3.54**	**14.41%**	**1.61**
35 Bond 400 M 2.125% - 28/11/2024	Unsecured	Bond	**28/11/2024**	i) Ratio Total Asset - Intangible Asset to Total Debt lower (excluding derivative liabilities and net Cash and Cash Equivalents) under 60%; ii) Interest Cover Ratio (recurring items on cash basis) > 1.7; iii) Ratio of Secured Debt to Total Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt (net to Cash and Cash Equivalents) > 1.25 - [excluding effect of IFRS 16 accounting standards]	**43.66%**	**3.54**	**12.58%**	**1.88**
34 Syndicated Loan	Unsecured	Syndicated loan	**16/10/2023**	i) Ratio Total Asset - Intangible Asset 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 Asset - Intangible Asset under 45%; iv) Ratio of encumbered assets to Unsecured debt > 1.25 - [excluding effect of IFRS 16 accounting standards]	**48.73%**	**3.54**	**12.58%**	**1.61**

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> NOTE 27) PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES

	01/01/2019	Actuarial (Gain)/Losses	Reserve	Provision	Financial charges IAS 19	31/12/2019
Provisions for employee severance indemnities	**1,584**	**170**	**(99)**	**162**	**30**	**1,847**

	01/01/2018	Actuarial (Gain)/Losses	Reserve	Provision	Financial charges IAS 19	31/12/2018
Provisions for employee severance indemnities	**1,602**	**(169)**	**(56)**	**182**	**25**	**1,584**

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.

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%**

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.

Financial assumptions	2019
Cost of living increase	**1.20%**
Discount rate	**1.04%**
Increase in total compensation	Dirigenti: **2.5%** ; Impiegati/Quadri: **1.0%** ; Operai: **1.0%**
Increase in severance indemnity provision	**2.400%**

> SENSITIVITY ANALYSIS OF MAIN VARIABLES ON TFR AT 31 DECEMBER 2019

	(Euro/000)
Inflation rate +0,25% - TFR provision:	**1,896.88**
Inflation rate -0,25% - TFR provision:	**1,799.77**
Inflation rate +0,25% - TFR provision:	**1,785.85**
Inflation rate -0,25% - TFR provision:	**1,912.24**
Turnover rate +1% - TFR provision:	**1,819.87**
Turnover rate -1% - TFR provision:	**1,879.33**
Service Cost 2020	**190.52**
Plan duration	**19.10**
Estimated payouts, year 1	**59.06**
Estimated payouts, year 2	**207.34**
Estimated payouts, year 3	**57.97**
Estimated payouts, year 4	**62.43**
Estimated payouts, year 5	**66.87**

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> NOTE 28) GENERAL PROVISIONS

	31/12/2018	Reserve	Provision	Reclassification	31/12/2019
Provision for taxation	**1,840**	**(422)**	**168**	**150**	**1,736**
Consolidated Fund risks and future charges	**2,783**	**(3,686)**	**2,246**	**(150)**	**1,193**
Bonus provisions	**599**	**(601)**	**740**	**0**	**740**
Provision for risks and future charges	**5,222**	**(4,709)**	**3,154**	**0**	**3,669**

> Provision for taxation

This provision covers the charges that might arise from tax audits and other likely tax liabilities. Most of 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 the two shopping centers in Palermo and Ravenna (Esp). Decreases/reclassifications mostly concern:

> The payment of €181K for tax assessments following IMU (municipal property tax) disputes for 2014, 2015 and 2016 regarding Fonti del Corallo shopping center;

> The use of €7K in provisions to pay a tax assessment following an IMU dispute for 2013 regarding Esp shopping center;

> The release to the income statement of €159K in provisions for disputes concluded in IGD's favor;

> Tthe reclassification of €25K to current tax payables reflecting the payment, to take place in February 2020, of a tax assessment following an IMU dispute for 2014 regarding Esp shopping center;

> The reclassification of €50K to risk provisions for Guidonia, which cover potential liabilities arising from a dispute with the town of Guidonia regarding various retail licenses.

> Bonus provision

The bonus provision covers the variable compensation that will be paid to employees in 2020 on the basis of the Group's 2019 estimated results. The utilization refers to the payment made in the first half of 2019.

> Other general provisions

These cover the risks arising from litigation in course, as well as probable future expenses. The principal changes during the year were as follows:

> The allocation of €1,446K and the use of €3,600K resulting from the settlement reached by IGD, IIS, and Demostene S.p.A. of a lawsuit concerning the price supplement for IGD's purchase of the mall at Katané shopping center in Gravina di Catania in 2019;

> The allocation of €400K for a lawsuit pending before the labor section of the Court of Treviso, brought by former employees of Galimberti S.p.A., which had leased retail space from the Company at Conè shopping center but has since vacated the premises;

> The allocation of €400K in end-of-term benefits for directors.

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> NOTE 29) SUNDRY PAYABLES AND OTHER NON-CURRENT LIABILITIES

	31/12/2019	31/12/2018	Change
On-payments due over	**800**	**0**	**800**
Extension fees	**1,000**	**0**	**1,000**
Payable for substitute tax	**0**	**1,470**	**(1,470)**
Other liabilities	**11**	**12**	**(1)**
Sundry payables and other non-current liabilities	**1,811**	**1,482**	**329**

Movements in this item were as follows:

> A reduction due to the reclassification to current liabilities of the fifth and final 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 the 2015 administrative year;

> An increase in advances due beyond one year for the advance received from BNP Paribas under the agreement for the sale of retail licenses at Fonti del Corallo mall, to be finalized in 2026 when the current lease expires;

> An increase in extension fees reflecting the two €500K fees that the Company will have to pay to BNP Paribas in 2021 and 2022 in order to extend the duration of the €200 million loan to 2022 and 2023, respectively. As of this writing, the Company believes an extension to both 2022 and 2023 is likely.

Below are the details of related party payables:

	31/12/2019	31/12/2018	Change
Security deposits from Coop Alleanza 3.0 Soc. Coop.	**13,192**	**11,361**	**1,830**
Security deposits from Alleanza Luce e Gas S.r.l.	**55**	**55**	**0**
Security deposits from Unicoop Tirreno s.c.a.r.l.	**25**	**25**	**0**
Security deposits from Distribuzione Centro Sud S.r.l.	**450**	**450**	**0**
Related partied sundry payables and other non-current liabilities	**13,722**	**11,891**	**1,830**

Security deposits refer to sums received for the leasing of hypermarkets and malls. They pay interest at the rates provided for by law. As a result of the framework agreement signed with Coop Alleanza in late 2018 that revises the duration and amount of rent for hypermarkets, during the year Coop Alleanza adjusted the amount of security deposits to bring them into line with the new rent. See Note 38 for additional information.

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5.6 NOTES TO THE FINANCIAL STATEMENTS

> NOTE 30) CURRENT FINANCIAL LIABILITIES

	Duration	31/12/2019	31/12/2018	Change
Bnl Bologna - Hot Money	12/12/2019 - 29/03/2019	0	10,008	(10,008)
Cassa risp. Firenze - Hot Money	12/12/2019 - 29/03/2019	0	11,000	(11,000)
Ubo Banca - Hot Money	12/12/2019 - 29/03/2019	0	20,000	(20,000)
Banca Popolare Emilia Romagna c/c	at sight	0	261	(261)
Emilbanca c/c	at sight	0	1,495	(1,495)
Due to banks		0	42,764	(42,764)
04 BNL Rimini IGD Malatesta - Rimini	06/09/2006 - 06/07/2021	0	2,001	(2,001)
05 BreBanca IGD Mondovicino (Mall)	23/11/2006 - 10/01/2023	1,184	1,122	62
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	723	681	42
09 Interbanca IGD	25/09/2006 - 05/10/2021	14,670	14,148	522
08 Carisbo Guidonia IGD Tiburtino	27/03/2009 - 27/03/2024	4,131	4,132	(1)
07 Carige Nikefin Asti I Bricchi	31/12/2008 - 31/03/2024	1,716	1,608	108
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,696	1,703	(7)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	933	933	0
14 MPS Palermo (Mall)	21/12/2010 - 30/11/2025	2,118	2,066	52
17 Carige Palermo IGD (Hyper)	12/07/2011 - 30/06/2027	1,677	1,641	36
15 CentroBanca Coné (Mall)	22/12/2010 - 31/12/2025	2,640	2,640	0
Loan Ubi 5 Leonardo	19/04/2018 - 17/10/2022	2,092	2,106	(14)
Loan Ubi 1 Lame Rp Favorita	19/04/2018 - 17/07/2023	2,570	2,584	(14)
Loan Ubi 2 Lame Rp Favorita	19/04/2018 - 17/10/2021	1,572	1,580	(8)
Loan Ubi 3 Rp	19/04/2018 - 17/10/2021	3,348	3,358	(10)
Mortgage loans		41,070	42,303	(1,233)
Leasing Igd Office	30/04/2009 - 30/04/2027	345	334	11
IFRS 16 Livorno liabilities current	01/01/2019 - 31/03/2026	2,777	0	2,777
IFRS 16 Abruzzo liabilities current	01/01/2019 - 31/12/2023	109	0	109
Due to other source of finance		3,231	334	2,897
Bond 100 ML	11/01/2017 - 11/01/2024	1,056	1,056	0
Bond 150 ML	07/05/2014 - 07/01/2019	0	129,638	(129,638)
Bond 162 ML	21/04/2015 - 21/04/2022	2,815	2,969	(154)
Bond 300 ML	31/05/2016 - 31/05/2021	1,032	4,375	(3,343)
Bond 400 ML	28/11/2019 - 28/11/2024	756	0	756
Debt for bonds		5,659	138,038	(132,379)
Non-current financial liabilities		49,960	223,439	(173,479)
Total non-curent financial liabilities vs related parties		9,318	1,704	7,614

Movements in current financial liabilities are as follows:

Current financial liabilities	31/12/2018	Coupon of the year	Increase	Repayments	Ammortized cost	Reclassifications	31/12/2019
Payables due to banks	42,764	0	0	(42,764)	0	0	0
Payables due to mortgage	42,303	0	0	(41,961)	0	40,728	41,070
Payables due to bond	138,039	14,363	0	(146,752)	9	0	5,659
Payables due to IFRS 16	0	0	2,767	(2,767)	0	2,886	2,886
Payables due to other source of finance	334	0	0	(334)	0	345	345
Total	223,440	14,363	2,767	(234,578)	9	43,959	49,960

Current financial liabilities with third parties include the current portion of lease payments on the new head office, the current portion of liabilities stemming from the adoption of IFRS 16, 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 treasury account. The principal changes in current financial liabilities relate to:

> The closure of 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 current portion pertaining to the €400 million bond loan issued in November 2019;

> The adoption of IFRS 16 for the mall at Fonti del Corallo shopping center and the parking lot at Centro d'Abruzzo;

> The redemption of the €150 million bond loan early in the year;

The increase in related party liabilities due to the amounts due for the use of pooled accounts with the subsidiary IGD Management S.r.l. (from €1,703K at the end of 2018 to €2,069K at 31 December 2019) and the subsidiary Porta Medicea S.r.l. (from a positive balance of €150K at the end of 2018 to a negative balance of €7,245K), plus interest accrued.

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> NOTE 31) NET FINANCIAL POSITION

The table below presents the net financial position at 31 December 2019 and 31 December 2018. At neither date does it include derivatives held for hedging purposes, which by nature do not constitute monetary assets or liabilities.

	31/12/2019	31/12/2018	Change
Cash and cash equivalents	**(124,540)**	**(1,461)**	**(123,079)**
Financial receivables and other current financial assets vs related parties	**(91,924)**	**(98,768)**	**6,844**
LIQUIDITY	**(216,464)**	**(100,229)**	**(116,235)**
Current financial liabilities vs related parties	**9,318**	**1,703**	**7,615**
Current financial liabilities	**0**	**42,764**	**(42,764)**
Mortgage loans - current portion	**41,070**	**42,303**	**(1,233)**
Leasing - current portion	**3,231**	**334**	**2,897**
Bond loans - current portion	**5,659**	**138,039**	**(132,380)**
CURRENT DEBT	**59,278**	**225,143**	**(165,865)**
CURRENT NET DEBT	**(157,186)**	**124,914**	**(282,100)**
Leasing - non-current portion	**19,961**	**3,594**	**16,367**
Non-current financial liabilities	**413,895**	**260,919**	**152,976**
Bond loans	**710,306**	**557,304**	**153,002**
NON-CURRENT NET DEBT	**1,144,162**	**821,817**	**322,345**
Net debt	**986,976**	**946,731**	**40,245**

Net debt increased by about €40 million with respect to 31 December 2018, due mainly to:

> The first-time adoption of IFRS 16;

> The disbursement of the first and second tranches of the €200 million loan;

> The redemption of bonds in the amount of €125 million;;

> The payment of dividends for 2018;

> The issue of a new €400 million bond loan and simultaneous partial buy-back of outstanding bonds, for about €238 million;

> The closure of ultra-short-term credit lines.

> NOTE 32) TRADE AND OTHER PAYABLES

	31/12/2019	31/12/2018	Change
Trade payables within	**11,272**	**11,612**	**(340)**
Trade and other payables	**11,272**	**11,612**	**(340)**

This item decreased by €340K due to the different distribution over the course of the year of some restyling work underway at freehold properties.

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> NOTE 33) RELATED PARTY TRADE AND OTHER PAYABLES

	31/12/2019	31/12/2018	Change
Coop Alleanza 3.0	**241**	**216**	**25**
Robintur s.p.a.	**5**	**5**	**0**
Alleanza Luce e Gas	**183**	**0**	**183**
Cons. propr. del compendio com. del Commendone (GR)	**3**	**0**	**3**
Consorzio prop. Fonti del Corallo	**141**	**7**	**134**
Consorzio Coné	**0**	**14**	**(14)**
Consorzio Katané	**41**	**64**	**(23)**
Consorzio Lame	**0**	**47**	**(47)**
Consorzio Leonardo	**61**	**90**	**(29)**
Consorzio La Torre	**177**	**139**	**38**
Consorzio Porta a Mare	**25**	**34**	**(9)**
Distribuzione Centro Sud s.r.l.	**4**	**1**	**3**
Consorzio Le Maioliche	**0**	**1**	**(1)**
Consorzio Punta di Ferro	**6**	**58**	**(52)**
Consorzio Proprietari Centro Luna	**8**	**0**	**8**
Consorzio Esp	**4**	**4**	**(0)**
Consorzio La Favorita	**1**	**0**	**1**
Consorzio Le Porte di Napoli	**99**	**0**	**98**
IGD Management S.r.l.	**14**	**13**	**1**
Related parties trade and other payables	**1,012**	**693**	**319**

Related party payables increased by €319K. See Note 38 for details.

> NOTE 34) CURRENT TAX LIABILITIES

	31/12/2019	31/12/2018	Variazione
Irpef / additional regional and municipality tax	**442**	**398**	**44**
Other taxes	**25**	**-**	**25**
Substitute tax	**1,485**	**1,471**	**14**
Current tax liabilities	**1,952**	**1,869**	**83**

This item was in line with the previous year. In June, the fourth installment was paid on the substitute tax for the achievement of SIINQ status by the merged company Punta di Ferro SIINQ S.p.A. at the end of administrative year 2015, in the amount of €1,478K. The fifth and final installment of €1,485K, due in June 2020, has been reclassified from non-current liabilities.

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> NOTE 35) OTHER CURRENT LIABILITIES

	31/12/2019	31/12/2018	Change
Social security	**224**	**226**	**(2)**
Accrued income and prepayments	**639**	**393**	**246**
Insurance	**8**	**9**	**(1)**
Due to employees	**391**	**374**	**17**
Security deposits	**5,884**	**5,689**	**195**
Unclaimed dividends	**5**	**1**	**4**
Amounts due to director for emoluments	**270**	**235**	**35**
Other liabilities	**995**	**1,049**	**(54)**
Other current liabilities	**8,416**	**7,976**	**440**

These consist mainly of security deposits received from tenants. The increase is due primarily to the change in deferred revenue on the Darsena property.

> NOTE 36) RELATED PARTY OTHER CURRENT LIABILITIES

	31/12/2019	31/12/2018	Change
Due to tax consolidations			
in detail:			
IGD Management S.r.l.	**52**	**52**	**0**
Porta Medicea S.r.l.	**0**	**308**	**(308)**
Related parties other current liabilities	**52**	**360**	**(308)**

This item decreased as a result of the tax consolidation process. In 2018, the subsidiary Porta Medicea S.r.l. had brought a loss to the consolidation, giving rise to a liability for IGD SIIQ S.p.A. Conversely, in 2019 the subsidiary contributed a profit and therefore produced a receivable for the Company.

> NOTE 37) DIVIDENDS

During the year, as resolved by the annual general meeting of shareholders held to approve the 2018 financial statements on 10 April 2019, a dividend of €0.50 was paid for each of the 110,305,912 shares outstanding as of 12 May 2019, for a total of €55,153K.

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> NOTE 38) RELATED PARTY DISCLOSURES

Below is the information required by paragraph 18 of IAS 24.

	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-current assets	Fixed assets increases	Fixed assets decrease
Coop Alleanza 3.0	51	0	241	13,192	0	0	0	0
Robintur s.p.a.	0	0	5	0	0	0	0	0
Librerie Coop s.p.a.	13	0	0	0	0	0	0	0
Alleanza Luce e Gas	23	0	184	55	0	0	151	0
Unicoop Tirreno s.c.a.r.l.	28	0	0	25	0	0	0	0
Cons. propr. del compendio com. del Commendone (GR)	0	0	3	0	0	0	0	0
Consorzio prop. Fonti del Corallo	0	0	141	0	0	0	135	0
Consorzio Katané	0	0	40	0	0	0	47	0
Consorzio Leonardo	0	0	61	0	0	0	0	0
Consorzio La Torre	0	0	177	0	0	0	17	0
Consorzio Porta a Mare	0	0	25	0	0	0	0	0
Distribuzione Centro Sud s.r.l.	0	0	4	450	0	0	0	0
Rgd Ferrara 2013	68	594	0	0	0	0	0	0
IGD Management S.r.l.	37	85,041	66	0	2,070	0	0	0
Arco Campus S.r.l.	6	2,750	0	0	0	0	0	0
Millennium Gallery S.r.l.	0	3,539	0	0	0	0	0	0
Porta Medicea S.r.l.	0	0	0	0	7,248	0	0	0
Consorzio Punta di Ferro	6	0	6	0	0	0	0	0
Consorzio Proprietari Centro Luna	5	0	8	0	0	0	12	0
Consorzio Esp	0	0	4	0	0	0	0	0
Consorzio La Favorita	0	0	1	0	0	0	0	0
Consorzio Le Porte di Napoli	0	0	98	0	0	0	84	0
Total	237	91,924	1,064	13,722	9,318	0	446	0
Amount reported	9,946	91,924	20,753	15,532	1,194,122	73		
Total increase/ decrease of period							31,649	0
% out of the total	2.39%	100.00%	5.13%	88.35%	0.78%	0.00%	1.41%	0.00%

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	Operating revenues	Financial income	Total operating costs	Financial charges
Coop Alleanza 3.0	32,933	0	383	100
Robintur s.p.a.	229	0	0	0
Librerie Coop s.p.a.	779	0	0	0
Alleanza Luce e Gas	213	0	0	0
Unicoop Tirreno s.c.a.r.l.	5,409	0	20	0
Cons. propr. del compendio com. del Commendone (GR)	0	0	64	0
Consorzio Coné	0	0	112	0
Consorzio Clodì	0	0	95	0
Consorzio I Bricchi	0	0	529	0
Consorzio Katané	1	0	269	0
Consorzio Lame	0	0	15	0
Consorzio Leonardo	0	0	5	0
Consorzio La Torre	1	0	345	0
Consorzio Porta a Mare	0	0	243	0
Distribuzione Centro Sud s.r.l.	1,463	0	0	4
Rgd Ferrara 2013	657	1	0	0
IGD Management S.r.l.	125	107	3	1
Millennium Gallery S.r.l.	3,587	11	0	0
Porta Medicea S.r.l.	144	1	0	2
Arco Campus S.r.l.	5	4	0	0
Win Magazin S.A.	25	0	0	0
Winmarkt management S.r.l.	5	0	0	0
Consorzio Le Maioliche	0	0	214	0
R.P.T. Robintur	15	0	0	0
Consorzio Punta di Ferro	10	0	130	0
Consorzio Proprietari Centro Luna	35	0	0	0
Consorzio Esp	0	0	202	0
Consorzio La Favorita	0	0	22	0
Total	45,636	124	2,651	107
Amount reported	128,508	139	26,769	34,753
% out of the total	35.51%	89.21%	9.90%	0.31%

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The Company has financial and economic relationships with its controlling company, Coop Alleanza 3.0 Soc. Coop.; with other companies in the Coop Alleanza 3.0 Group (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.; and with 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 2019, including for retail premises, amounted to €32.9 million;

> The provision of IT services by Coop Alleanza 3.0. Soc. Coop.;

> Security deposits received on leases.

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the year ended 31 December 2019, €229K 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 €779K 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 €213K under this arrangement, and also has payables for security deposits received.

Transactions with Distribuzione Centro Sud S.r.l. refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.

Transactions with Unicoop Tirreno Soc. Coop.

Transactions with Unicoop Tirreno Soc. Coop. consist of:

> Security deposits received on leases;

> Receivables and income for the leasing of properties used as hypermarkets. For the year, the Company received €5.4 million under these arrangements.

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., Win Magazin S.A., and RGD Ferrara 2013 S.r.l. 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., Millennium Gallery S.r.l., and RGD Ferrara 2013 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.

> NOTE 39) 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 2.12 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 94.5% 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.

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INTEREST RATE RISK

Interest rate risk - Exposure and sensitivity analysis	Benchmark	Income Statement				Net Equity			
		Shock up		Shock down		Shock up		Shock down	
		31-dic-19	31-dic-18	31-dic-19	31-dic-18	31-dic-19	31-dic-18	31-dic-19	31-dic-18
Interest-bearing assets	Euribor	1,245	15	(125)	(1)	0	0	0	0
Hot Money	Euribor	0	(428)	0	(43)	0	0	0	0
Financial liabilities at variable rate	Euribor	(3,039)	(3,037)	279	299	0	0	0	0
Derivates									
Cash Flow		2,652	1,727	(239)	(173)	0	0	0	0
Fair Value		0	0	0	0	8,599	7,783	(822)	(803)
Total		858	(1,723)	(85)	168	8,599	7,783	(822)	(803)

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 2018 and 2019.

The method used to analyze and determine significant variables did not change since the previous year.

> 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.

Maximun exposure to credit risk	2019	2018
Receivables and loans		
Sundry receivables and other assets	75	72
Trade and other receivables	8,092	8,022
Related party trade and other receivables	237	1,439
Other assets	747	3,081
Cash and cash equivalents	124,507	1,421
Financial receivables and other financial assets	91,924	98,767
Total	225,582	112,802

> 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 Company's extensive credit lines (committed and uncommitted).

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

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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.

LIQUIDITY RISK

Maturity analisys at 31 December 2019	On sight	< 3 months	3 - 6 months	6 months - 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Liabilities								
Non-derivative financial instruments								
Mortgage loans	6,678	3,677	12,527	23,067	58,236	345,732	30,592	480,509
Leasing	32	64	97	195	396	1,248	1,811	3,843
Bonds	1,125	0	5,840	9,625	87,383	688,795	0	792,768
Short-term credite lines	(0)	0	0	0	0	0	0	(0)
Related party payables	9,318	0	0	0	0	0	0	9,318
Total	17,153	3,741	18,464	32,887	146,015	1,035,775	32,403	1,286,438
Derivative financial instruments								
Interest rate swaps	459	772	1,505	2,463	3,957	5,713	261	15,130
Total	459	772	1,505	2,463	3,957	5,713	261	15,130
Exposure at 31 december 2019	17,612	4,513	19,969	35,350	149,972	1,041,488	32,664	1,301,568

LIQUIDITY RISK

Maturity analisys at 31 December 2018	On sight	< 3 months	3 - 6 months	6 months - 1 year	1 - 2 years	2 - 5 years	> 5 years	Total
Liabilities								
Non-derivative financial instruments								
Mortgage loans	7,102	3,044	12,338	22,678	45,930	149,762	82,421	323,275
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 credite lines	42,764	0	0	0	0	0	0	42,764
Related party payables	1,704	0	0	0	0	0	0	1,704
Total	182,467	3,108	24,227	23,996	60,368	635,866	185,834	1,115,866
Derivative financial instruments								
Interest rate swaps	674	694	1,710	2,906	4,725	6,139	(260)	16,588
Total	674	694	1,710	2,906	4,725	6,139	(260)	16,588
Exposure at 31 december 2018	183,141	3,802	25,937	26,902	65,093	642,005	185,574	1,132,454

> NOTE 40) 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	31/12/2019	31/12/2018	Change	Level
Derivative assets	0	0	0	2
Derivative liabilities	(14,836)	(17,111)	2,275	2
IRS net effect	(14,836)	(17,111)	2,275	

The contracts are detailed below:

Contracts in detail	IRS 07 - Banca Aletti 3.420%	IRS 09 - Banca 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	4,980,396	4,980,396	4,980,396	4,980,396	4,409,378	4,980,396	4,980,396
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	5,136,192	9,963,250	6,848,256	6,336,033	5,136,192	9,963,250	9,963,250
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%

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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 0.333%
Nominal account	**9,963,250**	**6,071,429**	**15,975,000**	**12,870,000**	**5,148,000**	**7,722,000**	**47,500,000**
Inception date	**27/08/2010**	**12/07/2011**	**12/07/2011**	**12/09/2011**	**12/09/2011**	**12/09/2011**	**17/01/2019**
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 in detail	IRS 33 - BNP 0.115%	IRS 35 - MPS 0.115%	IRS 36 - BPM 0.115%	IRS 37 - ICCREA 0.115%	IRS 34 - BNP 0.075%
Nominal account	**48,000,000**	**50,000,000**	**30,000,000**	**15,000,000**	**57,000,000**
Inception date	**02/01/2019**	**02/01/2019**	**02/01/2019**	**02/01/2019**	**02/01/2019**
Maturity	**16/10/2023**	**16/10/2023**	**16/10/2023**	**16/10/2023**	**16/10/2023**
Irs frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	**0.12%**	**0.12%**	**0.12%**	**0.12%**	**0.08%**

> NOTE 41) SUBSEQUENT EVENTS

As described in Note 25, on 19 February 2020 IGD SIIQ S.p.A. recognized the capital reduction once the corresponding resolution had become fully effective, in accordance with Civil Code Art. 2445, as the deadline for opposing the reduction had passed without any creditors raising objections.

> NOTE 42) COMMITMENTS

At 31 December 2019 the Company had the following significant commitments:

> Contract for earthquake proofing upgrades at Porto Grande shopping center (Porto San Giorgio), for a remaining amount of €850K;

> Contract for the remapping of Conè shopping center (Conegliano Veneto), for a remaining amount of €595K.

Please refer to what reported in the chapter 2.11 “Outlook” as regards the coronavirus emergency.

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> NOTE 43) DISPUTES

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 was 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 had 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 owed 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.

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 agreed to allow expert testimony to quantify the rent valid for calculating the price supplement, if any, and indicated 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) clarified a number of issues, it was indeed somewhat ambiguous and left 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.

On 25 November 2017, the Court ordered the expert witness to perform additional steps as requested by IGD in its filings, and scheduled a review of the conclusions 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 have entailed 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 have entailed a price supplement (because annual rent would have 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, were deemed to be moot if the Court confirmed that the threshold above which a price supplement applied referred 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 supplementary report was filed, and IGD had asked the judge for clarifications regarding some conclusions with which it disagreed, the Court set the deadline for submitting concluding statements, which were filed by the parties on time.

In a decision dated 3 June 2019, the Court settled the dispute by siding largely with the plaintiff, and issued a detailed report supporting its findings.

Specifically, the Court deemed that Art. 3 of the mall purchase agreement, which sets the rules for calculating the price supplement, reflects the parties' intention, "in accordance with industry practice, to anchor any price supplement to the property's overall profitability following the start-up phase." In the Court's opinion, "the reference in said article to the 'total annual rent in force upon the fifth anniversary, received for the rental/leasing of the stores making up the mall' means that in determining whether a price supplement is due, the key criterion is the rent charged over the period in question, where the word 'received' indicates that the computation shall exclude all that is not strictly attributable to the rental/leasing of the individual stores located in the mall and does not suggest that the criterion is the sum actually received by the defendant».

Accordingly, the Court ordered IGD to cover all legal and expert witness expenses, and to pay: (i) a price supplement of €4,616,023.84, plus interest at the legally mandated rate from February 9, 2018 through the date of payment; and (ii) the sum of €230,801.19, plus inflation adjustment and interest at the legally mandated rate, as damages for the "failure to honor the price supplement with reference to variable rent."

On 14 June 2019, Demostene S.p.A., assignee of the entire receivable due under the Court judgment, notified IGD by registered email of the non-recourse factoring in its favor of the rights produced by the decision in addition to accrued and future interest and ancillary payments. The parties then began to negotiate the contours of a possible settlement.

At 30 June 2019, based on how the negotiations were proceeding for a settlement more favorable than the court judgment, IGD increased the provisions set aside in prior years by an additional €1,446K.

On 2 August 2019, IGD, IIS, and Demostene reached a settlement under which IGD will refrain from appealing the court judgment and pay to IIS and Demostene an all-inclusive amount of €3,600,000.00 (three million, six hundred thousand euros) plus VAT, while IIS and Demostene will refrain from: (i) appealing the court judgment (to seek the greater damages requested during the trial); (ii) enforcing the judgment and claiming, in particular, the greater damages it awards (on top of the €3,600,000.00 agreed in the settlement).

For whatever it may be worth, the deadline for appealing the judgment was 3 January 2020.

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 Proprietari 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.

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> NOTE 44) 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 SIIQ S.p.A. 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 decision discussed on 10 January 2020.

> NOTE 45) 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 2019 the Company had no financial instruments in this category;

> Held-to-maturity investments: the Company does not own 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 2019 the Group 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 2019 and 31 December 2018:

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	CARRYING VALUE				CARRYING VALUE						
Data at 31 december 2019	Financial assets/ liabilities designated at fair value	Financial assets/ liabilities measured at fair value held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives	Total	of which current	of which non current	Fair Value
ASSETS											
Other non current assets											
Sundry receivables and other non current assets	0	0	75	0	0	0	0	75	0	75	75
Equity investments	0	0	186,473	0	0	0	0	186,473	0	186,473	186,473
Non current financial assets	0	0	0	0	0	0	0	0	0	0	0
Current assets											
Trade and other receivables	0	0	8,092	0	0	0	0	8,092	8,092	0	8,092
Related party trade and other receivables	0	0	237	0	0	0	0	237	237	0	237
Other Current assets	0	0	747	0	0	0	0	747	747	0	747
Related party financial receivables and other current financial assets	0	0	91,924	0	0	0	0	91,924	91,924	0	91,924
Cash and cash equivalents	0	0	124,540	0	0	0	0	124,540	124,540	0	124,540
TOTAL FINANCIAL ASSETS	0	0	412,088	0	0	0	0	412,088	225,540	186,548	412,088
LIABILITIES											
Financial liabilities											
Dertivative liabilities	0	0	0	0	0	0	14,836	14,836	0	14,836	14,836
Due to banks	0	0	0	0	0	0	0	0	0	0	0
Leasing	0	0	0	0	0	3,594	0	3,594	345	3,249	3,496
Bonds	0	0	0	0	0	715,965	0	715,965	5,659	710,306	733,694
Due to other source of finance	0	0	0	0	0	19,598	0	19,598	2,886	16,712	19,598
Mortgage loans	0	0	0	0	0	454,965	0	454,965	41,070	413,895	448,913
Related party financial payables	0	0	0	0	0	9,318	0	9,318	9,318	0	9,318
Non current liabilities											
Sundry payables and other non current liabilities	0	0	0	0	0	1,811	0	1,811	0	1,811	1,811
Related party sundry payable and other non current liabilities	0	0	0	0	0	13,722	0	13,722	0	13,722	13,722
Current liabilities											
Trade and other payables	0	0	0	0	0	11,272	0	11,272	11,272	0	11,272
Related party trade and other payables	0	0	0	0	0	1,012	0	1,012	1,012	0	1,012
Other current liabilities	0	0	0	0	0	8,416	0	8,416	8,416	0	8,416
TOTAL FINANCIAL LIABILITIES	0	0	0	0	0	1,239,673	14,836	1,254,509	79,978	1,174,531	1,266,088

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	CARRYING VALUE				CARRYING VALUE						
Data at 31 december 2019	Financial assets/ liabilities designated at fair value	Financial assets/ liabilities measured at fair value held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives	Total	of which current	of which non current	Fair Value
ASSETS											
Other non current assets											
Sundry receivables and other non current assets	0	0	72	0	0	0	0	72	0	72	72
Equity investments	0	0	186,474	0	0	0	0	186,474	0	186,474	186,474
Non current financial assets	0	0	0	0	0	0	0	0	0	0	0
Current assets											
Trade and other receivables	0	0	8,022	0	0	0	0	8,022	8,022	0	8,022
Related party trade and other receivables	0	0	1,439	0	0	0	0	1,439	1,439	0	1,439
Other current assets	0	0	3,081	0	0	0	0	3,081	3,081	0	3,081
Related party financial receivables and other current financial assets	0	0	98,767	0	0	0	0	98,767	98,767	0	98,767
Cash and cash equivalents	0	0	1,462	0	0	0	0	1,462	1,462	0	1,462
TOTAL FINANCIAL ASSETS	0	0	299,317	0	0	0	0	299,317	112,771	186,546	299,317
LIABILITIES											
Financial liabilities											
Derivative liabilities	0	0	0	0	0	0	17,111	17,111	0	17,111	17,111
Due to banks	0	0	0	0	0	42,764	0	42,764	42,764	0	42,764
Leasing	0	0	0	0	0	3,928	0	3,928	334	3,594	3,773
Bonds	0	0	0	0	0	695,343	0	695,343	138,039	557,304	700,034
Due to other source of finance	0	0	0	0	0	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	303,223	0	303,223	42,303	260,920	295,043
Related party financial payables	0	0	0	0	0	1,704	0	1,704	1,704	0	1,704
Non current liabilities											
Sundry payables and other non current liabilities	0	0	0	0	0	11	0	11	0	11	11
Related party sundry payables and other non current liabilities	0	0	0	0	0	11,892	0	11,892	0	11,892	11,892
Current liabilities											
Trade and other payables	0	0	0	0	0	11,612	0	11,612	11,612	0	11,612
Related party trade and other payables	0	0	0	0	0	693	0	693	693	0	693
Other current liabilities	0	0	0	0	0	7,916	0	7,916	7,916	0	7,916
TOTAL FINANCIAL LIABILITIES	0	0	0	0	0	1,079,986	17,111	1,096,197	245,365	850,832	1,092,553

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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 2019 the estimated credit spread was 2.25% (2.50% the previous year).

> Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

Collateral given	Carrying value	
	2019	2018
Security deposits		
Sundry receivables and other assets	75	72

The following table shows the impairment of trade receivables:

Impairment	Impairment of trade receivables	
	2019	2018
Opening balance	10,435	10,998
Allocations for individual writedowns	712	666
Utilizations	(1,065)	(1,326)
Other movements	(3)	97
Total	10,079	10,435

> 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 a positive €1,180K in 2019 and a positive €2,671K in 2018.

INCOME AND LOSS FROM FINANCIAL INSTRUMENTS

Income statement at 31/12/2019	Carrying value						
	Financial assets/ liabilities measured at fair values	Financial assets/ liabilities held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives
	31-dec-19						
Net gain (loss)							
Financial assets/ liabilities	0	0	0	0	0	0	(5,755)
Trade and other receivables	0	0	(466)	0	0	0	0
Total	0	0	(466)	0	0	0	(5,755)

INCOME AND LOSS FROM FINANCIAL INSTRUMENTS

Income statement at 31/12/2018	Carrying value						
	Financial assets/ liabilities measured at fair values	Financial assets/ liabilities held for trading	Receivables and loans	Financial assets held to maturity	Financial assets available for sale	Financial liabilities measured at amortized costs	Hedging derivatives
	31-dec-18						
Net gain (loss)							
Financial assets/ liabilities	0	0	0	0	0	0	(6,040)
Trade and other receivables	0	0	(666)	0	0	0	0
Total	0	0	(666)	0	0	0	(6,040)

The next table shows income and charges from financial assets and liabilities not measured at fair value:

Interest income	2019	2018
Interest income on financial assets not measured at fair value		
Deposits	**14**	**23**
Related party receivables	**125**	**176**

Interest expenses	2019	2018
Interest expenses on financial liabilities not measured at fair value		
Security deposits	**104**	**35**
Sundry payables and other liabilities	**1,213**	**962**
Due to Parent company	**3**	**3**
Financial liabilities		
Mortgage loans	**7,274**	**3,676**
Leasing	**48**	**52**
IFRS 16	**678**	**0**
Bonds	**19,653**	**20,923**
Short-term borrowings	**25**	**5**

5.7 // Proposal to approve the financial statements, allocate the net profit and distribute dividends

Proposal to approve the financial statements, allocation of the earnings for 2019 and the distribution of dividends

Dear Shareholders,

We submit for your approval the separate financial statements of IGD SIIQ S.p.A. at 31 December 2019, which close with a net profit of €9,470,568.34. Subject to approval of the financial statements for the year ending 31 December 2019 and the Report of the Board of Directors, we propose:

- ✓ allocating €7,969,393.52 of the net profit to dividends, specifying that this sum derives from exempt operations;
- ✓ allocating €97.87 of the net profit to the distributable earnings reserve, specifying that this sum derives from exempt operations;
- ✓ allocating €1,501,045.11 of the net profit to dividends, specifying that this sum derives from taxable operations;
- ✓ allocating €31.84 of the net profit to the distributable earnings reserve, specifying that this sum derives from taxable operations;
- ✓ to reclassify the fair value reserve by €27,958,708.62, following partial changes to the distributable income pursuant to Art. 6 of Legislative Decree n. 38 of 28 February 2005, increasing the reserve for retained earnings by the same amount. Consequently, the fair value reserve, relative to the fair value of the real estate portfolio, will go from €311,117,558.81 to €283,158,850.19.

The total dividend payout, calculated based on the number of the Company's shares outstanding (110,276,800), amounts to €55,153,039 to be taken from:

- ✓ for €7,969,393.52, distributable income derived entirely from exempt operations;
- ✓ for €27,958,619.76, the distributable earnings reserve derived from exempt operations;

  The income distributed from exempt operations amounts to €35,928,013.28 or €0.325712 per share;
- ✓ for €1,501,045.11, or €0.013608 per share, distributable income derived entirely from taxable operations;
- ✓ for €17,723,980.61, or €0.160680 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 dividends to be distributed.

Bologna, 27 February 2020
THE CHAIRMAN
ELIO GASPERONI

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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 statement COOP Alleanza 3.0 BALANCE SHEET (ex art. 2424 C.C.)	Year 2018	Year 2017
ASSETS		
A) Subscribed capital unpaid	**1,031**	**442,177**
B) Fixed assets	**3,974,023,535**	**4,190,805,870**
C) Current assets	**3,961,149,809**	**4,451,752,240**
D) Accrued income and prepayments	**13,409,267**	**11,948,496**
Total Assets	**7,948,583,642**	**8,654,948,783**
LIABILITIES		
A) Net equity	**2,082,384,102**	**2,358,221,190**
B) General provisions	**128,384,530**	**76,818,746**
C) Provisions for employees severance indemnities	**143,094,515**	**143,363,446**
D) Payables	**5,588,350,696**	**6,069,778,776**
E) Accrued income and prepayments	**6,369,799**	**6,766,625**
Totale Liabilities and Net Equity	**7,948,583,642**	**8,654,948,783**
Memorandum account INCOME STATEMENT (ex art. 2425 C.C.)		
A) Production value	**4,144,396,616**	**4,155,265,332**
B) Production costs	**(4,478,023,443)**	**(4,297,412,798)**
C) Financial income and charges	**144,034,311**	**198,503,203**
D) Adjustments to the value of financial assets	**(107,249,036)**	**(87,723,587)**
E) Extraordinary income and charges Income taxes	**7,274,581**	**(6,227,688)**
Profit (loss) for the period	**(289,566,971)**	**(37,595,538)**

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 2019 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

(amounts in thousand of Euro)	Service provider	Recipient	Fees in 2019
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	**138**
Sustainability report auditing	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	**25**
New bond issuance consulting (*)	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	**170**
Total			**333**

(*): *The fees paid to PricewaterhouseCoopers Advisory S.p.A. in connection with the new bond loan issued in November 2019 have been recognized as ancillary expenses for that operation and included in amortized costs.*

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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 2019.

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, 27 February 2020

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 IGD SIIQ S.p.A., under the management and control of Coop Alleanza 3.0 S.c.a.r.l., meets the listing conditions stated in Art. 16 of Consob Regulations for markets, adopted with Consob Resolution 20249 of 28 December 2017.

27 February 2020

For the Board of Directors
The Chairman of the Board of Directors

(Elio Gasperoni)

IGD SIIQ S.P.A. DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019
5.11 ATTACHMENTS

> LIST OF EQUITY INVESTMENTS

Name	Registered office	Country	Share capital	Net profit (Euro)	Net equity (Euro)	% held	Control	No. of shares/quota	Carrying value (Euro)
IGD Management S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**75,071,221 (euro)**	**3,238,178**	**144,070,641**	**100%**	IGD SIIQ S.p.A.	**75,071,221**	**170,183,477**
Millennium Gallery S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**100,000 (euro)**	**146,147**	**1,110,204**	**100%**	IGD SIIQ S.p.A.	**100,000**	**14,463,025**
Porta Medicea S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**60,000,000.00 (euro)**	**1,032,989**	**47,563,417**	**100%**	IGD Management s.r.l.	**60,000,000**	**47,437,573**
Win Magazin S.A.	Bucarest	Romania	**113,715.3 (lei)**	**2,841,364**	**110,967,875**	**99.99%** **0.01%**	IGD Management s.r.l. IGD SIIQ S.p.A.	**114** **113,602**	**185,618** **157,221,548**
Winmarkt Management S.r.l.	Bucarest	Romania	**1,001,000 (lei)**	**4,584**	**227,356**	**100%**	Win Magazin S.A.	**1,001,000**	**158,340**
Arco Campus S.r.l.	Bologna via dell'Arcoveggio n.49/2	Italy	**1,500,000.00 (euro)**	**40,558**	**1,465,727**	**100%**	IGD SIIQ S.p.A.	**1,500,000**	**1,440,509**
RGD Ferrara 2013 S.r.l.	Bologna via trattati comunitari Europei 1957 - 2007	Italy	**100,000.00 (euro)**	**(8,736)**	**99,768**	**50%** **50.00%**	IGD SIIQ S.p.A. IGD Management s.r.l.	**50,000**	**54,251**
Consorzio I Bricchi (*)	Isola D'Asti (Loc. Molini) Via prato boschiero	Italy	**6,000 (euro)**	**0**	**5,998**	**72%**	IGD SIIQ S.p.A.	**4,335**	**4,335**
Consorzio proprietari C.C. Leonardo (*)	Imola (Bologna) Via Amendola 129	Italy	**100,000 (euro)**	**0**	**100,000**	**52%**	IGD SIIQ S.p.A.	**52,000**	**52,000**
Consorzio proprietari C.C. Fonti del Corallo (*)	Livorno Via Gino Garziani 6	Italy	**10,000 (euro)**	**0**	**12,400**	**68%**	IGD SIIQ S.p.A.	**6,800**	**6,800**
Consorzio proprietari del Compendio commerciale del Commendone (*)	Grosseto Via Ecuador	Italy	**10,000 (euro)**	**0**	**10,000**	**52.60%**	IGD SIIQ S.p.A.	**5,260**	**6,039**
Consorzio Puntadiferro (*)	Forlì, Piazzale della Cooperazione 4	Italy	**10,000 (euro)**	**0**	**10,000**	**62%**	IGD SIIQ S.p.A.	**6,234**	**6,234**

(*) *Data refers to the Financial Statements as at 31 December 2018.*

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IGD SIIQ S.P.A. DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019
5.12 EXTERNAL AUDITORS REPORT

5.12 // 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 Financial Statements

Opinion

We have audited the financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter, also the Company), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the illustrative notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2019, 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 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 and assets under construction *See notes N. 6, 12 and 15 and paragraphs "Summary of accounting standards" and "Use of estimates" of the illustrative notes to the financial statements as of 31 December 2019.*	
As of 31 December 2019 Immobiliare Grande Distribuzione SIIQ SpA's investment properties and assets under construction are equal to, respectively, Euro 2,016.3 million and Euro 26.4 million, totaling Euro 2,042.7 million, which represented 82,7% 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 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 capitalize 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 investment, 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

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IGD SIIQ S.P.A. DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019
5.12 EXTERNAL AUDITORS REPORT

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(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 capitalize 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 financial statements regarding the methodology adopted to determine fair value, the estimate of inputs, the results of valuations and the fair value sensitivity analysis performed.

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Other matters

As required by law, the Company included in the illustrative notes to the financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

As part of our 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 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;

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5.12 EXTERNAL AUDITORS REPORT

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- 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 the Directors;
- We concluded on the appropriateness of the Directors' 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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the 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 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) N. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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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

The Directors of Immobiliare Grande Distribuzione SIIQ SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2019, including their consistency with the relevant 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 financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2019 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 financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2019 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 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 2020

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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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: €650,000,000.00 fully paid-in
Company under the management and control of Coop Alleanza 3.0 Soc. Coop.

Statutory auditors' report to the Annual General 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 58/1998 (the Consolidated Finance Act) 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, their approval, and the agenda items 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 58/1998 and 39/2010, and the by-laws, 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 gathered the information necessary to fulfill its duties through direct contact with in-house personnel and by attending the meetings of the Board of Directors. Members of the Board of Statutory Auditors also attended the meetings of various committees, most notably the Internal Control Committee, the Nominations and Compensation Committee, and the Related Party Transactions Committee, and exchanged information with the external auditor PriceWaterhouseCoopers S.p.A., the Internal Audit division, the Financial Reporting Officer and the Supervisory Board.

The Board of Statutory Auditors notes that the separate and consolidated financial statements for the year ended 31 December 2019 were prepared in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB), ratified by the European Commission and currently in effect. When necessary, reference was made to the guidelines issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), 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 no. 1025664 of 6 April 2001, as subsequently amended, is provided below.

As was the case in last year's report, we have therefore followed the format and numbering specified in the Consob bulletin.

I. DESCRIPTION OF TRANSACTIONS WITH A MAJOR IMPACT ON THE BALANCE SHEET, INCOME STATEMENT AND FINANCIAL POSITION

The most relevant corporate events in 2019 are summarized below:

- On 16 October 2018 a pool of banks, including BNP Paribas as mandated lead arranger, underwriter, global coordinator, and bookrunner, granted IGD a three-year, senior unsecured loan of €200 million with the option to extend its maturity to five years. The loan was used as follows:
  - on 2 January 2019 the Parent Company received tranche A or €125,000,000 and on 7 January 2019 it used this amount to redeem the remainder of the original €150,000,000 bond, which amounted to €124,900.000 at 31 December 2018;
  - on 29 March 2019 the Parent Company received tranche B or €75,000,000, which was used to extinguish a few short-term credit lines. On the same date, IGD signed five interest rate swap agreements for a total of €200 million hedging both tranche A and tranche B of the loan.
- On 26 February 2019 the Board of Directors approved the draft separate and consolidated financial statements for FY 2018, as well as the Report on Corporate Governance and Ownership Structure, included in the annual report, and the Board of Director's Remuneration Report. The Board of Directors also approved the ninth Corporate Sustainability Report which was the second edition to have received certification from PricewaterhouseCoopers for compliance with the most important international standards (the GRI Standards). Lastly, the Board of Directors, in front of a notary, approved the

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transfer of the company's registered office to Via Trattati Comunitari Europei 1957-2007, n. 13 in Bologna.

- On 10 April 2019 the Annual General Meeting approved the 2018 financial statements as presented during the Board of Directors meeting held on 26 February 2019, which closed with a net profit of €41.2 million, and also resolved to pay a dividend of €0.50 per share. The dividend was payable as from 15 May 2019. The total dividend payable, calculated based on the number of shares outstanding at the date of the AGM (110,276,800) net of any treasury shares held on that date, amounted to €55,138,400.00, made up of:
  - €33,790,720.29, distributable income derived entirely from exempt operations;
  - €15,304,621.34 in profits carried forward from exempt operations. Overall, the income distributed from exempt operations amounted to €49,095,341.63 or €0.445201 per share;
  - €2,434,994.22 in profits carried forward from taxable operations and income generated prior to achieving SIIQ status.

  Total earnings distributed subject to ordinary income tax amounted to €4,611,775.77 or €0.041820 per share; and €1,431,282.60, or €0.012979 per share, from the partial use of the share premium reserve.

  During the AGM the shareholders also approved the first section of the Remuneration Report, previously approved by the Board of Directors on 26 February 2019, pursuant to art. 123-ter of Legislative Decree 58/98, and renewed the authorization granted to the Board of Directors to buy and sell treasury shares, on one or more occasion, for up to the maximum allowed by law.
- On 9 April 2019 Moody's issued a press release announcing the downgrade of IGD's rating from Baa3 (with outlook negative) to Ba1 (with outlook stable), but on 23 April 2019, Standard & Poor's Global Ratings assigned IGD a "BBB-" rating with outlook stable, so the Group decided to confirm the 2019 guidance for FFO (growth of +6-7%).
- On 7 May, the Board of Directors examined and approved the interim financial report at 31 March 2019.
- On 7 June 2019 the court of Ravenna issued judgment no. 600/2019, recognizing the claims of Iniziative Immobiliari Siciliane and ordering IGD to pay €4,616,023.84 plus interest as a supplement to the sales price paid for the mall at Katané shopping center in Gravina di Catania, as well as €230,801.19 in damages (plus legal and consulting fees) for the failure to increase the variable rent paid. On 14 June 2019 Demostene S.p.A., assignee of the entire amount payable as ordered by the court, notified IGD (the debtor) via certified e-mail that the credit, along with interest (already accrued and accruing) and

ancillary expenses, had been assigned to them without recourse. After having made the opportune assessments and as resolved by the Board of Directors, on 2 August 2019 IGD signed a settlement agreement with Demostene S.p.A., assignee of the credit, and Iniziative Immobiliari Siciliane S.r.l., the assignor of the credit as well as the plaintiff, based on which IGD would pay a supplement to the contract price in the amount of €3,600,000.00 plus VAT and Iniziative Immobiliari Siciliane would expressly waive the right to any appeals or further proceedings.

- On 2 August 2019 the Board of Directors examined and approved the Half-Year Financial Report at 30 June 2019 and in light of various factors, decided to revise the FFO guidance for FY 2019 from +6-7% to a range of between +4% and +5%.
- In September 2019 IGD received, for the second time in a row, the '"EPRA BPR Gold Award" (Best Practice Recommendations) for its Consolidated Annual Report 2018.
- With regard to the binding agreements signed by the Group on 28 June 2019, on 30 September 2019 the Group signed the definitive agreements with a premiere international player calling for: • the sale by Porta Medicea S.r.l. (a wholly-owned subsidiary of IGD Management) of "Palazzo Orlando," an office building in Livorno, for €12.8 million plus taxes; • the purchase by IGD of 50% of the "Darsena City" shopping mall, which it already co-owned; • the purchase by IGD Management S.r.l. (a wholly-owned subsidiary of IGD), of the remaining 50% held in the joint venture RGD Ferrara 2013 S.r.l. – owner since 2013 of the "Darsena City" operations – of which IGD was joint-owner. The Group paid a total of €13.9 million (plus taxes) for the two acquisitions.
- On 22 October 2019 the rating agency Fitch Ratings Ltd ("Fitch") assigned IGD a rating of "BBB-" with a stable outlook.
- On 7 November 2019 the Board of Directors examined and approved the interim financial report at 30 September 2019.
- On 11 November 2019 the Extraordinary Shareholders' Meeting approved a voluntary reduction in share capital pursuant to and for the purposes of Civil Code Art. 2445, from €749,738,139.26 to €650,000,000.00. The share capital would be reduced by €99,738,139.26 by allocating €8,154,918.00 to the legal reserve and €91,583,221.26 to a newly formed distributable capital reserve. This transaction, neutral from an equity standpoint, does not modify the targets of the 2019–2021 Strategic Plan nor the dividend policy contained therein. The purpose of this operation is to provide greater flexibility to the net equity structure by increasing the undistributable legal reserve while creating a distributable supply of funds, which also marries the particularities of SIIQ status (i.e. the

mandatory distribution of 70% of the profit from exempt operations) with the expectations of the capital markets (return on investment or dividend yield).

- On 28 November 2019 IGD issued a new €400,000,000 bond. On the same date IGD used part of the proceeds from the new bond issue to launch an intermediate tender offer in order to repurchase outstanding bonds for a total of €237.6 million: (i) €229.2 million worth of the €300 million bond loan maturing on 31 May 2021 (coupon 2.5%) (ii) €8.4 million worth of the €162 million bond loan maturing on 21 April 2022 (coupon 2.65%).

The Parent Company's performance and financial position can be summarized as follows.

The 2019 financial statements, submitted for the approval of the Annual General Meeting, close with a net profit of €9,471 thousand. Total revenue and other income came to €128.5 million, an increase of €3.6 million (+2.9%) on the previous year, while operating costs (including overheads) went down, improving from 21.9% to 20.8% of revenue. The changes were caused mostly by the full-year contribution of revenue earned by the four shopping malls and the retail park acquired in April 2018 and by the adoption of IFRS 16 as from 1 January 2019.

At €44 million, EBIT was €29.2 million lower than in 2018 due to the decrease in the fair value of the property portfolio.

Net financial expense of €34.6 million was €3.1 million higher than the previous year, due chiefly to: (i) a decrease in IRS spreads, (ii) a decrease in interest on bonds, (iii) an increase in amortized cost expense, (iv) higher financial charges recognized as a result of the adoption of IFRS 16, (v) greater interest on loans taken out to finance the purchase of four businesses in April 2018, and (vi) greater interest on committed credit lines.

In 2019 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 directors meetings and sitting with top management, as well as with Internal Audit and the financial audit company (PWC).

To the extent of our knowledge, these transactions were not manifestly imprudent or hazardous, present no potential conflict of interest, do not violate shareholder resolutions, and are not liable to compromise the company's financial soundness.

The Directors' Report that you have received provides ample and complete information about these transactions. Please refer to that report for details of the transactions and the reasons why they were undertaken by the Board of Directors, which approved them in accordance with the law and the company by-laws. The Board of Statutory Auditors acknowledges the

content of the Directors' Report and has no particular observations to make in this regard.

The Board of Statutory Auditors also acknowledges that at 31 December 2019, IGD SIIQ S.p.A. 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) system introduced by Art. 1 of Law 296 of 27 December 2006 – the 2007 Budget Law – as well as Art. 3 of Ministerial Decree 174 of 7 September 2007.

During the year the company's shareholders approved the distribution of income generated by exempt operations which was in line with the legal requirements. In greater detail, as mentioned above, the shareholders approved the payment of €55,153 thousand (€0.50 per share).

II. III. UNUSUAL AND/OR ATYPICAL TRANSACTIONS, INCLUDING TRANSACTIONS WITH OTHER GROUP COMPANIES AND RELATED PARTIES; 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 Officer, the management team, and the statutory auditors of the subsidiaries – or otherwise gathered during our supervisory activities – the Board of Statutory Auditors finds that no unusual or atypical transactions were carried out with group companies, third parties or related parties.

In keeping with the recommendations of the Corporate Governance Code, with particular reference to price sensitive information pursuant to Art. 114(1) of the Consolidated Finance Act (TUF), in December 2006 the company had adopted an internal Procedure for the management, handling and disclosure of price sensitive information and documents. In accordance with Art. 115-*bis* TUF, in June 2006 the company also instituted a register of persons with access to price sensitive information. With the enactment of EU Regulation 596/2014 ("MAR"), the company adopted a Policy for the Management, Handling and Public Disclosure of Confidential and Price Sensitive Information and the Registry of Insiders. In 2018, the company updated this policy in order to comply with the guidelines for the management of price sensitive information adopted by Consob in October 2017.

Considering the favorable opinion released by the Related Party Transactions Committee on 7 November 2019 and the fact that application of the Procedure from 2017 to 2019 showed that it provides effective assurance of the transparency and of the substantive and procedural fairness of related party transactions carried out by the company directly or through its

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subsidiaries, in accordance with Consob Communication DEM/10078683/2010 of 24 September 2010 that urges companies to review their related party transaction procedures every three years, on 7 November 2019 the Board of Directors deemed the current Procedure adopted on 11 November 2010 (as later amended) to be adequate and in no need of modification.

IV. COMMENTS AND PROPOSALS RELATING TO THE FINDINGS FOUND IN THE EXTERNAL AUDITORS' REPORTS AND THE ADDITIONAL REPORT

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' detailed proposal and technical-economic analyses in accordance with the law.

The consolidated and separate financial statements at 31 December 2019 were audited by PriceWaterhouseCoopers S.p.A. whose reports, prepared pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010 and Art. 10(39) of EU Regulation 537/2014, were issued on 18 March 2020.

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 of 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 31 December 2019, in accordance with the IFRS adopted by the European Union, as well as the provisions passed in implementation of Art. 9 of Legislative Decree 38/2005;
- stated that the Directors' Report relating to the separate and consolidated financial statements at 31 December 2019 and specific information contained in the report on corporate governance and ownership structure drafted pursuant to Art. 123-bis (4) TUF were prepared in accordance with the law;
- stated, pursuant to Art. 14(2)(e) of Legislative Decree 39/2010, based on the knowledge and understanding of the business acquired during the audit, that it has nothing to report in this regard.

On 18 March 2020 the External Auditors presented another report to the Board of Statutory Auditors in accordance with Art. 11 of EU Regulation 537/2014, stating that they had found no deficiencies in the internal control system relating to the financial reporting process worthy of being pointed out to the heads of governance.

In the additional report the External Auditors, in accordance with Art. 6 of EU Regulation

537/2014, also informed the Board of Statutory Auditors that no situations compromising independence had materialized.

V. INAPPROPRIATE CONDUCT AND ACTIONS TAKEN UNDER ARTICLE 2408 OF THE ITALIAN CIVIL CODE

In 2019 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 2019 and up to this writing, the Board of Statutory Auditors has not received any complaints from shareholders and/or from third parties, nor is it aware that the company has received any reports or complaints from shareholders and/or third parties, hence it has taken no action in this regard.

VII. ADDITIONAL ASSIGNMENTS GRANTED TO THE EXTERNAL AUDITORS AND THEIR COSTS

PriceWaterhouseCoopers S.p.A. was granted the financial audit assignment for the separate and consolidated financial statements effective as of the approval of the 2019 annual report, and is also tasked with giving its opinion of the accuracy of the Directors' Report and the information presented in the Report on Corporate Governance and Ownership Structure pursuant to paragraph 1 letters c, d, f, l, m and paragraph 2 letter b of Art. 123 bis of Legislative Decree 58/1998. The cost of these services in 2019 was €138 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) €170 thousand in connection with the new bond issue. The financial audit of the Romanian subsidiaries (Win Magazin S.A. e Winmarkt Management S.r.l.) was performed by PriceWaterhouseCoopers Audit S.r.l., which received fees of €26 thousand for these services.

PriceWaterhouseCoopers S.p.A. also served as external auditors for the following subsidiaries: (i) IGD Management S.r.l.; (ii) Millennium Gallery S.r.l.; (iii) Porta Medicea S.r.l. and (iv) Arco Campus S.r.l. Total fees came to €43 thousand.

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 2019 to PriceWaterhouseCoopers S.p.A. and/or other entities belonging to the same group for both audit and other services. That amount was €402 thousand.

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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 2019 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 2019 AS REQUIRED BY LAW

In 2019 the Board of Statutory Auditors issued opinions when required by law, the by-laws or Consob regulations. Our opinions and key observations include:

- the opinion issued on 7 November 2019, pursuant to Art. 5(4) of EU Regulation 537/2014, on services other than financial audit relating to the exchange of outstanding bonds for new ones and to the issue of a new bond loan, for which fees of €170 thousand were incurred;
- the opinion relating to the bonuses paid in 2018 to the chief executive officer, the chief operating officer, and executives with strategic responsibilities;
- the opinion relating to the approval of the report on the remuneration of directors, the chief executive officer, the general manager, 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 according to the financial calendar disclosed to the market in compliance 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 2019, 10 (ten) 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 (Law 120/2011).

As in the prior year, 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.

The results of the review were presented during the Board of Directors meeting of 27

February 2020 and are discussed in the Report on Corporate Governance and Ownership Structure.

The Board of Statutory Auditors met 7 (seven) times in 2019 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) five out of six meetings of the Internal Control Committee; (ii) three out of five meetings of the Nominations and Compensation Committee; and (iii) both meetings of the Committee for Related Party Transactions. The Board of Statutory Auditors also encouraged and attended meetings with the company's top management, the External Auditors, and the Internal Audit department.

The Board of Statutory Auditors coordinates and guides the Internal Control and Internal Audit Committee pursuant to Art. 19 of Legislative Decree 39/2010. In accordance with the recommendations contained in Art. 7 of the Corporate Governance Code, the company has included operating methods in its own governance rules that strive to simplify coordination of control functions. These include a requirement for all of the control functions to meet at least once a year in order to discuss the issues they have faced during the period. In 2019 two meetings were organized: in February 2019 to discuss the consolidated and separate financial statements at 31 December 2018, and in December 2019 to discuss each of the control functions' audit plans for 2020.

XI. OBSERVATIONS REGARDING COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION, THE LAW AND THE CORPORATE BY-LAWS

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 by-laws. 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. We have nothing to report regarding the directors' activities and actions. 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; meetings with the Financial Reporting Officer, Internal Audit, the Internal Control Committee, and the Nominations and Compensation Committee; and information exchanged with the External Auditors. More specifically, 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 by-laws 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

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with the company's best interests.

The chief operating officer and the financial reporting officer regularly attended our meetings, by right or by invitation, in order to explain and participate in the discussion of the agenda items. Other managers also attended the meetings based on the specific topics on the agenda.

XII. COMMENTS ON THE ORGANIZATIONAL STRUCTURE

To the extent of its responsibility, the Board of Statutory Auditors verified and monitored the adequacy and proper functioning of the company's organizational structure.

The organizational structure appears to be adequate and to meet the company's needs, and we have no comments nor anything to report in this regard.

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 procedures, having acknowledged the improvements made to render the organizational structure more efficient.

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 relative to the company's organizational structure. We found no deficiencies, i.e. situations to report relating to the effective functioning of corporate bodies, divisions, systems and procedures.

XIII. COMMENTS ON THE INTERNAL CONTROL SYSTEM

The Board of Statutory Auditors evaluated and verified the adequacy of the company's internal control system, including through periodic meetings with (i) the financial reporting officer, (ii) Internal Audit, (iii) the Internal Control Committee, (iv) the Supervisory Board, (v) the head external auditor, and (vi) the 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. We found no significant shortcomings 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, and the Supervisory Board on its actions and progress, mentioning specific operational needs wherever necessary and recommending the most appropriate means of implementing the Plan of Work.

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 Internal Control Committee, and, if necessary, the Board of Directors. In 2019 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 Mario Galiano, senior partner of Grant Thornton Consultants S.r.l. The yearly report prepared by the financial reporting officer confirms the mapping of all the processes, risks and controls of all the in-scope companies of the IGD Group and the Romanian affiliates.

The Internal Control Committee and the Supervisory Board per Decree 231/2001 made their reports available during the year.

Based on the controls carried out and the information obtained during periodic meetings with the Internal Control Committee, Internal Audit, the external auditors, the financial reporting officer, the director in charge of internal control and risk management, and the Supervisory Board created as part of the Organizational Model pursuant to Legislative Decree 231/01, we found that the internal control system is reliable and timely, and adequately meets the needs of the company and its operations.

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 our supervisory activities and on the work done by the Internal Control Committee, at the end of 2019 the Board of Statutory Auditors had nothing of concern to report and found the overall internal control system to be adequate. In our opinion the internal control system does not present significant deficiencies, without prejudice to ongoing reviews of and improvements to organizational systems and methods, and was found to be reliable, effective and efficient.

XIV. COMMENTS ON THE ADMINISTRATIVE-ACCOUNTING SYSTEM AND ITS ABILITY TO PROVIDE A FAIR REPRESENTATION OF 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 company documentation, and examination of the reports provided by the external auditors PriceWaterhouseCoopers S.p.A. and by Internal Audit.

The administrative-accounting system was found to be adequate and to have met the company's needs in 2019, in terms of both resources dedicated and professional expertise.

The External Auditors tested the accounting and administrative procedures and found these to be reliable. They also noted that the accounting records of operations were correct and the

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books were properly kept. PriceWaterhouseCoopers S.p.A. confirmed the thoroughness 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 in this regard. The firm also validated the completeness and accuracy of the Directors' Report to the financial statements.

Though the statutory auditors are not specifically responsible for financial audit duties under Art. 2409 bis of the Italian Civil Code, as these 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 Board of Statutory Auditors has nothing to report concerning the adequacy of the administrative-accounting system and its ability to provide a fair representation of performance.

The chief executive officer and the financial reporting officer certified without reservation the accounting information contained in the separate and consolidated financial statements at 31 December 2019, as well as 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. They also provided the certification called for by 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 S.p.A. personnel at the subsidiaries, the company guarantees a correct and adequate flow of information supported by suitable documentation and accounting records.

There are no concerns about the instructions given to subsidiaries in order to acquire the information necessary for prompt compliance with the reporting obligations set by law.

The company is, therefore, fully able to comply with the law as concerns the reporting of significant events and production of the consolidated financial statements.

Likewise, it is fully able to exercise management and coordination of its subsidiaries as expressly contemplated by law.

The Board of Statutory Auditors 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 auditors PriceWaterhouseCoopers S.p.A., verified compliance with all current laws and regulations regarding the preparation and drawing up of the separate and consolidated financial statements and 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, and 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(2) of Legislative Decree 58 of 24 February 1998 emerged during these periodic meetings.

During these meetings the External Auditors found no irregularities, problem areas or omissions in the company's accounts worthy of reporting to the Board of Directors or the Board of Statutory Auditors. 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

Since its shares were admitted for trading (11 February 2005), the company has followed its own Corporate Governance regulations in order to comply with the standards and recommendations included in the Corporate Governance Code prepared by Borsa Italiana's Committee for Corporate Governance of Listed Companies in order to regulate compliance with laws and regulations and the composition, responsibilities and role of the corporate bodies in charge of company 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 has set up Board committees with advisory functions: the Internal Control Committee, the Nominations and Compensation Committee, and the Committee for Related Party Transactions.

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As IGD is subject to the management and coordination of shareholder Coop Alleanza 3.0 Soc. Coop. based on Art. 2497 of the Italian Civil Code, it 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 compliance with the Corporate Governance Code, by combining the Compensation Committee and the Nominations Committees into a single body. It consists of three non-executive independent directors: Rossella Saoncella (chair), Livia Salvini, and Timothy Guy Michele Santini. 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 five times in 2019 and the chairman of the Board of Statutory Auditors attended three out of five meetings;
- the Control and Risk Committee is comprised of three non-executive independent directors: Elisabetta Gualandri (chair), Luca Dondi Dall'Orologio, and Sergio Lugaresi. In 2019 the committee held meetings regularly and in keeping with the company's needs. It met six times during the year. The chairman of the Board of Statutory Auditors, or another statutory auditor appointed by the chairman, attends the meetings of the Internal Control 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 other statutory auditors, attended five of the meetings held in 2019;
- 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 (chair), Livia Salvini, and Eric Jean Véron. In 2019 the committee met twice. The chairman of the Board of Statutory Auditors attended both

meetings.

The company has deemed it useful to describe the methods used to coordinate control activities, as described below.

The chairman of the Internal Control Committee and the chairman of the Board of Statutory Auditors (including in its role as internal control and financial audit committee), meet with self-determined frequency and at least one a year, 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. To this end, the chairman of the Board of Statutory Auditors not only coordinates the work of the statutory auditors but is also a reference point for other corporate bodies involved in control systems. As mentioned above, two meetings of all the control bodies were convened in 2019.

The company has also formed a Supervisory Board with three members: Gilberto Coffari (chair), Paolo Maestri, and Alessandra De Martino. In 2019 it met six times on the basis of the company's needs, working with Internal Audit on monitoring and controls.

Since 2007, the Board of Directors has hired Egon Zehnder International S.p.A., headquartered in Milan, to perform an annual board review. The purpose of this review is the yearly assessment of the size, composition and functioning of the Board of Directors and its committees. The outcome of the board review 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. Board review is an effective means of self-assessing the composition and functioning of the Board of Directors and its sub-committees.

In conclusion, and having verified operations during the year, the Board of Statutory Auditors expresses a positive opinion of the company's corporate governance system.

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 auditors 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.

IGD SIIQ S.P.A. DRAFT SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2019

The Directors' Report also contains information about the compensation policy and the remuneration paid to the directors, statutory auditors, chief operating officer, and managers with strategic responsibilities, as well as information on the shares of the company held by such individuals. 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, 18 March 2020

The Board of Statutory Auditors

(Anna Maria Allievi)

(Daniela Preite)

(Roberto Chiusoli)

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// 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 o 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.

SPACES TO BE LIVED IN

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