



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

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

Share capital fully subscribed and paid-in: EUR 650,000,000.00

comprising n. 110,341,903 ordinary shares

Bologna Companies Register and tax identification no. 00397420399

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

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

ORDINARY ANNUAL GENERAL MEETING OF IGD SIIQ S.P.A.

11-12 JUNE 2020

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

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1. Separate financial statements at 31.12.2019; Directors' report on operations; External auditors' report; Report of the Board of Statutory Auditors; Presentation of the consolidated financial statements at 31.12.2019; related and consequent resolutions;
2. Allocation of the net income and distribution of the dividend to Shareholders; related and consequent resolutions;
3. Report on compensation and the compensation paid in accordance with Art. 123-ter, paragraphs 3-ter and 6, of Legislative Decree n. 58/98:
 - 3.1 First section: report on the compensation policy. Binding resolution
 - 3.2 Second section: report on the compensation paid. Non-binding resolution
4. Purchase and dispose of treasury shares; related and consequent resolutions;

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Item 1 of the Agenda of the Ordinary General Meeting - Separate financial statements at 31.12.2019; Directors' report on operations; External auditors' report; Report of the Board of Statutory Auditors; Presentation of the consolidated financial statements at 31.12.2019; related and consequent resolutions.

Dear Shareholders,

The separate financial statements for the year ended on 31 December 2019 which are being submitted to you for your approval show a net profit of € 9,470,568. Total revenues amounted to €128.5 million, recording an increase with respect to the prior year of €3.6 million, equal to 2.9%. Operating costs, including G&A expenses, are lower with respect to the previous year and their impact on revenues has improved going from 21.9% to 20.8%. Please note that these changes are attributable primarily to the full year contribution of the rents and lease payments stemming from the acquisition of 4 shopping malls and a retail park completed in April 2018 and the application from January 1, 2019 of the new accounting standard IFRS16.

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

Financial management showed a balance of €34.6 million at 31 December 2019, an increase of €3.1 million with respect to 2018 due mainly to (i) the decrease in IRS differentials, (ii) decrease in the financial expense of the bond loans, (iii) an increase in amortized costs, (iv) an increase in the financial expense recognized in the period as a result of IFRS 16 application, (v) higher interest linked to the loan commitments assumed as a result of the purchase of the 4 businesses finalized in April 2018, and (vi) higher financial charges on committed lines. a decrease in the financial expense related to the amortized cost of bonds following first-time application of the new IFRS 9, which resulted in an increase in the liabilities for bond loans and a decrease in the relative financial expense, as well as less utilization of short-term credit lines.

The IGD Group's total operating revenue at 31 December 2019 amounted to €162 million, a decrease of 3.7% compared to 2018 (the Group's total operating revenue at 31 December 2018 amounted to €162.5 million). The decrease is attributable primarily to the drop in revenue from property sales only

partially offset by the full-year contribution to revenue made by the 4 shopping malls and retail park purchased in April 2018.

Rental income reached €155,259 thousand, showing an increase of 2.3% compared to the same period of the prior year. Direct costs from rental activities amounted to €18,683 thousand, a decrease of 32.6% with respect to the prior year (or an increase of 4.5% without considering the impacts of IFRS16). The increase in costs is attributable mainly to the condominium fees, property tax - *IMU*, *una-tantum* marketing costs, and insurance also due to the portfolio extension.

General expenses for the core business, including payroll costs at headquarters, amounted to €12,273 thousand, showing an increase of 7.1% compared to €11,4563 thousand posted at 31 December 2018. The increase is attributable primarily to an increase in payroll costs at headquarters explained mainly by higher payroll costs at headquarters linked to CCNL adjustments, as well as other one-offs recorded in the period (consultancies, corporate projects and operations)

The core business EBITDA in 2019 amounted to €125,195 thousand, an increase of 10.1% compared to the prior year. IGD Group's EBITDA at 31 December 2019 amounted to €124,557 thousand, with an increase of 10.6%. The changes in the components of total EBITDA during the year are shown below.

The EBITDA Margin for the core business amounted to 77.5%, up by 560 basis points with respect to the same period of previous year, or down by 88 basis points without considering the impacts of IFRS16.

EBIT, equal to €50,343 thousand, shows a decrease of 38.0% with respect to the same period of 2018.

The pre-tax income at 31 December 2019 amounted to €13.602 million, showing a decrease with respect to €48.7 million of 2017.

As a result of the above the Group posted a net profit of €12,591 thousand, showing a decrease of 72.9%, compared to €46,388 thousand posted in 2018. Core business Funds from Operations (FFO) amounted to €83,284 thousand, with an increase of €3,590 thousand or 4.5% compared to previous year.

Financial expense increase from the €32,498 thousand recorded at 31 December 2018 to €36,752 thousand at 31 December 2019.

IGD Group's net financial debt at 31 December 2019 shows an increase compared to 31 December

2018 of €54.8 million. Gearing ratio (0.95x) and Loan to Value (47.6%) show a slight increase compared with the prior year.

The Real Estate Portfolio at 31 December 2019

Based on CBRE Valuation S.p.A., Duff & Phelps REAG S.p.A., Cushman & Wakefield and Jones Lang Lasalle's independent appraisals, the market value at 31 December 2019 of IGD Group's real estate portfolio reached €2,381.41 million, decreasing compared to €2,412.15 million recorded at 31 December 2018.

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

“The Ordinary Shareholders' Meeting of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A.,

- *having seen the Board of Directors' report;*
- *having seen the Board of Statutory Auditors' report;*
- *having examined the Company's financial statements for the year ended 31 December 2019;*
- *having acknowledged the report prepared by the external auditors PricewaterhouseCooper S.p.A.;*

resolve

1. *to approve the financial statements of IGD SIHQ S.p.A. for the year ended at 31 December 2019 with a Net Profit of €9,470,586.34 and the Board of Directors' report;*

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Item 2 of the Agenda of the Ordinary General Meeting – Allocation of the net income and distribution of the dividend to Shareholders; related and consequent resolutions.

Dear Shareholders,

In light of the Covid-19 health crisis and the uncertainty as to its duration, as well as the inevitable slowdown in internal demand, consumption and, more in general, the country's economic cycle, in order to preserve the Company's financial stability, the Board of the Directors deemed it opportune to formulate a new proposal for the allocation of the 2019 earnings and change the proposed resolution approved during the Board of Directors' meeting held on 27 February 2020 and published on 10 March 2020. More in detail, the Board of Directors proposes to allocate – as a dividend - only 70% of

the net profit generated by the property rental business, namely the minimum required to maintain REIT or SIIQ status as per Article 1, paragraph 123 of Law n. 296 of 27 December 2006 (i.e. the 2007 Budget Law).

In light of the above, we propose to allocate €25,149,800.48 (€0.228152 per share) as dividends.

The statutory profit came to €9,470,568.34 at 31 December 2019, a decrease with respect to the €41,242,164 recorded in 2018.

The Board of Directors, subject to the approval of the financial statements for the year ended on 31 December 2019, proposes:

- to allocate €5,578,654.15 of the profit to dividend, as retained earnings from exempt operations
- to allocate €2,390,837.24 of the profit from exempt operations to distributable profits reserve
- to allocate €1,501,076.95 of the profit from taxable operations to distributable profits reserve;
- 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 above dividend will be paid on each of the outstanding shares at the time the shares go ex-dividend, excluding, therefore, any treasury shares held at that date.

The total dividend payout, calculated based on the number of shares outstanding at the date of this report, equal to 110,232,654 ordinary shares net of treasury shares held by the Company at that date, amounts to €25,149,800.48 to be taken from:

- for €5,578,654.15, distributable income generated by exempt operations;
- for €19,571,146.33, utilization of the reserve for retained earnings from exempt operations.

The earnings distributed from exempt operations totals €25,149,800.48 or €0.228152 per share;

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

“The shareholders of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A., meeting in ordinary session, having examined the Board of Directors report,

resolve

1. to allocate Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A. 's statutory profit for 2018 of €9,407,568.34 as follows:

- €2,390,837.24 to distributable profits reserve, as retained earnings from exempt operations;*
- €1,501,076.95 to distributable profits reserve, as retained earnings from taxable operations;*
- €5,578,654.15 as dividends, as retained earnings from exempt operations;*

and 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.

2. to pay a dividend of €0.228152 per share on each of the outstanding ordinary shares at the time the shares go ex-dividend, excluding, therefore, any treasury shares held at that date.

The total dividend payout, calculated based on the number of IGD shares outstanding at the date of 30 April 2020 (110,232,654 IGD shares), amounts to €25,149,800.48 to be taken from:

- for €5,578,654.15, distributable income generated by exempt operations;*
- for €19,571,146.33, utilization of the reserve for retained earnings from exempt operations.*

The earnings distributed from exempt operations total 25,149,800.48 or €0.228152 per share.

The dividend will be payable as from 22 July 2020 with shares going ex-dividend on 21 July 2020 (detachment of coupon n. 4) In accordance with Art. 83-terdecies of Legislative Decree n.58 of 24 February 1998, the shareholders of IGD at the record date (14 May 2019) as per the records of the intermediary, pursuant to Art. 83-quater, par. 3 of Legislative Decree n.58 of 24 February 1998, will be entitled to receive the dividend;

3. to grant the Chairman and the Chief Executive Officer, jointly or severally, the power to determine the exact number of shares with dividend rights entitled to receive dividends, the exact amount of the dividend to be distributed, noting that any change in the number of

treasury shares held by the Company at the time of distribution will not impact the amount of the dividend per share as determined above, but will result in an increase or decrease to the share premium reserve.”

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Item 3 of the Agenda of the Ordinary General Meeting – Report on compensation and the compensation paid salaries in accordance with Art. 123-ter, paragraphs 3-ter and 6, of Legislative Decree n. 58/98:

3.1 First section: report on the compensation policy. Binding resolution

3.2 Second section: report on the compensation paid. Non-binding resolution

Dear Shareholders,

as you are well aware, pursuant to art. 123-ter of TUF, listed companies are required to prepare a Report on compensation and paid salaries and make it available to the general public.

This report was approved by the Board of Directors on 27 February 2020, subject to approval by the Nominations and Compensation Committee, and made available to the public at the Company’s registered office, on the Company’s website <http://eng.gruppoigd.it/>, in the *Governance – Shareholders’ Meeting* section and on the authorized storage system eMarket STORAGE www.emarketstorage.com in accordance with the law.

Pursuant to Art. 123-ter of TUF – as recently amended by Legislative Decree n. 49 of 10 June 2019, in implementation of EU Directive 2017/828 of the European Parliament and the Council of 17 May 2017, which amended the EU Directive 2007/36 relating to long-term shareholder engagement – this Report is divided into two sections.

The first section describes the Company’s policy with respect to the compensation of the members of the Board of Directors, the Board of Statutory Auditors and executives with strategic responsibilities for 2020, as well as the procedures used in the adoption and implementation of this policy. This section, pursuant to Art. 123-ter, paragraphs 3-bis and 3-ter, of TUF, as introduced in Legislative Decree n. 49/2019, is subject to the binding resolution of the ordinary Shareholders’ Meeting.

The second section contains information about the compensation paid to the members of the Board of Directors, the Board of Statutory Auditors and executives with strategic responsibilities (shown as an aggregate) in 2019. This section, pursuant to the new paragraph 6 of Art. 123-ter TUF, introduced in Legislative Decree n. 49/2019, is subject to the non-binding resolution of the ordinary Shareholders’

Meeting.

In light of the above, this item on the Agenda will be voted on during the Shareholders' Meeting as two separate items, as proposed below.

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3.1 First section: report on compensation. Binding resolution

In light of the above, the Board of Directors submits the following proposal concerning the first section of this report, to you for approval:

“The Ordinary Shareholders' Meeting of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A.,

- *having examined and discussed the first section of the Report on Compensation and Paid Salaries called for under art. 123-ter, paragraph 3, of Legislative Decree n. 58 dated 24 February 1998, prepared by the Board of Directors based on the recommendations of the Remuneration and Nominations Committee, which describes the Company's policy relating to remuneration of members of the Board of Directors, the Board of Statutory Auditors, general managers and executives with strategic responsibilities, as well as the procedures used to adopt and implement said policy, and made available to the public in accordance with the law;*

resolves

to approve the first section of the Report on Compensation and Paid Salaries adopted by the Board of Directors on 27 February 2020 pursuant to art. 123-ter, paragraphs 3-bis) and 3-ter) of Legislative Decree n. 58 dated 24 February 1998.”

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3.2 Second section: report on paid salaries. Non-binding resolution

With regard to the second section of this Report, the Board of Directors will submit the following proposal to you for your approval:

“The Ordinary Shareholders' Meeting of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A.,

- *having examined and discussed the second section of the Report on Compensation and Paid Salaries called for under art. 123-ter, paragraph 4, of Legislative Decree n. 58 dated 24 February 1998, prepared by the Board of Directors based on the recommendations of the Remuneration and Nominations Committee, which describes the paid salaries to the members of the Board of Directors, the Board of Statutory Auditors, general managers and executives with*

strategic responsibilities in 2019 or related to 2019;

resolves

in favor to the second section of the Report on Compensation and Paid Salaries adopted by the Board of Directors on 27 February 2020 pursuant to art. 123-ter, paragraphs 6 of Legislative Decree n. 58 dated 24 February 1998.”

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Item 4 of the Agenda of the Ordinary General Meeting – Purchase and dispose of treasury shares; related and consequent resolutions.

Dear Shareholders,

We remind you that the Company annually provides for the renewal of the authorization to buy and sell treasury shares.

In light of the above on 10 April 2019 the Annual General Meeting granted the Board of Directors the authorization to buy and sell treasury shares pursuant to Art. 2357, second paragraph, of the Italian Civil Code. The authorization to purchase treasury shares was effective for 18 (eighteen) months as from the date of the shareholder’s resolution and therefore it will expire on 10 October 2020, while the authorization to dispose of treasury shares was without a time limit.

While waiting to fully understand the impact of the Covid-19 health crisis and any measures to adopt because of it, the purchase of treasury shares has been suspended and we propose to the Shareholders’ Meeting not to renew the authorization to purchase and dispose of treasury shares, as well as revoke the authorization to purchase shares, effective immediately.

Useful valuation information provided pursuant to Art. 2357, paragraph 3 of the Italian Civil Code.

As of the date of this report the Company holds n. 35,825 treasury shares while its subsidiaries do not hold any shares in the Company. The subsidiaries are required to advise of any purchases made in a timely manner in accordance with and pursuant to Art. 2359-*bis* of the Italian Civil Code.

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

“The Ordinary Shareholders’ Meeting of Immobiliare Grande Distribuzione Società di Investimento Immobiliare Quotata S.p.A., having acknowledged the proposal submitted by the Board of Directors,

resolve

1. *to revoke the authorization granted by the Ordinary General Meeting on 10 April 2019 to buy treasury shares;*
2. *to grant the Board of Directors and on its behalf the Chairman and the Chief Executive Officer, severally, the broadest powers to take all other action necessary or useful to implementing the above resolutions and to make the necessary market disclosures in accordance with the law.”*

Bologna, 7 May 2020

On behalf of the Board of Directors

The Chairman

Elio Gasperoni