**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

# HALF-YEAR FINANCIAL REPORT 30/06/2020

## Corporate and Supervisory Bodies

| Board of Directors | Office | Executive | Non Executive | Independent | Control and Risk Committee | Compensation and Nominations Committee | Related Party Transcations Committee |
|---|---|---|---|---|---|---|---|
| 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 | |
| Daniela 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. The IGD Group's Interim Management Statement

## 1.1. // Introduction

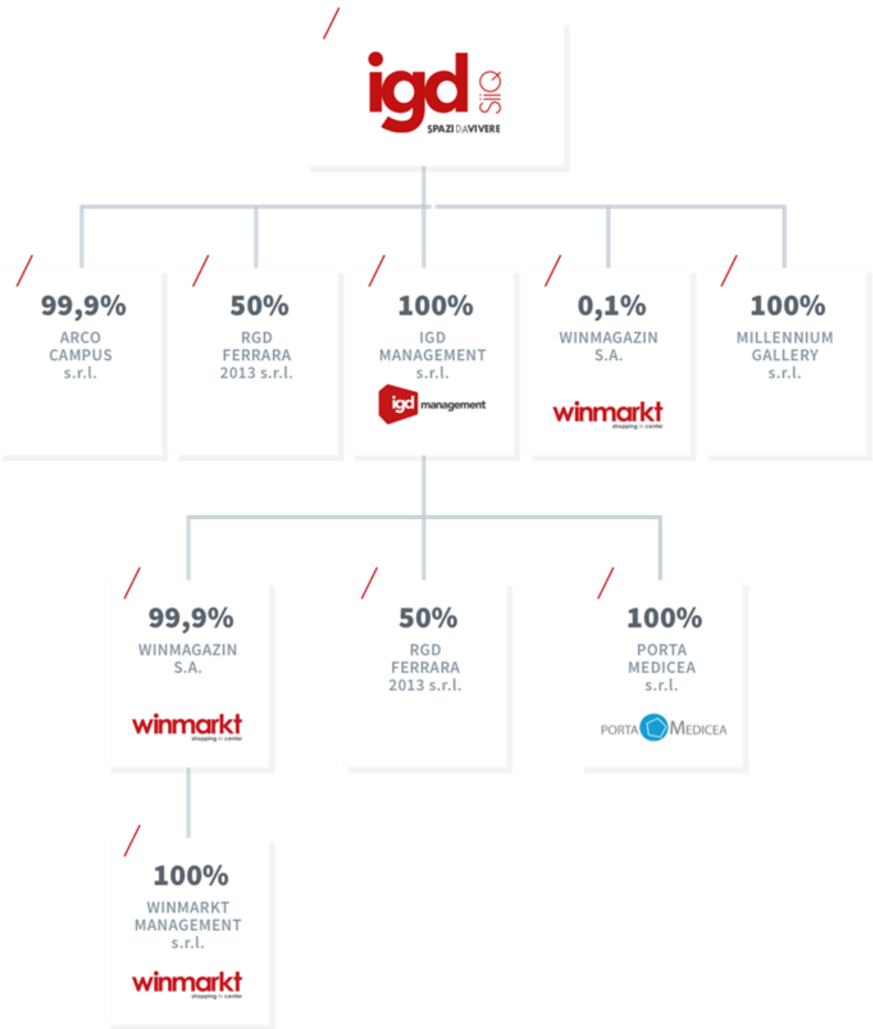
The Immobiliare Grande Distribuzione Group's Consolidated Half-Year Financial Report at 30 June 2020 was prepared pursuant to Art. 154-ter of Legislative Decree 58/1998 and in accordance with the valuation criteria and measurements established by the IFRS (International Financial Reporting Standards) adopted by the European Commission as per the procedure established in Art. 6 of EC Regulation n°1606/2002 issued by the European Parliament and the Council on 19 July 2002, and in particular with IAS 34 – Interim Financial Reporting. The Half-Year Financial Report, along with the notes to the accounts, consolidates the income statements and statements of financial position at 30 June 2020 of IGD Siiq S.p.A. and other Group companies described in the section on the scope of consolidation.

## 1.2. // 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 (as provided for in CONSOB Bulletin n. 92543/15), where so indicated, which the management believes provide a better representation of the Group's performance and the economic-financial results.
The indicators viewed as important to the understanding of the Group's financial statements include like-for-like revenue, core business Ebitda, core business Ebitda margin, FFO, net financial position, interest cover ratio, average cost of debt (net of recurring and non-recurring transaction costs), gearing ratio, Loan to value, and EPRA net asset value metrics. The methods used to calculate these indicators are described in the Glossary.

# 1.3. // 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 (around 93.9%). The remainder (around 6.1%) is in Romania where IGD owns the Winmarkt chain of shopping centers through WinMagazin SA.




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

At 30 June 2020, in addition to the parent company, the IGD Group comprises:

- ✓ 100% of **Millennium Gallery**, (owner of part of the Rovereto shopping mall and a business division in the shopping center in Crema);
- ✓ 100% of **RGD Ferrara 2013**, formed on 30 September 2013, to manage the Darsena City Shopping Center in Ferrara;
- ✓ 99.98% 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;

- ✓ 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;
    - ✓ 100% of **WinMagazine SA**, the Romanian subsidiary, through which it controls 100% of WinMarktManagement Srl, the company responsible for the team of Romanian managers;
    - ✓ 100% of Porta **Medicea Srl**, 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.

## 1.4. // Income statement review

The first half of 2020 was negatively impacted by the unforeseen spread of the Covid-19 epidemic, first in Asia, then in Europe, followed by the Americas. In an attempt to stem the spread of the virus, many governments were forced to impose severe containment measures: in many sectors activities were shut down completely and both internal and international mobility were severely limited, with consequences for world trade and GDP which are estimated to have fallen considerably.[1] The recovery expected to materialize in the second part of the year is characterized by a high degree of uncertainty: a lot will depend on the duration of the health crisis, the spread of which is still alarming in a few areas of the world (United States, South America, South Africa, Southeast Asia and Eastern Europe), as are the consequences of the containment measures. [2]

Italy was the first European country to be struck by Covid-19 and to have implemented severe lockdown measures which triggered a profound downturn in the economy: in the first quarter of the year GDP fell by 5.3% against the prior quarter[2] and a steeper decline is expected for the second quarter[3]. Beginning in mid-May, when the restrictions were eased, the Italian economy showed signs of a gradual recovery as manufacturing resumed (in May growth was posted by all manufacturing segments[4]), exports showed moderate recovery[5] and retail sales of non-food products increased. The economic recovery is expected to continue in the second half of 2020, even if at a moderate pace which will not result in the full recovery of the gap with respect to the first part of the year: based on the estimates of the main research firms, GDP is expected to be down by roughly 10% at year-end. There is expected to be a positive rebound in 2021, albeit not enough to offset the loss recorded in 2020, with GDP rising around 6%.

IGD's performance was recorded in this difficult environment, inevitably impacted by the restrictive measures adopted by the Italian government in response to the Covid-19 health crisis. From 12 March through 18 May the operation of the Group's shopping centers was extremely limited as only the sale of "essential" products (such as, for example, food products, pharmaceutical and parapharmaceutical items, etc.) was allowed. These limitations, together with the restrictions on movement, reduced hours of operation and staggered entries, had a negative impact on footfalls and on the retailers' sales recorded during the lockdown period which, therefore, cannot be compared with the same period of 2019.

Beginning on 18 May, as the restrictions eased, the shopping centers became fully operational and the performances showed a trend of constant improvement with footfalls that recovered around 80% of the traffic recorded in the same period of the prior year and a growth rate (CAGR) week after week of 2.5% (from 18 May to 26 July). The result is positive also because footfalls continue to be influenced by different contingent factors like the temporary impossibility to organize large gatherings, the use, still widespread, of smart working which results in less traffic in the centers at lunch time or after work and the failure of cinemas to re-open due to a scarcity of new releases. An even more important positive signal comes from tenants' sales, which dropped by around -13.6% in June, less than footfalls, which shows an increase in the propensity to consume, as well as in the average ticket (+18.1%), and confirms that the consumers' attention is still on physical stores.

[1] Source: Bank of Italy – *Macroeconomic forecasts for the Italian economy*, June 2020
[2] Source: ISTAT – *Quarterly Economic Accounts*, May 2020
[3] Source: European Commission – *Summer Economic Forecast*, July 2020
[4] Source: ISTAT – *Industrial Production May*, July 2020
[5] Source: ISTAT – *Monthly bulletin on the Italian economic performance (May-June)*, July 2020

Despite the difficulties encountered in the reporting period occupancy, 95.63%, was maintained at a high level, even if it was down slightly compared to 96.2% at 31 March 2020. This figure testifies to the fact that almost all tenants decided to reopen once the restrictive measures were lifted.
Negotiations are also underway with the tenants to define how to manage the lockdown periods and become fully operational (70% of the negotiations had been completed at 3 August 2020).
While waiting to complete all the negotiations, the Company decided to recognize part of the impact that these are expected to have on the Company's consolidated half-year results by allocating €8.5 million, or approximately one month of revenue, to a specific provision.
In light of the above, rental income fell -3.5% against 30 June 2019; this result reflects mainly the decrease in variable revenue and an increase in vacancies due to a delay in or lack of reopenings. The drop in net revenue was more noticeable, coming in at -17.9%, due also to the €8.5 million in provisions described above.
Looking at asset management, with a view to mitigating the negative effects of a hypothetical drop in revenue, the foreseeable difficulties with credit collection and maintain a solid and balanced financial structure, the Group decided to adopt additional extraordinary measures including the suspension/postponement or cancellation of a few capex and investments slotted for this year, resulting in a decrease of around €40 million in the expected cash out. More in detail, the restyling and remodeling of the La Favorita (Mantua) and Porto Grande (San Benedetto del Tronto) shopping centers and the construction of two mid-size retail areas at the Gran Rondò Shopping Center and Retail Park (Crema) were postponed. As for the Porta a Mare project, after work was suspended due to Covid19, work is now underway to protect the construction completed thus far and the project is being revised. Work is expected to resume as of October 2020 and should be completed by October 2021.
Romania was also severely impacted by the spread of Covid-19: while in the first quarter it seemed that the economy had withstood the hit with GDP up by 2.4% at 31 March, beginning in the second quarter the impact of the containment measures adopted by the government caused a sudden drop in consumption and investments. The GDP is expected to be down by -6.0%[6] at year-end. Similar to Italy, in Romania the restrictive measures adopted as of 22 March also limited the operations of the Winmarkt malls: only the sale of food products, pharmaceutical items, veterinary products and a few other personal services was, in fact, allowed in the shopping centers. There was a first easing of these restrictions on 15 May, but a few categories like restaurants without outdoor dining and entertainment activities, mainly cinema, are still not allowed to operate. All of this impacted the operating performance of the Group's assets. Footfalls post-lockdown were down (-25%) and occupancy was lower than at 31 March 2020 coming in at 94.65% due also to the exit of a tenant with multiple points of sale.
Despite the complex situation, the pre-letting and renegotiations concluded during the half generated a significant upside of 4.83%. All of the above, along with the temporary reductions granted to tenants in light of the lockdown period, caused rental income to fall 20.1% against the first half of the prior year.
From a financial standpoint, during the first half of 2020 €60 million in committed credit lines granted to the Group by two premiere banking institutions were renewed and the maturity was extended to 2023. A government guaranteed loan of roughly €37 million (6-years at a rate, including the cost of the government guarantee, in line with the Group's average cost of debt), provided by Sace S.p.A., is also in the process of being finalized.

[6] Source: European Commission- *Summer Economic Forecast*, July 2020

With regard to IGD's ratings, based on their estimates as to the impact that this extraordinary situation will have, all the rating agencies revised their opinions: S&P Global Ratings and Moody's downgraded IGD's rating from BBB- to BB+ with a negative outlook and from Ba1 to Ba2 with a stable outlook, respectively; Fitch Ratings confirmed its BBB- rating, but with a Negative Rating Watch. As a result of Fitch's confirmed investment grade rating, the economic conditions of the bond loans remain unchanged.

The average cost of debt at the end of June 2020 was 2.30% versus 2.35% at year-end 2019, while the interest cover ratio or ICR came to 3.5x[7] versus 3.8x at year-end 2019.

Net of the adjustments to fair value that impacted the Group's net profit, as described in greater detail below, the combined effect of the dynamics described above led to a 21.4% drop in FFO which at 30 June 2020 amounted to €32.9 million.

In light of the results achieved in the first half of 2020, how the situation is unfolding and taking into account the estimated impact of Covid-19 on the current year (one-off and, therefore, without considering further implications for subsequent years), the new FFO guidance is approximately €0.54 - €0.57 per share which represents a decrease of around -28%/-25% compared to the 2019 FFO. This outlook is based on assumptions and hypotheticals consistent with a situation of general recovery. That said, it is important to stress that elements of risk and uncertainty not controllable by the Group remain including, for example, the risk of a second wave of the virus resulting in the introduction of new restrictions, as well as the outcome of the negotiations underway with tenants relative to the management of the lockdown period.

[7] Excluding the effects of the last financial transaction; including these effects the figure reaches 2.8X at 30/06/2020.

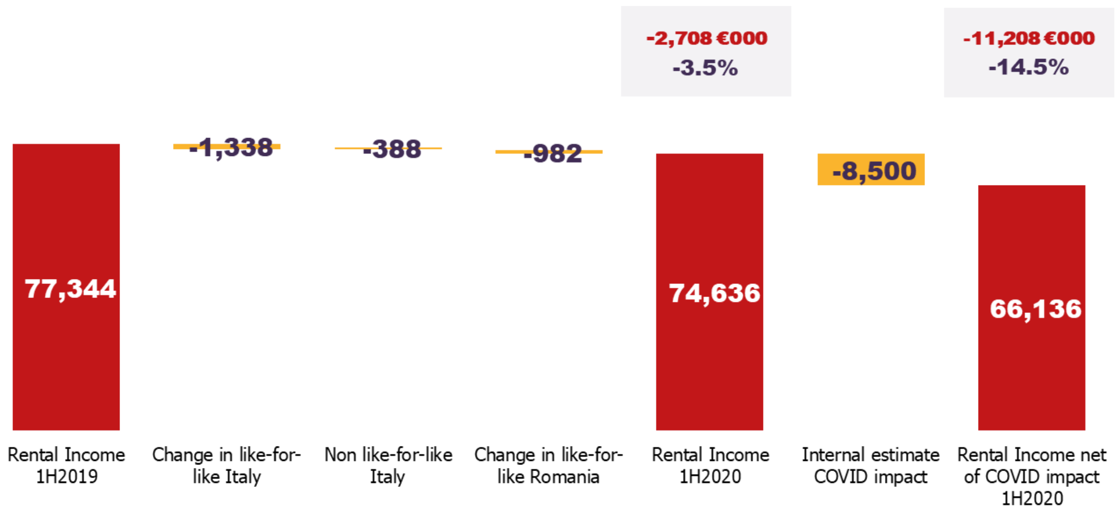
The consolidated operating income statement is shown below:

| GROUP CONSOLIDATED | (a) 30/06/2020 | (b) 30/06/2019 | Δ (a)/(b) |
|---|---|---|---|
| **Total income from rental activities** | **74,636** | **77,344** | **-3.5%** |
| Rents and payable leases | -2 | -52 | -96.5% |
| Direct costs from rental activities | -18,345 | -8,732 | n.a. |
| **Net rental income** | **56,289** | **68,560** | **-17.9%** |
| Revenues from services | 3,139 | 3,188 | -1.6% |
| Direct costs from services | -2,504 | -2,723 | -8.0% |
| **Net services income** | **635** | **465** | **36.5%** |
| HQ Personnel expenses | -3,074 | -3,484 | -11.7% |
| G&A expenses | -2,412 | -2,593 | -7.0% |
| **CORE BUSINESS EBITDA (Operating income)** | **51,438** | **62,948** | **-18.3%** |
| *Core business Ebitda Margin* | *66.1%* | *78.2%* | |
| Revenues from trading | 450 | 0 | n.a. |
| Cost of sale and other costs from trading | -848 | -287 | n.a. |
| **Operating result from trading** | **-398** | **-287** | **38.7%** |
| **EBITDA** | **51,040** | **62,661** | **-18.5%** |
| *Ebitda Margin* | *65.2%* | *77.8%* | |
| Impairment and Fair Value adjustments | -73,577 | -38,817 | 89.5% |
| Depreciations and Provisions | -501 | -501 | 0.0% |
| **EBIT** | **-23,038** | **23,343** | **n.a.** |
| FINANCIAL MANAGEMENT | -17,966 | -16,415 | 9.5% |
| EXTRAORDINARY MANAGEMENT | -72 | 3 | n.a. |
| **PRE-TAX RESULT** | **-41,076** | **6,931** | **n.a.** |
| Taxes | 2,246 | 168 | n.a. |
| **NET RESULT FOR THE PERIOD** | **-38,830** | **7,099** | **n.a.** |
| (Profit/Loss) for the period related to third parties | 0 | 0 | n.a. |
| **GROUP NET RESULT** | **-38,830** | **7,099** | **n.a.** |

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).

## Net rental income

Rental income amounted to €74,636 thousand, down 3.5% compared to the same period of the prior year, impacted only partially by the unforeseen situation.

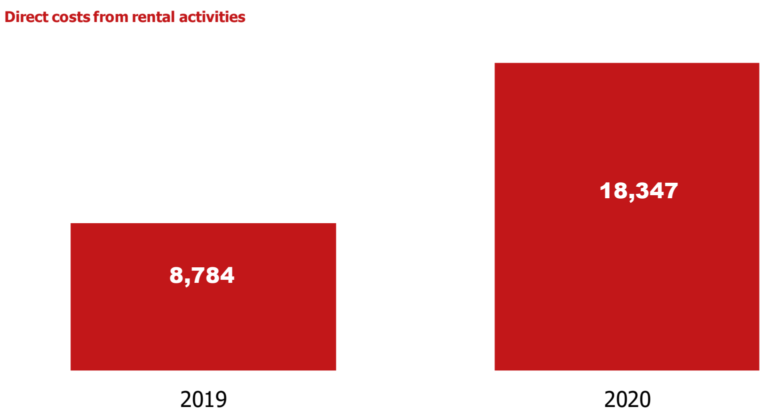


The decrease of €2,708 thousand is explained by:

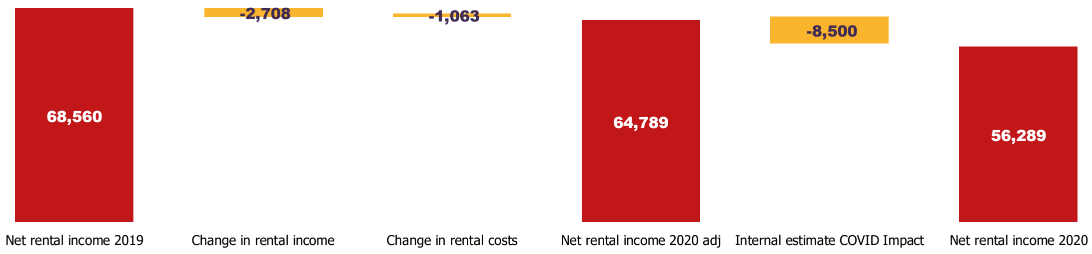
- for around -€1,338 thousand, lower revenue like-for-like in Italy. The decrease is almost entirely attributable to malls (-3%) due above all to the drop in variable and temporary revenue attributable to the lockdown period; hypermarkets were stable (+0.2%) consistent with their full operation even during the lockdown period. 79 leases were signed in the first half of 2020 with rents stable;
- for €388 thousand, lower revenue non like-for-like attributable to asset rotation at Darsena and Palazzo Orlando (September 2019) and remodeling of the hypermarkets in Le Maioliche Shopping Center in Faenza and in Fonti del Corallo Shopping Center in Livorno;
- for €982 thousand, lower revenue like-for-like (-20.1%) in Romania due to the temporary reductions already contractualized before 30 June, as well as lower variable revenue and the exit of a tenant with multiple points of sale. 145 renewed leases were signed in the period with an average upside of +4.8% and 54 for turnover.

Negotiations are underway with the tenants to define how to manage the lockdown period and become fully operational, with a view to mutual sustainability and good faith; no changes to existing leases are foreseen, while deferred payments and temporary reductions are, the effect of which will be recognized entirely in the current year (without any carry over in subsequent years ).
In Italy 70% of the total negotiations have been completed to date. The timing was also affected by the definition of government tax relief, relating to commercial rents, for a few categories of retailers. While waiting to have a complete picture of the agreements and verify the operating performances, the Company decided to recognize part of the impact that these are expected to have on the Company's consolidated half-year results by allocating €8.5 million, or approximately one month of revenue, to a specific provision. The total revenue, net of these provisions, would have been down by -14.5%.

The direct costs for the rental business amounted to €18,347 thousand. The increase in costs is attributable mainly to the estimated one-off impact of Covid-19 on the half (€8,500 thousand recognized in the provisions) and higher provisions for doubtful accounts, condominium fees, marketing costs and indemnities, partially offset by lower direct personnel expense, IMU (property tax) and maintenance.
Net of the estimated impact of Covid-19 these costs would have amounted to €9,847 thousand, €1,063 thousand higher than in the same period of the prior year.



Net rental income, including the estimated impact of Covid-19, amounted to €56,289thousand or17.9% less than in the same period of the prior year.

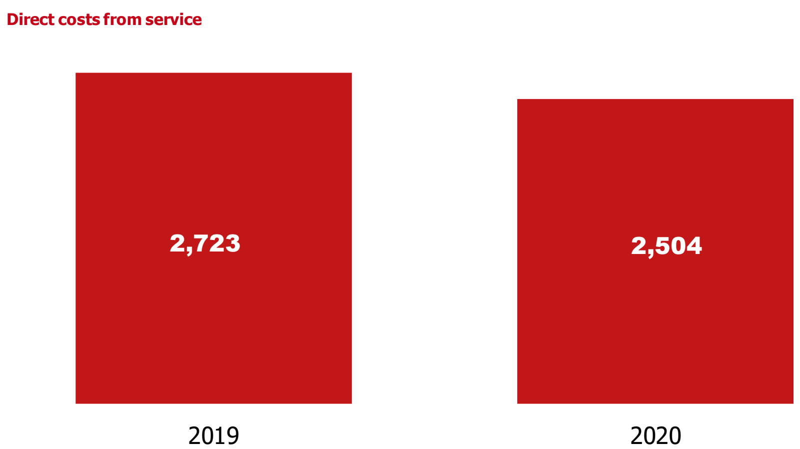



Net rental income freehold amounted to €50,935 thousand, down 18.5% with respect to the same period of the prior year due to the estimated impact of Covid-19 (€8,500 thousand recognized in the provisions). The margin is sizeable, coming in at 74.2% of revenue, but lower than in the prior year due to a drop in revenue and higher direct costs.
Net rental income leasehold amounted to €5,610 thousand or 7.8% less than in the same period of the prior year.

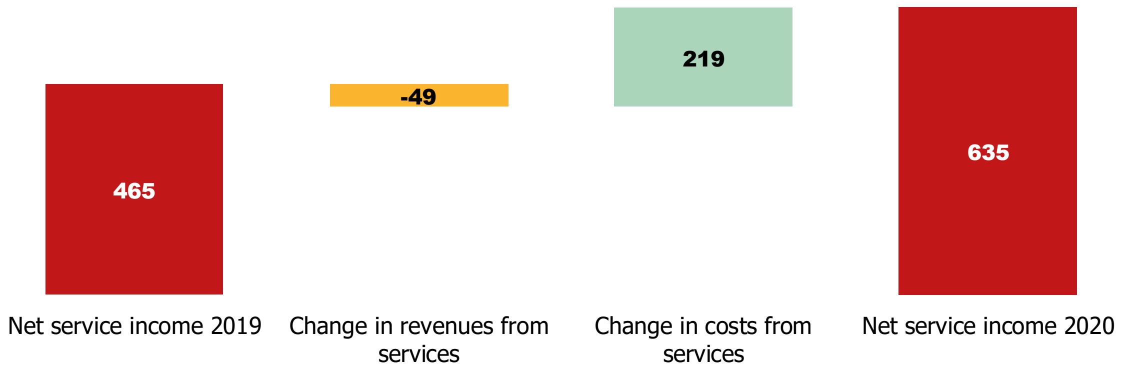
## Net services income

**Revenue from services** fell by €49 thousand against the prior year. Most of this revenue comes from the facility management business (93.1% of the total or €2,922 thousand), which was higher than in the prior period (+0.8%) due mainly to a new management mandate. Revenue from pilotage was unchanged, while revenue from agency and other services (outsourcing services) was down.

**The direct costs for services** amounted to €2,504 thousand, a decrease of €219 thousand (-8.0%) compared to the same period of the prior year due mainly to lower network personnel expense.



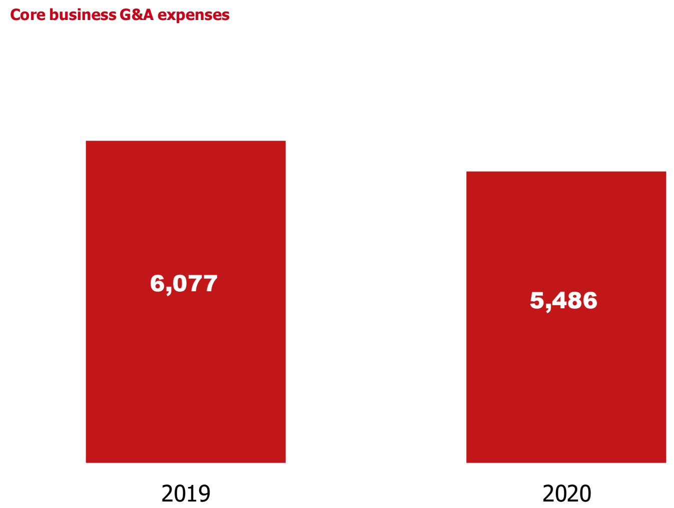

**Net services income** amounted to €635 thousand, an increase of 36.5% compared to the same period of the prior year, rising as a percentage of revenue from services from 14.6% in the prior year to 20.2%.




## General expenses for the core business

**General expenses for the core business**, including payroll costs at headquarters, came to €5,486 thousand, down (-9.7%) against the €6.077 thousand posted in the first half of 2019, attributable mainly to lower payroll costs at headquarters, consultancies and corporate management costs, partially offset by a slight increase in corporate communication costs attributable to post-lockdown promotional campaigns.

As a percentage of revenue these costs came to around 7.1%.

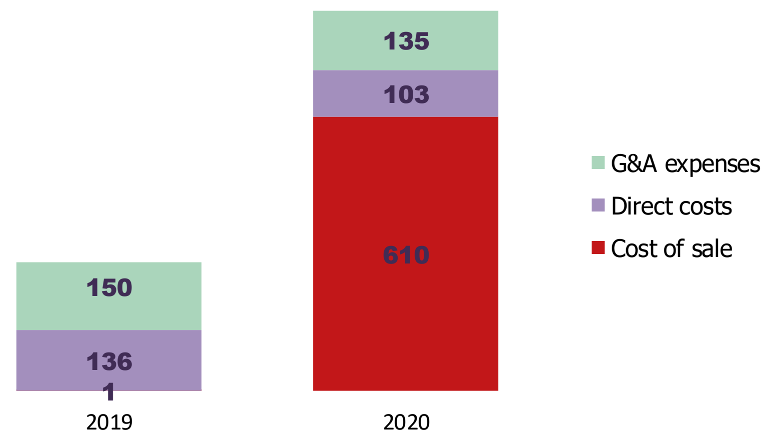



## Operating results for trading

**Trading posted an operating loss** of €398 thousand, which was larger than in the first half of 2019.

In the first half of the year a residential unit in the Mazzini area, two garages and one parking spot were sold, as described in greater detail in section 1.8. As a result of these transactions, all the residential units in this area have been sold/pledged.

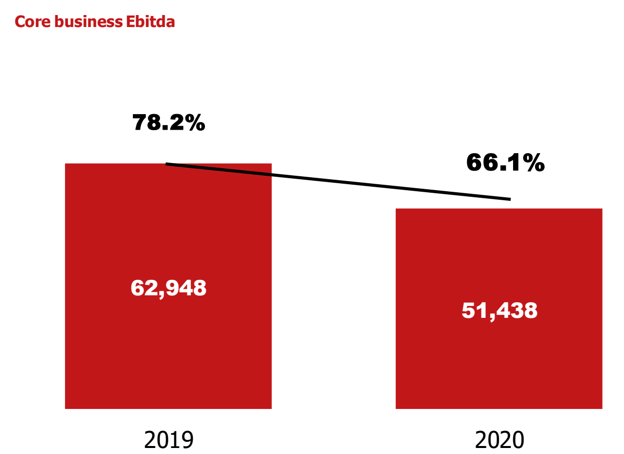
The costs for the Porta a Mare project are broken down below:




## EBITDA

Core business EBITDA, including the estimated impact of Covid-19, fell 18.3% against the comparison period to €51,438 thousand in the first half of 2020, while total EBITDA fell by 18.5% to €51,040 thousand. The changes in the components of total EBITDA during the first six months of 2020 are shown below.


The core business **EBITDA MARGIN** reached 66.1%, lower than in the same period of the prior year.



## Fair value adjustments

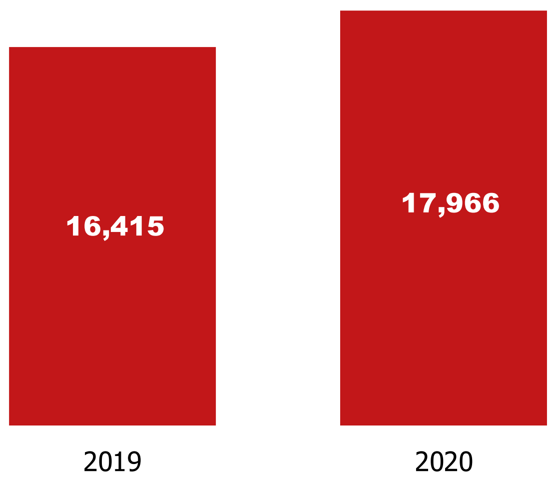
**Fair value adjustments and writedowns** were negative for €73,577 thousand at 30 June 2020, higher than the €38,816 thousand recorded at 30 June 2019, explained by:

- for €6,195 thousand, the right-of-use assets stemming from IFRS 16;
- for €9,039 thousand, the restyling completed in the reporting period, extraordinary maintenance of the properties owned by the IGD Group's Italian companies and progress on the work done on the Officine Storiche area in Livorno;
- for €50,014 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 30 June 2020;
- for €259 thousand, the extraordinary maintenance of the Romanian subsidiary Win Magazin S.a.'s freehold properties;
- for €8,070 thousand, fair value adjustments of investment properties held by the Romanian subsidiary Win Magazin SA based on independent appraisals at 30 June 2020.

## EBIT

**EBIT** was negative for €23,038 thousand, lower than in the same period of the prior year; this change is attributable to the factors described above.

## Financial income and charges




**Financial charges** went from €16,415 thousand at 30 June 2019 to €17,966 thousand at 30 June 2020. The increase, of around €1,551 thousand, is attributable mainly to

- higher financial expense for bond loans;
- higher amortized cost expense stemming from the new €400 million bond issue and the partial buyback of outstanding bonds in November 2019.

The average cost of debt (without considering recurring and non-recurring transaction costs) at 30 June 2020 was 2.30%, down slightly compared to 2.35% at 31 December 2019, while the weighted average effective cost of debt went from 2.98% at 31 December 2019 to 2.69%.

The **interest cover ratio (ICR),** the ratio of Ebitda to interest expense, came to 2.84x, lower compared to the 3.39x posted at 31 December 2019 (net the impact of the last financial transaction the ICR would have been 3.5x, lower compared to 3.8x at 31 December 2019).

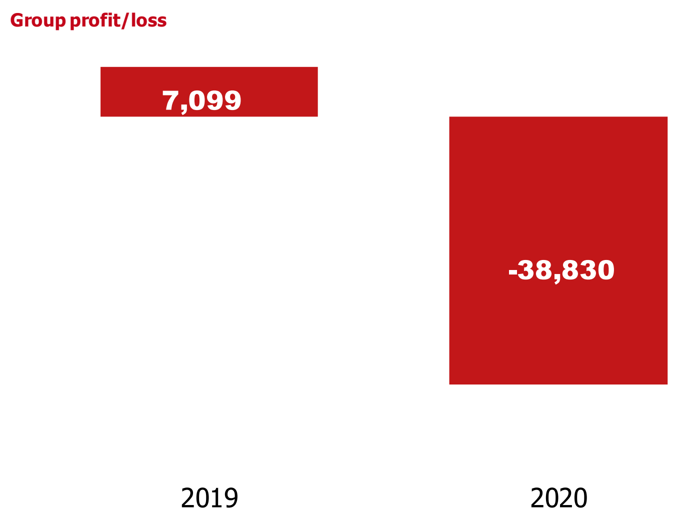
## Taxes

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Current taxes | 518 | 655 | (137) |
| Deferred tax liabilities | (2,713) | (886) | (1,827) |
| Deferred tax assets | 40 | 65 | (25) |
| Out-of-period income/charges - Provisions | (91) | (2) | (89) |
| **Income taxes** | **(2,246)** | **(168)** | **(2,078)** |

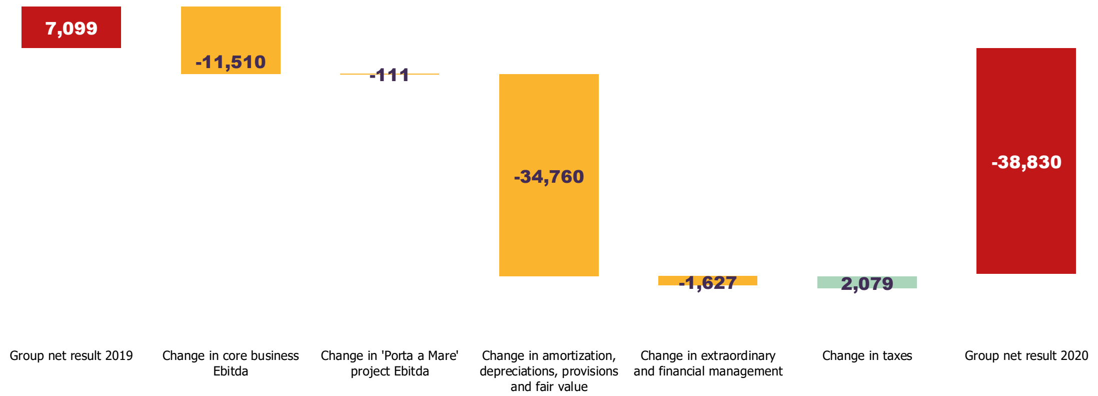
The tax burden, current and deferred, reached €2,246 thousand at 30 June 2020, a decrease of €2,078 thousand against 30 June 2019 explained primarily by: i) the adjustment made to deferred tax assets and liabilities in order to align the fair value with the tax assessed value of a few real estate investments held by subsidiaries and (ii) the impact of the deferred tax recognized in accordance with IFRS 16.
Current tax is €137 thousand lower than in the same period of the prior year as a result mainly of the drop in revenue attributable to the lockdown.
Contingent assets consists mainly of the effects for the various Group companies of the cancellation of the IRAP (regional business tax) balance for 2019 and first advance payment for 2020, as provided for by the "Decreto Rilancio" (Recovery Decree) published in the Gazzetta Ufficiale on 19 May 2020.
No deferred tax assets were recognized for losses carried forward connected to tax consolidation, similar to 31 December 2019, as it was deemed unlikely that the conditions for the recovery of these deferred tax assets would materialize.

## Group profit/loss

As a result of the above, the Group recorded a Group's loss of €38,380 thousand, €45,929 thousand less than the profit equal to €7,099 thousand recorded at 30 June 2019.



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

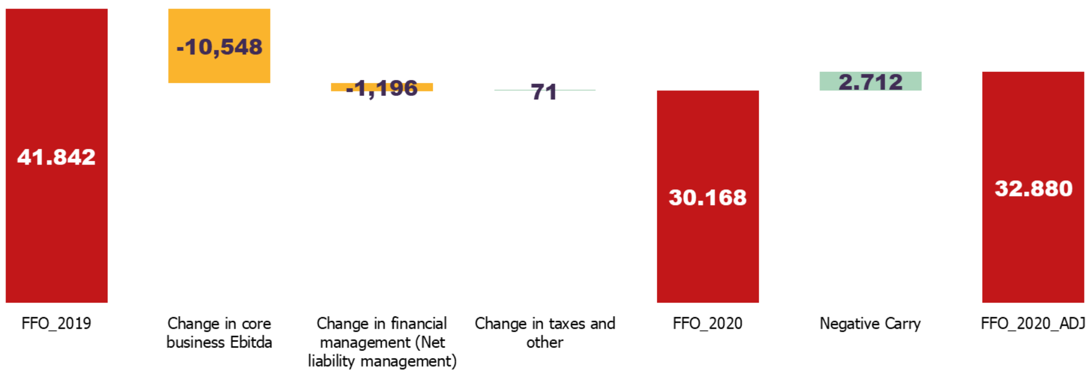



## Core business FFO

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 €32,880 thousand at 30 June 2020, lower than the same period of the prior year as a result of the decrease in EBITDA explained primarily by the estimated one-off impact of Covid-19 on the first half. Financial charges were lower, net of the negative carry for 2020 stemming from the new €400 million bond issue and the partial buyback of outstanding bonds in November 2019, as were rents payable.

| Funds from Operations | 2020 | 2019 | Δ | Δ% |
|---|---|---|---|---|
| **Core business EBITDA*** | **51,596** | **62,946** | **(11,350)** | -18.0% |
| IFRS16 Adjustments (payable leases) | (4,295) | (5,096) | 801 | -15.7% |
| Financial management Adj | (16,647) | (15,451) | (1,196) | 7.7% |
| Current taxes for the period Adj | (486) | (557) | 71 | -12.8% |
| **FFO** | **30,168** | **41,842** | **(11,674)** | -27.9% |
| Negative Carry | 2,712 | 0 | 2,712 | |
| **FFO ADJ** | **32,880** | **41,842** | **(8,962)** | -21.4% |

*Net non-recurring costs of €158 thousand.



# 1.5. // Statement of financial position and financial review

The IGD Group's statement of financial position at 30 June 2020 can be summarized as follows:

| (in thousands of Euros) | 30/06/2020 | 31/12/2019 | ▲ | % |
|---|---|---|---|---|
| Investment property | 2,300,570 | 2,365,214 | (64,644) | -2.81% |
| Assets under construction and advance payments | 40,610 | 40,827 | (217) | -0.53% |
| Intangible assets | 12,524 | 12,535 | (11) | -0.09% |
| Other tangible assets | 8,750 | 8,970 | (220) | -2.51% |
| Sundry receivables and other non-current assets | 127 | 118 | 9 | 7.17% |
| Equity investments | 151 | 223 | (72) | -47.68% |
| Net working capital | 19,094 | 18,441 | 653 | 3.42% |
| Funds | (6,420) | (7,125) | 705 | -10.98% |
| Sundry payables and other non-current liabilities | (21,831) | (21,873) | 42 | -0.19% |
| Net deferred tax (assets)/liabilities | (24,097) | (26,313) | 2,216 | -9.20% |
| **Total use of funds** | **2,329,478** | **2,391,017** | **(61,539)** | **-2.64%** |
| | | | | |
| Total shareholders' equity | 1,148,084 | 1,211,014 | (62,930) | -5.48% |
| Net (assets) and liabilities for derivative instruments | 15,830 | 17,365 | (1,535) | -9.70% |
| Net debt | 1,165,564 | 1,162,638 | 2,926 | 0.25% |
| **Total sources** | **2,329,478** | **2,391,017** | **(61,539)** | **-2.64%** |

The principal changes in the half quarter of 2020, compared to 31 December 2019, relate to:

✓ **Investment property,** which was €64,644 thousand lower due to:

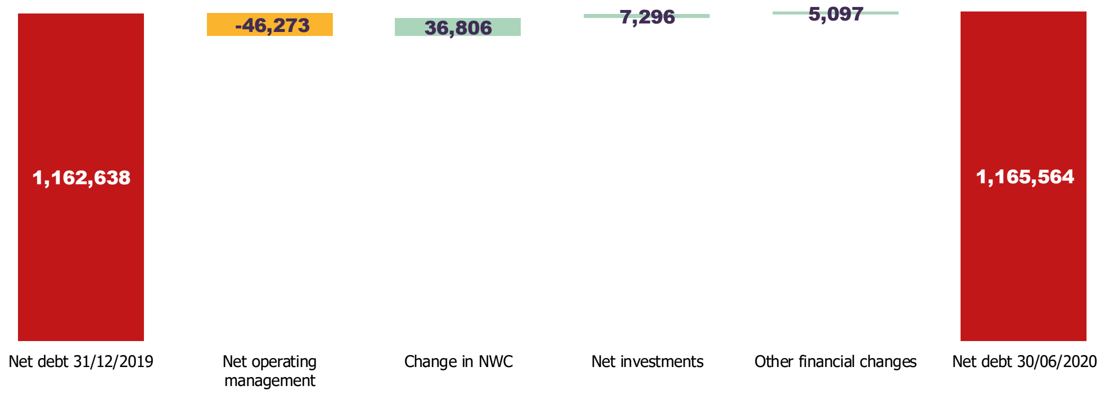
- continuation of the extraordinary maintenance relating primarily to earthquake proofing at the Centro d'Abruzzo and Porto Grande shopping centers, waterproofing at the La Favorita Shopping Center, fit-out work at the Darsena Shopping Center and compliance with fire safety regulations mainly in a few Romanian shopping centers for €3,596 thousand;
- the reclassification of assets under construction and advances following completion in the period of the work done on: *(i)* the remodeling of the Le Maioliche Shopping Center for €754 thousand *(ii)* substitution of lighting with LED lighting systems in order to increase energy efficiency at the Punta di Ferro Shopping Center in Forlì for €324 thousand, *(iii)* restyling of the first floor of the Darsena Shopping Center in preparation for the opening of a leisure zone for €416 thousand, and *(iv)* compliance with fire safety regulations mainly in a few Romanian shopping centers for €15 thousand;
- the fair value adjustment of investment property which was revalued in the amount of €16,921 thousand and written down by €80,475 thousand for a net negative impact of €63,554 thousand;
- impairment of the right-of-use assets relating to the malls in the "Centro Nova", "Centro Piave" and "Fonti del Corallo" shopping centers based on the appraisals of €6,195 thousand.

- **Assets under construction and advances,** which showed a decrease of €217 thousand attributable primarily to:
    - Investments made in the period explained mainly by: (i) for €155 thousand, restyling at the Gran Rondò Mall in Crema; (ii) for €174 thousand, the planning of restyling at La Favorita in Mantua and Porto Grande in San Benedetto del Tronto; (iii) for €250 thousand, the remodeling of 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; (iv) for €653 thousand, restyling at the Darsena Shopping Center in Ferrara and Punta di Ferro in Forlì, and (v) for around €2,859 thousand, continuation of the work on Officine Storiche;
    - for €1,509 thousand, the reclassification to investment property of work completed in the period;
    - writedowns of: (i) the Porto Grande expansion (€193 thousand), (ii) the Officine Storiche section of the Porta a Mare project, nearing completion (€1,669 thousand), and (iii) land owned by the subsidiary IGD Management S.r.l. (€541 thousand);
    - for €396 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;
- **Net working capital** which showed an increase of €653 thousand against 31 December 2019 explained primarily by: *(i)* the increase in trade and related party receivables of €22,755 thousand to the adjustment in payment dates made by the Group in the second quarter of 2020 as an initial form of financial support for tenants during the lockdown period; *(ii)* a decrease in inventory of €1,169 thousand linked to the work done in the period explained for €864 thousand by work carried out, by impairment of €1,425 thousand and the sale of one residential unit, two garages and one parking place in the period; *(iii)* the increase in other current assets of around €1,492 thousand due mainly to higher prepaid expenses relating to insurance and other costs pertaining to the year but paid in first half 2020; *(iv)* a decrease in trade payables of €5,661 thousand due to the suspension of non-essential capex in the second quarter of 2020; *(v)* an increase in tax liabilities of around €1,941 thousand, relating mainly to the IMU (property tax), due to different billing cycles compared to the same period of the prior year, partially offset by the payment of the last instalment of the substitute tax owed by Punta di Ferro SIINQ S.p.A. for adhering to the Siinq regime at the end of 2015 fiscal year; *(vi)* an increase in other current liabilities and other current liabilities with related parties explained primarily by the dividends paid to shareholders in July 2020.

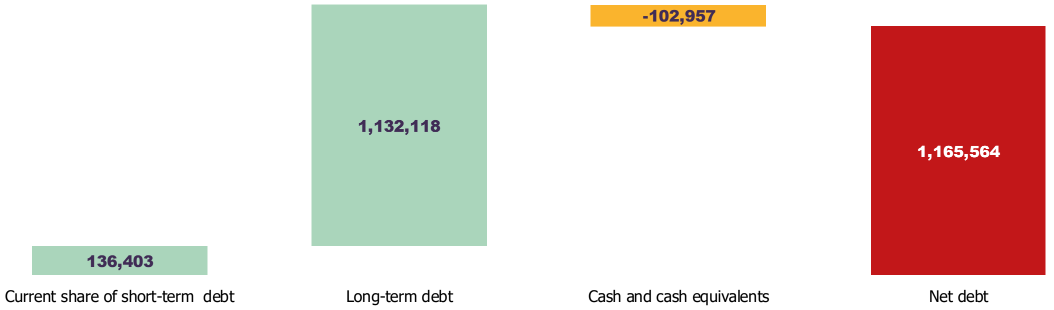
| (in thousands of Euros) | 30/06/2020 | 31/12/2019 | Δ | % |
|---|---|---|---|---|
| Work in progress inventory and advances | 32,433 | 33,602 | (1,169) | -3.60% |
| ST trade receivables | 32,429 | 11,114 | 21,315 | 65.73% |
| Related party trade and other receivables | 2,361 | 921 | 1,440 | 60.99% |
| Other current assets | 4,576 | 3,084 | 1,492 | 32.60% |
| Trade and other payables | 10,299 | 15,960 | (5,661) | -54.97% |
| Related parties trade and other payables | 1,309 | 1,031 | 278 | 21.24% |
| Current tax liabilities | 4,542 | 2,601 | 1,941 | 42.73% |
| Other current liabilities | 23,770 | 10,688 | 13,082 | 55.04% |
| Related parties other current liabilities | 12,785 | 0 | 12,785 | 100.00% |
| **Net working capital** | **19,094** | **18,441** | **653** | **3.42%** |

- ✓ **Provisions for risks and charges** which showed a decrease of €705 thousand explained by: *(i)* the reclassification under other current liabilities of bonuses payable to employees in July 2020, *(ii)* the provisions made for bonuses relative to the first half of 2020 payable to employees in 2021, *(iii)* utilization of provisions made during the prior year relating to complaints filed by the former employees of a retailer to whom IGD had leased a business inside the Coné Shopping Center, *(iv)* provisions made for a few IMU disputes underway relating to the ESP (Ravenna) and La Torre (Palermo) shopping centers, and (*v)* adjustments to employee severance (TFR and TFM).
- ✓ **Net deferred tax assets and liabilities**, which went from €26,313 thousand to €24,097 thousand due to tax misalignments relating to *(i)* investment property which is not included in the SIIQ perimeter, *(ii)* taxed provisions, and *(iii)* hedges (IRS).
- ✓ The **Group's net equity** amounted to €1,148,084 thousand at 30 June 2020. The decrease of €62,930 thousand is explained mainly by:
  - for €25,150 thousand, the dividend approved during the Annual General Meeting held on 11 June 2020 and payable as from 22 July 2020;
  - an adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around +€1,818 thousand for the parent company;
  - an adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around -€364 thousand for a subsidiary;
  - for €343 thousand, the purchase of treasury shares;
  - for approximately -€61 thousand, movements in the translation reserve for the translation of foreign currency financial statements;
  - for €38,830 thousand, the Group's portion of the loss recorded in the reporting period.
- ✓ **Net liabilities for derivatives** were down against the prior year due to the fair value measurement of hedging instruments at 30 June 2020 which was €1,535 thousand lower than in the prior year.

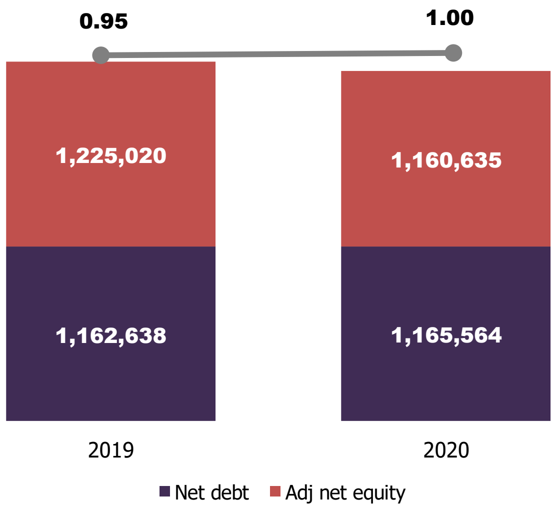
The net financial position at 30 June 2020 was about €2.9 million higher with respect to the prior year. The changes are shown below:




The item "Short term portions of long-term debt" shown in the net financial position includes the short-term portion of mortgages, lease financing and bond debt.




The gearing ratio reflects the debt to equity ratio, including non-controlling interests but excluding the CFH reserves. The ratio came to 1.00 at 30 June 2020, slightly worse than the 0.95 recorded at 31 December 2019.



## 1.6. // EPRA Performance Indicators

The IGD Group decided to report on a few of the EPRA performance indicators [8], in accordance with the recommendations found in "*EPRA Best Practices Recommendations*"[9].

**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.

**NET ASSET VALUE METRICS**: are the main performance indicators that provide stakeholders with information about the fair value of the company's assets and liabilities.
In October 2019, three new asset value metrics were introduced in EPRA Best Practices Recommendations: **EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV)** which replace EPRA NAV and EPRA NNNAV. Consistent with EPRA Best Practices Recommendations, the new EPRA NAV indicators were used for the first time in the half-year report at 30 June 2020 which include a reconciliation of the calculation used for the old and new indicators, along with the calculation used for the comparison period (2019).

**NET REINSTATEMENT VALUE (NRV)**: The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. It represents the repurchase value of the company, assuming the company does not sale any properties and is calculated based on the equity attributable to the Group (as shown in the IFRS financial statements), excluding the fair value movements on financial derivatives and deferred taxes on property valuation surpluses.

**NET TANGIBLE ASSETS (NTA):** the underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallizing certain levels of deferred tax liability. It represents a scenario in which a few properties could be sold. At 30 June 2020 the company does not have any assets which could be sold and for this reason the deferred taxes coincide with the amount excluded from the NRV calculation. Contrary to NRV, the goodwill and the intangible assets included in the financial statements are excluded from the equity attributable to the Group.

**NET DISPOSAL VALUE (NDV):** represents the stakeholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. In this disposal scenario goodwill is excluded from the Group's portion of equity, while the fair value of debt is included.

**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.

[8] European Public Real Estate Association
[9] See www.epra.com

**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 | 30/06/2020 | 31/12/2019 |
|---|---|---|
| EPRA NRV/NAV (€'000) | 1,193,288 | 1,258,008 |
| EPRA NRV/NAV per share | € 10.81 | € 11.40 |
| EPRA NTA | 1,180,764 | 1,245,473 |
| EPRA NTA per share | € 10.70 | € 11.29 |
| EPRA NDV | 1,252,303 | 1,192,894 |
| EPRA NDV per share | € 11.35 | € 10.81 |
| EPRA Net Initial Yield (NIY) | 5.9% | 5.9% |
| EPRA 'topped-up' NIY | 6.0% | 6.0% |
| EPRA Vacancy Rate Gallerie Italia | 5.8% | 4.5% |
| EPRA Vacancy Rate Iper Italia | 0.0% | 0.0% |
| EPRA Vacancy Rate Totale Italia | 4.4% | 3.2% |
| EPRA Vacancy Rate Romania | 5.4% | 2.4% |

| EPRA Performance Measure | 30/06/2020 | 30/06/2019 |
|---|---|---|
| EPRA Cost Ratios (including direct vacancy costs) | 18.9% | 17.6% |
| EPRA Cost Ratios (excluding direct vacancy costs) | 16.5% | 15.4% |
| EPRA Earnings (€'000) | € 32,772 | € 44,400 |
| EPRA Earnings per share | € 0.3 | € 0.4 |

The NAV calculations at 30 June 2020 are shown below:

| Net Asset Value | EPRA NRV | EPRA NTA | EPRA NDV | EPRA NAV | EPRA NNNAV |
|---|---|---|---|---|---|
| IFRS Equity attributable to shareholders | **1,148,085** | **1,148,085** | **1,148,085** | **1,148,085** | **1,148,085** |
| **Exclude:** | | | | | |
| v) Deferred tax in relation to fair value gains of IP | 29,373 | 29,373 | | 29,373 | |
| vi) Fair value of financial instruments | 15,830 | 15,830 | | 15,830 | |
| viii.a) Goodwill as per the IFRS balance sheet | | (12,485) | (12,485) | | |
| viii.b) Intangibles as per the IFRS balance sheet | | (39) | | | |
| **Include:** | | | | | |
| ix) Fair value of fixed interest rate debt | | | 116,703 | | 116,703 |
| x) Real estate transfer tax (estimate) | 0 | 0 | 0 | | |
| **NAV** | **1,193,288** | **1,180,764** | **1,252,303** | **1,193,288** | **1,264,788** |
| Fully diluted number of shares | 110,341,903 | 110,341,903 | 110,341,903 | 110,341,903 | 110,341,903 |
| **NAV per share** | **10.81** | **10.70** | **11.35** | **10.81** | **11.46** |
| % Change vs 31/12/2019 | -5.1% | -5.2% | 5.0% | -5.1% | 4.9% |

The NAV calculations at 31 December 2019 are shown below:

| Net Asset Value | EPRA NRV | EPRA NTA | EPRA NDV | EPRA NAV | EPRA NNNAV |
|---|---|---|---|---|---|
| IFRS Equity attributable to shareholders | **1,211,015** | **1,211,015** | **1,211,015** | **1,211,015** | **1,211,015** |
| **Exclude:** | | | | | |
| v) Deferred tax in relation to fair value gains of IP | 29,628 | 29,628 | | 29,628 | |
| vi) Fair value of financial instruments | 17,365 | 17,365 | | 17,365 | |
| viii.a) Goodwill as per the IFRS balance sheet | | (12,485) | (12,485) | | |
| viii.b) Intangibles as per the IFRS balance sheet | | (50) | | | |
| **Include:** | | | | | |
| ix) Fair value of fixed interest rate debt | | | (5,636) | | (5,636) |
| x) Real estate transfer tax (estimate) | 0 | 0 | 0 | 0 | 0 |
| **NAV** | **1,258,008** | **1,245,473** | **1,192,894** | **1,258,008** | **1,205,379** |
| Fully diluted number of shares | *110,341,903* | *110,341,903* | *110,341,903* | *110,341,903* | *110,341,903* |
| **NAV per share** | **11.40** | **11.29** | **10.81** | **11.40** | **10.92** |

The NRV/NAV were down against the figure posted at 31 December 2019 (-5.1%) due mainly to the changes in net equity. These changes are primarily attributable to: (i) the dividends approved; *(ii)* other minor changes in equity and *(iii)* the decrease in the properties' fair value, partially offset by the growth in FFO and the increase in the cash flow hedge reserve.

The NTA is down against the figure posted at 31 December 2019 (-5.2%). At 30 June 2020 the company does not have any assets which could be sold, therefore the difference compared to NRV is the exclusion of the goodwill and the intangible assets included in the financial statements.

The NDV is higher than in the prior year (+5.0%) due mainly, in addition to the above, the increase in the fair value of the debt calculated based by discounting cash flows at a risk-free rate plus a market spread. This is explained by the use of a risk-free yield curve and the market spread updated based on conditions at 30 June 2020, in addition to a change in the composition of debt (in terms of both duration and cost).

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

| NIY and "topped-up" NIY disclosure | | Consolidated 30-giu-20 | | | | | Consolidated 31-dic-19 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *€'000* | | *Italy* | *Romania* | *Total (no IFRS16)* | *Leasehold* | *Total* | *Italy* | *Romania* | *Total (no IFRS16)* | *Leasehold* | *Total* |
| Investment property – wholly owned | | 2,148,008 | 142,620 | **2,290,628** | 48,771 | **2,339,399** | 2,197,556 | 150,290 | **2,347,846** | 54,800 | **2,402,646** |
| *Investment property – share of JVs/Funds* | | 0 | 0 | **0** | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| Trading property (including share of JVs) | | 32,390 | 0 | **32,390** | 0 | **32,390** | 33,560 | 0 | 33,560 | 0 | **33,560** |
| *Less developments* | | -382,636 | 0 | **-382,636** | 0 | **-382,636** | -479,301 | 0 | -479,301 | 0 | **-479,301** |
| Completed property portfolio | | 1,797,762 | 142,620 | **1,940,382** | 48,771 | **1,989,153** | 1,751,815 | 150,290 | 1,902,105 | 54,800 | **1,956,906** |
| *Allowance for estimated purchasers' costs* | | 0 | 0 | **0** | 0 | **0** | 0 | 0 | 0 | 0 | **0** |
| ***Gross up completed property portfolio valuation*** | ***B*** | ***1,797,762*** | ***142,620*** | ***1,940,382*** | ***48,771*** | ***1,989,153*** | ***1,751,815*** | ***150,290*** | ***1,902,105*** | ***54,800*** | ***1,956,906*** |
| *Annualised cash passing rental income* | | 109,054 | 9,884 | **118,938** | 12,244 | **131,182** | 106,129 | 10,418 | 116,547 | 12,568 | **129,115** |
| Property outgoings | | -12,827 | -1,320 | **-14,147** | -310 | **-14,457** | -12,287 | -1,297 | -13,584 | -417 | **-14,001** |
| ***Annualised net rents*** | ***A*** | ***96,227*** | ***8,564*** | ***104,791*** | ***11,934*** | ***116,725*** | ***93,842*** | ***9,121*** | ***102,963*** | ***12,151*** | ***115,114*** |
| Add: notional rent expiration of rent free periods or other lease incentives | | 2,447 | 312 | **2,759** | 147 | **2,906** | 1,700 | 282 | 1,982 | 143 | **2,125** |
| *Topped-up net annualised* | ***C*** | **98,674** | **8,876** | **107,550** | **12,081** | **119,631** | **95,542** | **9,403** | **104,945** | **12,294** | **117,239** |
| **EPRA NIY** | **A/B** | **5.4%** | **6.0%** | **5.4%** | **24.5%** | **5.9%** | **5.4%** | **6.1%** | **5.4%** | **22.2%** | **5.9%** |
| **EPRA "topped-up" NIY** | **C/B** | **5.5%** | **6.2%** | **5.5%** | **24.8%** | **6.0%** | **5.5%** | **6.3%** | **5.5%** | **22.4%** | **6.0%** |

The net initial yield (NIY) 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 that the company is contractually entitled to consider at the closing date of each financial year (indexation and other variations).

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.

The **EPRA vacancy rate** in Italy was 4.4% higher than in the prior year (when it reached 3.2%), due to the increased vacancy rate for malls (5.8% versus 4.5% in the prior year), while full occupancy was posted for hypermarkets, consistent with the prior year. The EPRA vacancy rate in Romania came to 5.4% versus 2.4% in 2019.

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

| Cost Ratios | 1H CONS_2020 | 1H CONS_2019 |
|---|---|---|
| **Include:** | | |
| (i) Administrative/operating expense line per IFRS income statement | -18,073 | -17,849 |
| *(ii) Net service charge costs/fees* | 1,818 | 1,774 |
| (iii) Management fees less actual/estimated profit element | 2,504 | 2,709 |
| *(iv) Other operating income/recharges intended to cover overhead expenses less any related profits* | 0 | 14 |
| (v) Share of Joint Ventures expenses | | |
| ***Exclude (if part of the above):*** | | |
| *(vi) Investment Property depreciation* | | |
| (vii) Ground rent costs | 2 | 52 |
| *(viii) Service charge costs recovered through rents but not separately invoiced* | | |
| **EPRA Costs (including direct vacancy costs) (A)** | **-13,749** | **-13,299** |
| *(ix) Direct vacancy costs* | -1,716 | -1,661 |
| **EPRA Costs (excluding direct vacancy costs) (B)** | **-12,033** | **-11,638** |
| *(x) Gross Rental Income less ground rent costs - per IFRS* | 74,634 | 77,291 |
| (xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) (x) | -1,818 | -1,774 |
| *(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)* | | |
| **Gross Rental Income ( C )** | **72,816** | **75,517** |
| **EPRA Cost Ratio (including direct vacancy costs) (A/C)** | **18.9%** | **17.6%** |
| **EPRA Cost Ratio (excluding direct vacancy costs) (B/C)** | **16.5%** | **15.4%** |

The increase in the EPRA cost ratio is linked to the increase in direct costs as a percentage of gross rental income.

The estimated one-off impact of Covid-19 (of €8.5 million) recognized in provisions was not included in this calculation (namely "(i) Administrative/operating expense line of the IFRS income statement").

In the first half of 2020 and in the same period of the prior year, the Group only capitalized project management costs linked to Porta a Mare of €12.5 thousand.

The Epra Earnings per share calculation is shown below:

| Earnings & Earnings Per Share | 1H CONS_2020 | 1H CONS_2019 |
|---|---|---|
| **Earnings per IFRS income statement** | **-38,830** | **7,099** |
| *EPRA Earnings Adjustments:* | | |
| (i) Changes in value of investment properties, development properties held for investment and other interests | 73,577 | 38,817 |
| (ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | -72 | -3 |
| (iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties | 161 | 1 |
| (iv) Tax on profits or losses on disposals | -45 | 0 |
| (v) Negative goodwill / goodwill impairment | 0 | 0 |
| (vi) Changes in fair value of financial instruments and associated close-out costs | 526 | 0 |
| (vii) Acquisition costs on share deals and non-controlling joint venture interests | 0 | 0 |
| (viii) Deferred tax in respect of EPRA adjustments | -2,545 | -1,514 |
| (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** | **32,772** | **44,400** |

| | | |
|---|---|---|
| *Company specific adjustments:* | | |
| (a) General provisions and depreciations | 502 | 503 |
| (b) Non-controlling interests in respect of the above | 0 | 0 |
| (c) Tax on profits or losses on disposals | 45 | 0 |
| (d) Contingent tax | -91 | 0 |
| (e) Other deferred tax | -129 | 693 |
| (f) Capitalized interests | 0 | 22 |
| (g) Current Tax | 302 | 102 |
| (h) Ground rent costs, adjustement financial results and non- recurring expenses | -635 | -4,132 |
| (i) Other Adjstument for no core activities | 114 | 255 |
| **Company specific Adjusted Earnings** | **32,880** | **41,843** |

| | | |
|---|---|---|
| **Earnings Per Share** | | |
| Number of shares* | 110,341,903 | 110,341,903 |
| **Earnings Per Share** | **0.30** | **0.40** |

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 30 June 2020 shows a significant decrease of €11,628 thousand or -26.2% against the same period of the prior year, attributable mainly to the estimated one-off impact of Covid-19 (€8.5 million) included in the provisions.

## Additional information on investment properties

In accordance with EPRA Best Practices Recommendations updated as at October 2019, the capital expenditure made in the last two years is shown below:

| Capital expenditure (Euro/000) | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Acquisitions | - | 14,130 |
| Development | 3,410 | 6,690 |
| Investment properties | 4,740 | 21,900 |
| Incremental lettable space | - | - |
| No incremental lettable space | 1,535 | 9,651 |
| Tenant incentives | - | - |
| Other material non-allocated types of expenditure | 3,205 | 12,249 |
| Capitalised interest (if applicable) | - | - |
| **Total CapEx** | **8,150** | **42,720** |
| Conversion from accrual to cash basis | | |
| **Total CapEx on cash basis** | **8,150** | **42,720** |

The Group is not party to any joint ventures.

With regard to capex capitalized for freehold properties please refer to the following sections of the Report on Operations:

- 1.5 Statement of financial position and financial review
- 1.8 Significant events - Investments

and the Explanatory Notes (section 2.6) Notes 12), 13), 14), 15), 16), 17).

For the accounting standards used for the various asset classes please refer to the Explanatory Notes (section 2.6.2.1).

With regard to the real estate portfolio appraisals, the independent experts selected and the appraisal criteria used, please refer to section 1.9 The Real Estate Portfolio of the Report on Operations and section 2.6.3 Use of Estimates of the Explanatory Notes.

The reports issued by each independent expert on the appraisals made at 30 June 2020 are in section 1.10 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 1.9 The Real Estate Portfolio in the Report on Operations.

# 1.7. // 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 S.p.A.'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*

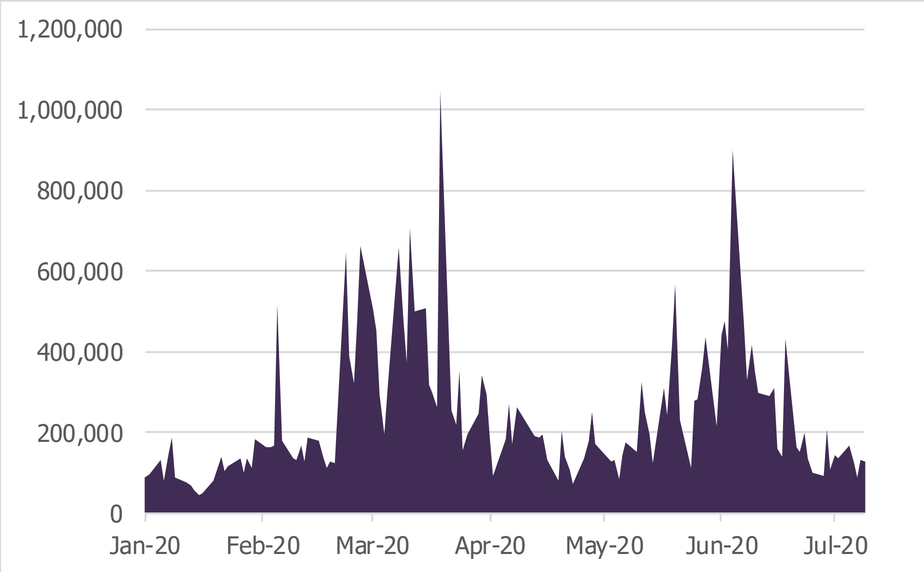
**IGD's stock price since 2 January 2020**


*Source: Italian Stock Exchange data compiled by IGD*

The performance of IGD's stock in the first half of 2020 reflects the impact of the Covid-19 pandemic. The measures implemented to stem the spread of the virus triggered a recessive environment, which interrupted the longest period of expansion ever experienced on the global markets. The retail real estate segment was one of the sectors hit the hardest by the different governmental measures imposed to contain the spread of the virus: during the most severe lockdown period only the retail businesses selling essential goods remained opened, while the movement of consumers was limited to leaving home only to purchase basic necessities.

In this environment, the price of IGD's shares fell 43.5% in the first six months of 2020 going from the €6.20 recorded on the last day of trading in 2019 to €3.51 at 30 June 2020. After reaching the high for 2020 of €6.37 on 19 February, in the next three weeks, namely during the most critical phase of the health crisis in Italy, IGD's stock fell sharply to hit the period low of €3.42 on 16 March; a new low of €3.01 was hit on 21 May.
Between the end of March and the beginning of June, the stock rebounded, hitting €3.90 twice, but did not gain enough momentum to begin a new trend despite a few significant peaks in volume. In more recent weeks the stock has traded in a narrow range, hovering around €3.50.

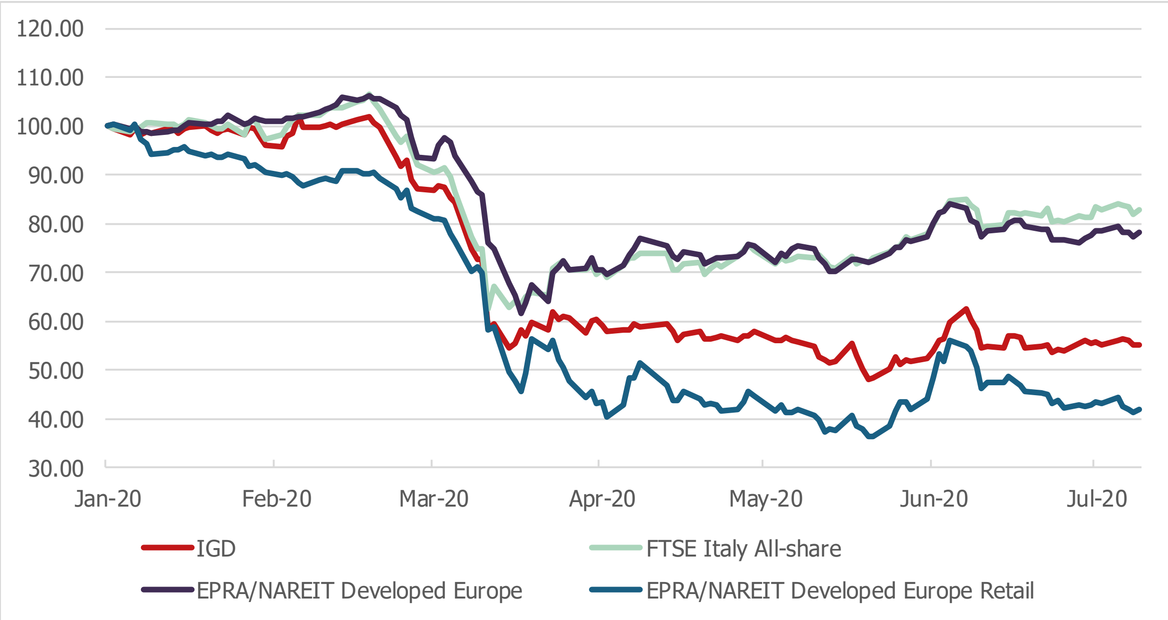
**Volumes of IGD stock traded since 2 January 2020**




*Source: Italian Stock Exchange data compiled by IGD*

In the first half of 2020 an average of 247,427 IGD shares were traded each day compared to 160,891 in the first half of 2019, an increase of 53.8%. The increase recorded in the first half of 2020 is even more significant if compared with the second half of 2019 when average volumes reached around 140,833 shares.

**IGD's stock vs. the Italian stock market index FTSE Italia All- Share and EPRA/NAREIT Developed Europe and EPRA/NAREIT Developed Europe Retail (base 2.1.2020 = 100)**




*Source: Italian Stock Exchange data compiled by IGD*

The comparison of IGD's stock price with the benchmark indices calls for an analysis of certain aspects of the overall scenario.

After what was a very positive 2019 for the stock markets, 2020 started off in an environment that was still very favorable: the trade tensions between USA and China had waned, the possibility of an orderly Brexit seemed real and the accommodative stance of the central banks had driven the main stock markets toward new record highs.

Beginning at the end of February, the sudden outbreak of the Coronavirus epidemic which from Asia spread to Europe and then the Americas, triggered a drastic and unforeseen change in the global market environment. The new scenario of a global pandemic, the steps taken by the national governments to slow contagion caused, on the one hand, a collapse in demand as a result of social distancing and, on the other, a drop in the supply of goods and services subsequent to the closing of non-essential activities. Along with the delicate situation caused by the health emergency, the price of crude oil also fell unexpectedly as the negotiations to limit global supply failed.

Even though the expectation that interest rates will remain low for a while drove investors to look for riskier asset classes, both the Italian stock market index and the European real estate index remain well below the February highs.

The **FTSE Italy All-Share Index**, while at the end of June 2020 it had rebounded almost 30% from the low recorded on 12 March 2020, is still influenced by the uncertainty surrounding the political future of the Italian government. More in detail, the correct stimulus measures for an economy that even before the health crisis was in need of profound reforms in order to guarantee the sustainability of the public debt and develop growth rates in line with EU averages, have yet to be identified.

In 2020 **EPRA/NAREIT Developed Europe**, which posted a brilliant performance in 2019 due to lower interest rates, recorded a performance not unlike the Italian stock market index with a sharp drop between February and March, a rebound mid-March which accelerated as of mid-May in the lockdown exit phase. The REITs, particularly residential and self-storage, showed a rapid recovery which drove the index's performance.

Lastly the performance of the retail real estate index, **EPRA/NAREIT Developed Europe Retail**, was the most affected by the Covid-19 crisis. Even though the low interest rates guaranteed by the expansive policy of the European Central Bank paved the way for a lower cost of capital, the companies with the highest LTVs are still under pressure due to the uncertain performance of rents. Several retailers, without a real omnichannel approach and with margins that were already threatened by the strength of e-commerce before the pandemic, had to reckon with the acceleration of this phenomenon triggered by the lockdown. For many retailers the pressure on operating margins was accompanied by a prolonged period without revenue due to store closures, which created a liquidity crisis and made it hard to pay rent.

**IGD's stock**, which was impacted by the difficult operating conditions, **performed better than the European retail segment** in the first half of 2020, supported by the presence of food anchors in its shopping centers which were always open, in geographic areas that were not as affected by the virus, able to react quickly as the lockdown was eased, and with strong regional roots.

## Investor relations and financial communication

### Analyst coverage

At the end of June 2020 IGD was covered by five brokers with an average target price of €4.88: 39% above the price recorded at 30 June 2020. 60% have buy recommendations (Buy, Outperform), while 40% are neutral (Neutral, Hold). No broker has issued a sell recommendation.

### Presentations and meetings with investors

In the first half of 2020 IGD organized two conference calls:

- on 27 February, to discuss the FY 2019 results;
- on 7 May, to discuss the results for the first quarter of 2020 and the impact of Covid-19 on the Group's business.

Despite the restrictions on movement that dominated the first part of 2020, roadshows and the participation in conferences continued thanks to the use of digital platforms.

IGD's management was able to participate in Goldman Sachs' European Real Estate Fixed Income Conference on 16 May. The usual STAR Conference organized in Milan in March by Borsa Italiana was held virtually on 20 May. In May IGD also participated in the Digital Italian Equity Conference 2020 Asia and Australia and the EPRA Corporate Access Day.

On 18 June a few virtual meetings were held during Morgan Stanley's real estate sector conference. On 25 June, IGD took part in Borsa Italiana's Digital Italian Sustainability Week.

During the first half of 2020 IGD's management, therefore, met with more 20 institutional investors.

### 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.
Over time the commitment to ensuring the maximum transparency and quality of the information in its corporate reports, has led EPRA (European Public Real Estate Association) to award IGD an impressive two EPRA BPR Gold Awards (Best Practice Recommendations) and five EPRA sBPR Gold Awards (Sustainability Best Practice Recommendations).
Recently the level of the disclosure in IGD's reported relative to the risks of climate change led EPRA to include the Company among the European real estate companies for best practices relative to two specific aspects deemed critical by the Task Force on Climate-related Financial Disclosures (TCFD): risk management and the metrics used to measure environmental risk.
On 30 June 2020 EPRA published the report "Enhancing transparency with the TCFD", in which it aligns its Best Practice Recommendations with the TCFD guidelines by including the areas of risk and opportunity associated with climate change.

### Financial calendar 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.

# 1.8. // Significant events in the half

The main events for the reporting period are described below.

## Corporate events

During the 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 thousand, by allocating €8,155 thousand to the legal reserve and €91,583 thousand to a newly formed distributable capital reserve. As a result of the share capital reduction the legal reserve equals the amount established under Art. 2430 of the Italian Civil Code. The purpose of this transaction is to give greater flexibility to the equity structure, by increasing the unavailable legal reserve and creating an available and distributable reserve, with a view also to reconciling the characteristics of the SIIQ regime (in particular, the mandatory distribution of 70% of the profit deriving from exempt operations) with the expectations of the capital markets (return on invested capital or dividend yield). The period during which, pursuant to Article 2445 of the Italian Civil Code, creditors may challenge the voluntary share capital reduction, approved during IGD's Extraordinary Shareholders' Meeting held on 11 November 2019, lapsed on 10 February 2020 and the share capital reduction was recognized in the accounts.

On 27 February 2020 the Board of Directors approved the draft separate and consolidated financial statements for FY 2019, as well as the Annual Report on Corporate Governance and Ownership Structure, included in the annual report, and the Compensation Report. The Board of Directors also approved the tenth Corporate Sustainability Report.

In light of the severity of the international public health crisis caused by Covid-19, the measures recently adopted by the public authorities and with a view to guaranteeing compliance with the restrictions required to protect public health, the Annual General Meeting, originally convened on 9 April 2020, in first call, and on 10 April 2020, in second call, to approve, inter alia, the financial statements as at 31 December 2019 and the dividend to be paid to shareholders, was postponed to 11 June 2020, in first call, and to 12 June 2020, in second call.

On 23 March 2020 the rating agency Standard & Poor's Global Ratings changed IGD SIIQ's rating from "BBB-" with a negative outlook to "BB+" (with a negative outlook) due to the challenging retail environment in Italy and the measures taken in response to the Covid-19 pandemic which could have a negative impact on the operating performance and, consequently, on credit metrics while, at the same time, recognizing the company's robust liquidity profile. On 8 April 2020, the rating agency Fitch Ratings Ltd confirmed IGD's "BBB-" rating, but, as a result of the global health crisis caused by Covid-19, the agency placed it on Rating Watch Negative. As a result of these changes and in accordance with the respective regulations, the step up clauses were not triggered. On 08 April 2020 Moody's Investors Service put IGD's long term corporate family rating and the "Ba1" senior unsecured rating of its securities maturing 2021 (with an outstanding of around €71 million) on rating watch. The outlook was changed from stable to "under review". On 9 July 2020 Moody's downgraded IGD's long term corporate family rating from "Ba1" to "Ba2" with outlook stable due to the rapid spread of the coronavirus outbreak and deteriorating global economic outlook. As a result of these changes and in accordance with the respective regulations, the step up clauses were not triggered.

On 7 May 2020, 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 changed the proposed resolution approved during the Board of Directors' meeting held on 27 February 2020. More in detail, the Board of Directors proposes to allocate 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. .e. the 2007 Budget Law). The Board of Directors also approved the interim financial report at 31 March 2020.

On 11 June 2020 the Ordinary Annual General Meeting of IGD SIIQ S.p.A. approved the 2019 financial statements of IGD SIIQ S.p.A., and resolved to pay a dividend of €0.228152 per share. The total dividend payable on the 110,232,654 ordinary shares of IGD outstanding at 7 May 2020, net of treasury shares held by the company at the same date, amounts to €25,149,800.48 to be taken from:

- for €5,578,654.15, distributable income generated entirely 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.

## Investments

During the first quarter of 2020 the Group continued with development of the Porta a Mare – Officine project, restyling of the La Favorita Shopping Center and Retail Park in Mantua and the Porto Grande center in San Benedetto del Tronto, the construction of the new mid-size retail areas at the Gran Rondò Shopping Center and Retail Park, remodeling of the spaces at Le Maioliche in Faenza, Conè in Conegliano and Porto Grande in San Benedetto del Tronto, as well as the restyling at the Darsena Shopping Center in Ferrara and Punta di Ferro in Forlì.
In the second quarter of 2020, in the wake of the Covid-19 health crisis and the lockdown period, the Group decided to suspend all work underway with the exception of anything that could not be postponed.
The investments made at 30 June 2020 are shown below:

| | 30/06/2020 Euro/mln |
|---|---|
| **Development projects:** | |
| Porta a Mare project; Officine Storiche retail area (in progress) | 2.55 |
| Porta a Mare project (Trading) (in progress) | 0.86 |
| Restyling in progress | 0.43 |
| Restyling completed in 2020 | 0.71 |
| Extraordinary maintenance | 3.60 |
| **Total IGD's Portfolio** | **8.15** |

## Development projects

### "Porta a Mare" Project

In the first quarter of 2020 the Board of Directors of Porta Medicea S.p.A. accepted the proposal to sell the last residential unit. In April the preliminary sales agreement for this unit was finalized. In June the subsidiary also finalized the sale of a residential unit for which the preliminary agreement was signed in 2019, as well as 2 garages and a parking place. As a result of these transactions all the residential units in the Mazzini section have been sold (preliminary agreements are in place for the sale of three units which should close by the end of the year).

After suspending work due to Covid-19 restrictions, work is now underway to protect the buildings already constructed and a revised plan is being drafted. Work is expected to resume beginning in October 2020.

Work on the Officine Storiche area (residential portion) continued in the first half for a total of around €863 thousand, while work on the retail portion, which is expected to be completed in 2020, amounted to approximately €2,859 thousand, of which €306 thousand related to the advances paid in prior periods. Three preliminary sales agreements for residential units in the Officine Storiche area had been signed at 30 June 2020.

### Restyling

In the first quarter of 2020 remodeling was completed at the Le Maioliche Shopping Center in Faenza, as per the agreement signed between IGD SIIQ and Unicoop Tirreno to reduce the area of the hypermarket and create, consequently, two new midsize retail areas. The costs incurred for work done in the quarter amounted to €153 thousand. The substitution of lighting with LED lighting systems in order to increase energy efficiency at the Punta di Ferro Shopping Center in Forlì was completed, as was the restyling of the first floor of the Darsena Shopping Center in preparation for the opening of a leisure zone. The work completed in the first half amounted to €184 thousand and €375 thousand, respectively.

At 30 June 2020 work was still underway on:

- planning the restyling of the La Favorita Shopping Center and Retail Park in Mantua and the Porto Grande Shopping Center in San Benedetto del Tronto. Work is expected to be completed by early 2021. The costs incurred for the work done amounted to €174 thousand at 30 June 2020;

- remodeling the spaces inside 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 2021. Work totaling €97 thousand was completed at 30 June 2020;
- creating new midsize retail areas in the Gran Rondò Shopping Center and Retail Park in Crema for a total of €155 thousand at 30 June 2020. Work is currently suspended.

As described above, in the wake of the Covid-19 health crisis and the lockdown, the Group decided to suspend all the work underway. The planning of the work to be done at the La Favorita center in Mantua and Porto Grande in San Benedetto del Tronto is expected to resume in the next few weeks.


La Favorita (MN) – Piazza food

Galleria Gran Rondò - Crema

## Extraordinary maintenance

In the first and second quarters of 2020, only extraordinary maintenance deemed essential continued for a total of €3,596 thousand, relating mainly to earthquake proofing at the Centro d'Abruzzo and Porto Grande shopping centers, waterproofing at La Favorita Shopping Center, fit-out work at the Darsena Shopping Center and fire alarm systems, primarily at a few Romanian shopping centers. Based on the fair value measurement of investment property, the value of the extraordinary maintenance was fully impaired at 30 June 2020.

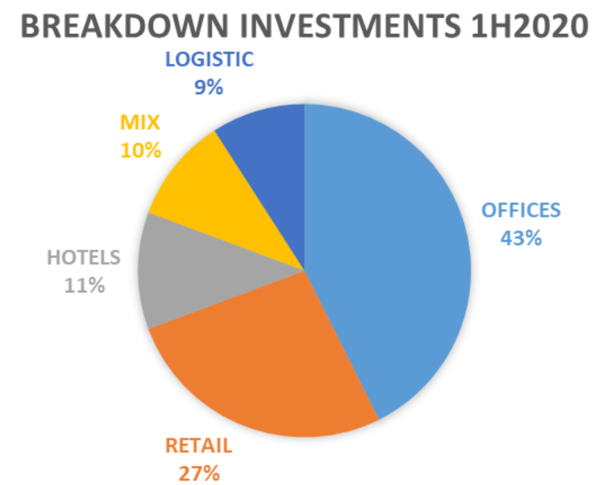
# 1.9.// The Real Estate Portfolio

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 the first half of 2020.

## The European and Italian real estate market

The Italian economic situation in the first half of 2020 was strongly impacted by the Covid-19 pandemic which spread in Italy beginning in February 2020, resulting in the closure of manufacturing and retail businesses with the exception of essential activities, through early May when businesses gradually resumed operation.
The unstable environment that was created by the pandemic also had a severe impact on the Italian commercial real estate market which in the first half of 2020 transacted about €3.5 billion, 29% less than in the same period of the prior year and 18% less than the average recorded in the last five years. Hotels and logistics recorded the biggest drops.
There was also a generalized reduction in the number of transactions, which in the reporting period was slightly more than half the number reported in the second half of 2019.

**Italian commercial real estate transactions 1H2020**

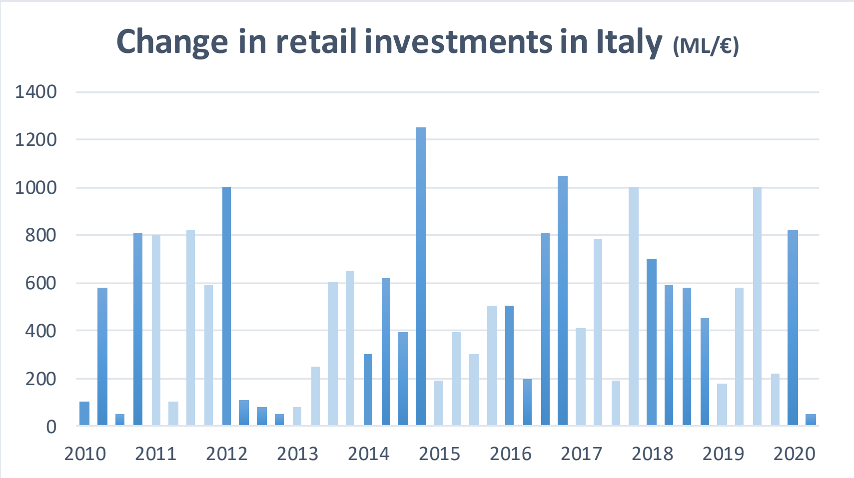



*Source JLL Italian market perspectives July 2020*

## The Italian retail real estate market

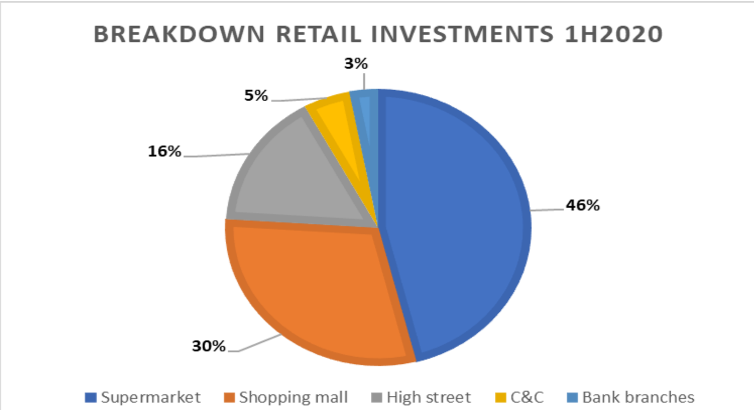
Investments in the retail real estate market totaled around €0.94 billion in the first half of 2020. Investments fell dramatically in Q2, but the first half closed 24% higher than the same period of the previous year thanks to first quarter portfolio transactions.

**Change in retail investments in Italy**




*Source CBRE 2Q2020*

**Transactions by type of retail real estate 1H 2020**

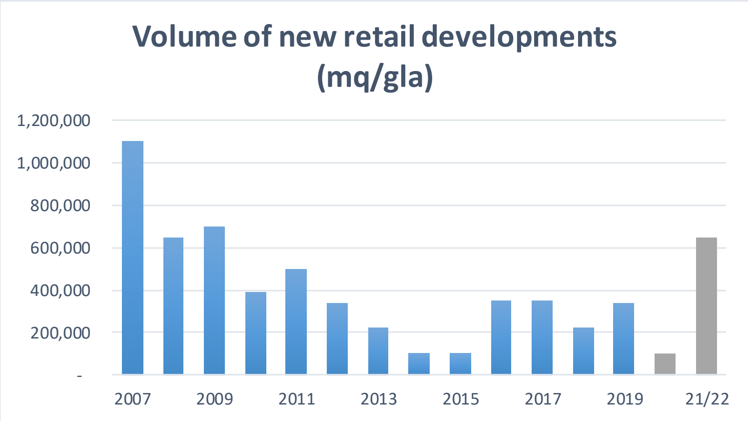



*Source CBRE 2Q2020*

## The stock and the retail sector pipeline

The consequences of the Covid-19 crisis for development projects were significant in terms of both delays in the projects that were expected to be completed in the second quarter and the voluntary suspension of projects in the pipeline due to the environment of extreme uncertainty. The development activities of single retailers were also revisited and, in many cases, focused on downsizing the sales network.

**New retail developments completed and still underway at 30 June 2020 (GLA >10,000 m2)**




*Fonte CBRE 2Q2020*

## The Romanian retail real estate market

The crisis triggered by the Covid-19 pandemic brought a complete revision of the estimated growth of Romanian GDP for 2020. After ten years of positive growth rates, a decrease of 9.7% is estimated for the first half of 2020 and of 4.4% for FY 2020. The volume of real estate transactions in the first half of 2020 was 17% higher than in the same period 2019 due to the transactions closed in the first few months of the year.

The stock of modern commercial spaces (shopping centers and retail parks) reached 3.75 million $m^2$ and an additional 180,000 $m^2$ is expected to be added in 2020. Prime yields for retail continued to decompress, coming in at 7%.

## 1.9.1 The Real Estate assets

Based on the appraisals at 30 June 2020, the IGD SIIQ SPA Group's freehold real estate portfolio has a fair value of €2,323 million, to which the fair value of the leasehold properties (€49 million) should be added.

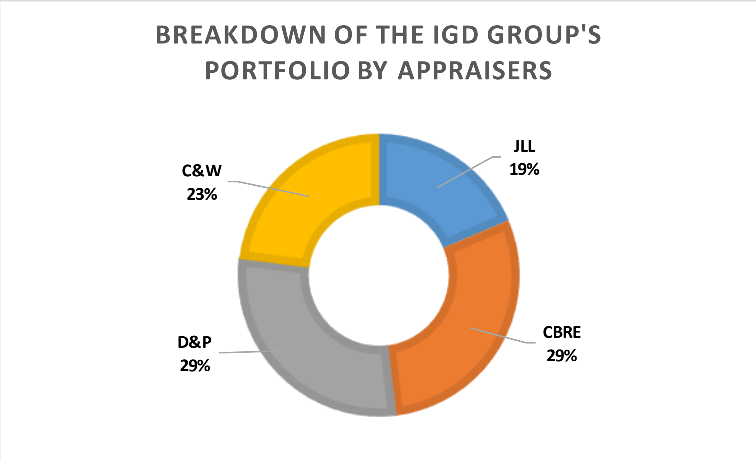
### FREEHOLD ASSETS

The IGD SIIQ SPA Group's real estate portfolio is comprised of commercial retail properties, of which 97% 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 30 June 2020 the development projects were solely in Italy. In 2020 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 two more years.

Following the renewal of the mandates, the property valuations (27% in italy and 100% in Romania) were rotated amongst the appraisers.

**Breakdown of the IGD Group's portfolio among the four appraisers by percentage of FV**




The breakdown of fair value by appraiser at 30 June 2020 in Italy and Romania is shown below:

| | Fair Value 30.06.2020 | | |
|---|---|---|---|
| Amounts in €/mn | Total | Italy | Romania |
| C&W | 534.66 | 534.66 | - |
| CBRE | 683.79 | 607.38 | 76.41 |
| JLL | 432.16 | 432.16 | - |
| Duff&Phels | 672.00 | 606.20 | 65.80 |
| **Total IGD's assets** | **2,322.61** | **2,180.40** | **142.21** |

The fees paid at 30 June 2020 to the independent appraisers are shown below:

| Amounts in €/mn | Appraisal fees | Other fees | Total fees |
|---|---|---|---|
| CBRE (*) | 62 | 146 | 208 |
| Duff&Phelps | 87 | 4 | 91 |
| JLL | 38 | - | 38 |
| C&W | 39 | - | 39 |
| **Total IGD's assets** | **226** | **150** | **376** |

(*) the item other fees includes the costs of extraordinary maintenance carried out on the thermo-refrigeration plant at Città delle Stelle shopping center. These costs have been capitalized at 30/06/2020 under the item property investments

The asset classes comprising the Group's real estate portfolio at 30 June 2020 are described below:

- "Hyper and super": 25 properties with a total GLA of about 235,500 m$^2$, found in 8 regions in Italy. There were no changes in the perimeter of this asset class in the firs half of 2020;
- "Malls and retail parks": 27 properties with a total GLA of about 419,000 m$^2$, found in 12 regions in Italy;
- "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 m$^2$;

- "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 $m^2$ GLA;
- "Winmarkt": a portfolio of 14 properties used primarily for retail purposes, and an office building, found throughout Romania covering a total area of approximately 94,000 $m^2$. 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.

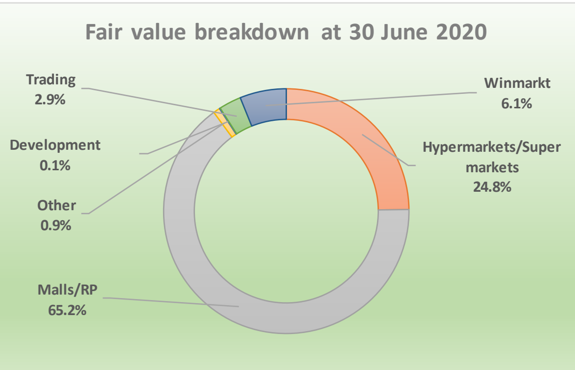
The IGD Siiq Group has 60 properties in Italy and can be broken down by asset class as follows:

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

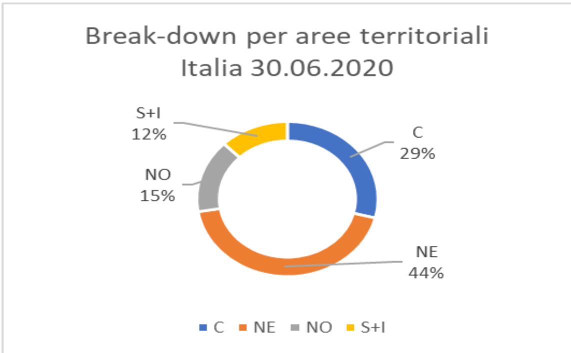
The IGD Group has 15 properties in Romania, broken down as follows:

- 14 shopping malls
- 1 office building

**Breakdown of IGD's real estate portfolio by FV**




**Geographic breakdown of IGD's portfolio in Italy at 30.06.2020**

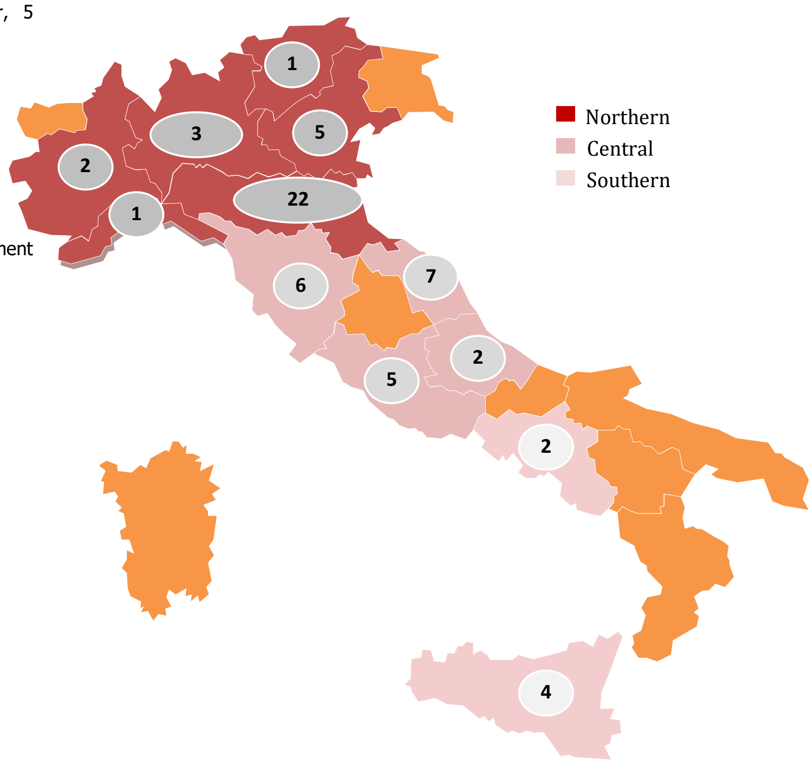



## LEASEHOLD ASSETS

The leasehold assets comprise three Italian shopping malls, with a total GLA of around 31,700 $m^2$, found in Villanova di Castenaso (Bologna), San Donà di Piave (Venice) and Livorno.

**Map of IGD's real estate portfolio in Italy at 30.06.2020**

**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 Mall, 1 Hyper;
**Lazio**: 2 Malls, 3 Hyper-super;
**Toscana**: 2 Hyper-super,
1 Asset held for trading, 2 Malls, 1 other;
**Sicily:** 2 Hyper, 2 malls.




Nota: **NE**: Trentino Alto Adige, Veneto, Emilia-Romagna; **NO**: Piemonte, Lombardia; Liguria; **C**: Toscana, Marche, Lazio, Abruzzo; **S+I**: Sicilia, Campania.

**Map of Winmarkt's real estate portfolio in Romania at 30.06.2020**


**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:

# 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. 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 (Hypermarket) | | | | | // | Ipercoop | 8,176 |
| C&W | Centro Commerciale Le Maioliche | Faenza (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,NewYorker, 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, Deichmann | 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 supermarket) | | | | | // | 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 (Hypermarket) | | | | | // | 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 supermarket) | | | | | // | Coop | 3,020 |
| 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 | 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 Loker | Ipercoop (non di proprietà) | // |
| REAG | Centro Commerciale Darsena City | Ferrara (FE) | 16,369 | // | IGD SIIQ SPA | 2005 | // | 50 | 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 (excluding hypermarket) | 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, Dechatlon | 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 | // | Master Leasing | 48 | 5 | | 1,500 | Cisalfa, Librerie Coop, Oviesse, Piazza Italia, Scarpe&Scarpe; McDonald | Ipercoop | 15,826 |
| | Centro Nova | Villanova di Castenaso (BO) | 12,740 | // | CSII SPA e COPAIN HOLDING SPA | 1995 | 2008 | // | 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 | // | // | Master Leasing | 55 | 2 | | 1,600 | Oviesse; Librerie Coop, Bata, Swarovski | Ipercoop | 15,371 |

## ROMANIA

| Shopping center | Location | Shopping center GLA (sqm) | Net Salling Area | Circulation (sqm) Rented | Rentable Warehouse/office | Ownership | Opening date | Date of extension/restyling | % owned | Form f 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, Leonardo, Big Fitness | 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 | | | |
| **TOTAL Malls** | | 91,743 | 79,099 | 1,607 | 8,388 | | | | | Freehold property | | | | | | | |
| Winmarkt Junior | Ploiesti | 3,012 | 2,137 | 544 | 331 | Win Magazin SA | | | 100 | Freehold property | 2 | | | | | | |
| **TOTAL** | | **94,755** | **81,236** | **2,151** | **8,719** | | | | | | | | | | | | |

## 1.9.2 ANALYSIS BY ASSET CLASS OF THE FREEHOLD PORTFOLIO

### 1.9.2.1 ITALY

There were no changes in the perimeter of the IGD Group's real estate portfolio in the first half of 2020.
The main changes affecting the different asset classes in the year are described below.

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Amounts in € million | 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 31.12.2019** | **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** |
| Increase due to work 2020 | 0.11 | 2.96 | 0.10 | 3.17 | 0.24 | **3.41** | 0.00 | 3.42 | **6.83** | 0.17 | **7.00** |
| Disposals | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 0.00 | (0.61) | **(0.61)** | 0.00 | **(0.61)** |
| Reclassification from asset under construction | 0.00 | 1.49 | 0.00 | 1.49 | 0.01 | **1.50** | 0.00 | 0.31 | **1.81** | 0.00 | **1.81** |
| Net revaluations/ writedowns | (7.98) | (46.61) | (0.63) | (55.22) | (8.32) | **(63.54)** | (0.19) | (3.09) | **(66.82)** | (6.20) | **(73.02)** |
| **Book value at 30.06.2020** | **575.75** | **1,513.33** | **20.48** | **2,109.56** | **142.22** | **2,251.78** | **2.54** | **68.29** | **2,322.61** | **48.78** | **2,371.39** |

## 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 30 June 2020 by the appraisers CBRE Valuation S.p.A. (CBRE), Duff&Phelps Reag S.p.A. (D&P), Cushman & Wakefield LLP (C&W) and JLL S.p.A. (JLL) based on the following percentages of FV:

| Hypermarkets/Supermarkets | 30/06/2020 |
|---|---|
| JLL | 37% |
| CBRE | 15% |
| D&P | 12% |
| C&W | 36% |
| **TOTAL** | **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 €575.7 million, a decrease of -1.35% or €7.87 million compared to the prior year.
The average discount rate was basically unchanged against the prior half, coming in at 6.29%, while the average gross cap out rate rose 0.06% to 6.34%.
The gross initial yield was 6.12%, 0.06% higher than in the prior half due to decrease in fair value.
The occupancy rate for this asset class was unchanged at 100%.

## SHOPPING CENTERS 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 30 June 2020 by the appraisers CBRE, D&P, C&W and JLL based on the following percentages of FV:

| **Malls/RP** | **30/06/2020** |
|---|---|
| JLL | 15% |
| CBRE | 30% |
| D&P | 34% |
| C&W | 21% |
| **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 €1,513.3 million, a decrease of 2.71% or €42.2 million with respect to the prior half year.
The average discount rate used was 0.07% higher than in the prior half, coming in at 7.01%.
The average gross cap out was 0.03% lower at 6.93%.
The average gross initial yield for this asset class came to 6.84%, an increase of +0.32% compared to the prior half due to the drop in FV.
The financial occupancy rate came to 94.24% at 30 June 2020, a decrease of 127 bps against the prior half.

## DEVELOPMENT PROJECTS

At 30 June 2020 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 €2.5 million at 30 June 2020, a drop of 7.07% or €0.2 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 30 June 2020 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;
- Officine Storiche (retail, residential, parking and public parking) which has a total GLA of 20,490 $m^2$. Work began in first half 2015 and sales of the residential part are expected to begin in 2020;
- Lips (retail, tourist services, accommodations and temporary residences) which has a total GLA of 15,867 $m^2$;
- Molo Mediceo (retail, services and temporary residences) which has a total GLA of 7,350 $m^2$;
- Arsenale (retail, temporary residences and parking) which has a total GLA of 7,771 $m^2$.

The fair value of this asset class reached €68.3 million at 30 June 2020, basically unchanged compared to the prior half. The work at Officine Storiche was suspended at the end of February 2020 due to the Covid-19 pandemic.
The fair value of the Porta a Mare Project at 30 June 2020 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 2.53% or €0.5 million at 30 June 2020, coming in at €20.5 million following the sale of Palazzo Orlando, an office building in Livorno. The decrease in FV is attributable to the estimates used by the appraisers in the DCF calculations in light of the Covid-19 pandemic.
"Other" was valued at 30 June 2020 by the appraisers D&P and JLL based on the following percentages of FV:

| **Other** | **30/06/2020** |
|---|---|
| JLL | 2% |
| D&P | 98% |
| **TOTAL** | **100%** |

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

### 1.9.2.2ROMANIA

The Winmarkt properties were valued at 30 June 2020 by the appraisers CBRE and D&P based on the following percentages of FV:

| **Winmarkt** | **30/06/2020** |
|---|---|
| CBRE | 54% |
| D&P | 46% |
| **TOTAL** | **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 5.37% or €8.1 million compared to the prior half due largely to shopping malls and the estimates used by the appraisers in the DCF calculations in light of the Covid-19 pandemic (more in detail the time to relet units that are vacant and/or with expired leases was lengthened considerably, the ERV (estimated rental value) was lowered and Covid-19 discounts were included in the first year of the DCF models).

The average gross initial yield for the malls was 0.36% higher at 30 June 2020, coming in at 7.44%, due to the drop in FV.
The discount rate for malls was 0.3% lower than in the same period of the prior year, coming in at 7.86%.
The average gross cap out for the malls reached 7.73%, rising 0.06% against the prior half.
The financial occupancy rate for the Winmarkt malls fell 2.91% to 94.65%.

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

**Summary at 30.06.2020:**

| | *N° of assets* | *Gross leasable area* GLA(mq) | gross initial yield | gross cap out | weighted average discount rate | Financial occupancy rate | Annual rent at full capacity/sqm | Erv/sqm |
|---|---|---|---|---|---|---|---|---|
| Hypermarkets and supermarkets | 25 | 236,000 | 6.12% | 6.34% | 6.29% | 100% | 151 | 149 |
| Shopping malls Italy | 27 | 419,000 | 6.84% | 6.93% | 7.01% | 94.24% | 231 | 236 |
| Total Italy Hypermarkets and malls | 52 | 655,000 | 6.64% | 6.77% | 6.81% | 95.63% | 201 | 205 |
| Malls Romania | 15 | 94,755 | 7.44% | 7.73% | 7.86% | 94.65% | 101 | 108 |
| | | | | | | | | |
| Total hypermarkets and malls IGD Group | 67 | 749,755 | n.a | n.a | n.a | n.a | n.a | n.a |

**Summary at 31.12.2019:**

| | *N° of assets* | *Gross leasable area* GLA(mq) | gross initial yield | gross cap out | weighted average discount rate | Financial occupancy rate | Annual rent at full capacity/sqm | Erv/sqm |
|---|---|---|---|---|---|---|---|---|
| Hypermarkets and supermarkets | 25 | 236,000 | 6.06% | 6.28% | 6.31% | 100% | 149 | 147 |
| Shopping malls Italy | 27 | 419,000 | 6.52% | 6.96% | 6.94% | 95.51% | 230 | 243 |
| Total Italy Hypermarkets and malls | 52 | 655,000 | 6.40% | 6.78% | 6.77% | 96.85% | 199 | 208 |
| Malls Romania | 15 | 94,755 | 7.09% | 7.67% | 8.16% | 97.56% | 101 | 112 |
| | | | | | | | | |
| Total income IGD Group | 67 | 749,755 | n.a | n.a | n.a | n.a | n.a | n.a |

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

| Category | Book value 30/06/2020 | Accounting method | Market value 30/06/2020 | Book value 31/12/2019 | Change |
|---|---|---|---|---|---|
| **IGD Group Real Estate Investments** | | | | | |
| Hypermarkets and Supermarkets | 575.75 | fair value | 575.75 | 583.62 | (7.87) |
| Shopping malls Italy | 1,513.33 | fair value | 1,513.33 | 1,555.49 | (42.16) |
| Other | 20.48 | fair value | 20.48 | 21.01 | (0.53) |
| **Total Italy** | **2,109.56** | | **2,109.56** | **2,160.12** | **(50.57)** |
| Shopping malls Romania | 139.52 | fair value | 139.52 | 147.59 | (8.07) |
| Other Romania | 2.70 | fair value | 2.70 | 2.70 | - |
| **Total Romania** | **142.22** | | **142.22** | **150.29** | **(8.07)** |
| **Total IGD Group** | **2,251.78** | | **2,251.78** | **2,310.41** | **(58.64)** |

| Category | Book value 30/06/2020 | Accounting method | Market value 30/06/2020 | Book value 31/12/2019 | Change |
|---|---|---|---|---|---|
| Plots of land and ancillary costs | 2.54 | adjusted cost / Fair value | 2.54 | 2.73 | (0.19) |
| **Direct development initiative** | **2.54** | **adjusted cost / Fair value** | **2.54** | **2.73** | **(0.19)** |

| Category | Book value 30/06/2020 | Accounting method | Market value 30/06/2020 | Book value 31/12/2019 | Change |
|---|---|---|---|---|---|
| Porta a Mare Project | 68.29 | adjusted cost / Fair value | 68.29 | 68.26 | 0.03 |

| Category | Book value 30/06/2020 | Accounting method | Market value 30/06/2020 | Book value 31/12/2019 | Change |
|---|---|---|---|---|---|
| Right to use (IFRS 16) | 48.78 | fair value | 48.78 | 54.81 | (6.03) |
| **Total right to use** | **48.78** | | **48.78** | **54.81** | **(6.03)** |

| | Investment properties, plots of land, development initiatives, assets held for trading and right to use | | Market value 30/06/2020 | Book value 31/12/2019 | Change |
|---|---|---|---|---|---|
| **Total** | **2,371.39** | | **2,371.39** | **2,436.21** | **(64.82)** |

The details of the main development projects are shown below:

| PROJECT | TYPE | LOCATION | GLA | COMPLETION DATE | ESTIMATED INVESTMENT | BOOK VALUE AT 30.06.2020 (Mn/€) | % HELD | STATUS |
|---|---|---|---|---|---|---|---|---|
| **PORTO GRANDE** | Extension | Porto d'Ascoli (AP) | 5.000 sqm | II° half 2020 | ca. 9,9 Mn/€ | 2.54 | 100% | Planning stage completed. All the building permits and authorisation for preletting activities have been issued |
| | | | | | **Total** | **2.54** | | |

# 1.10. // Appraisals of the independent experts

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cushmanwakefield.it

IGD-IGDSIIQ-VALCERTPERBILANCIO-200630-01-ENG

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| | |
|---|---|
| TO: | **IGD SIIQ S.P.A.** |
| ATTENTION: | **MR. ROBERTO ZOIA** |
| PROPERTY: | **REAL ESTATE PORTFOLIO** |
| REPORT DATE: | **29 JULY 2020** |
| VALUATION DATE: | **30 JUNE 2020** |

# 1. INSTRUCTIONS

## 1.1 APPOINTMENT

We are pleased to submit our report and valuation (the "Valuation Report"), which has been prepared in accordance with the Engagement Letter entered into between us dated 19 April 2019, a copy of which is to be found at the back of this document. This letter and the terms set out there in constitute the "Terms of Business", which form an integral part of this Valuation Report.

Therefore, it is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the Valuation Services Schedule (which forms part of the Terms of Business). Where Assumptions detailed in the Valuation Services Schedule are also referred to within this Valuation Report they are referred to as an "assumption" or "assumptions". Unless otherwise defined, all capitalised terms herein shall be as defined in the Terms of Business.

We have valued the property interest detailed in the Individual Report attached at Section A of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA*.

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA*.

## 1.2 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 |

| GRUPPO IGD PORTFOLIO | | | |
|---|---|---|---|
| # | Location | Province | Property |
| 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 (Land - Development) |
| 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 |

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA*.

## 1.3 COMPLIANCE WITH RICS "RED BOOK"

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards, which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book"), edition current at the Valuation Date. It follows that the valuations are compliant with IVS.

## 1.4 STATUS OF VALUER AND CONFLICTS OF INTEREST

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that Mariacristina Laria MRICS has overall responsibility for the valuation and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as an External Valuer as defined in the RICS Red Book.

The valuation was prepared by the team of professionals of C&W V&A and reviewed by Mariacristina Laria MRICS and Joachim Sandberg FRICS. C & W (U.K.) LLP has been signatory to valuations provided to the Client for the same purpose as the report, from June 2014 until December 2019. Prior to June 2014, C & W (U.K.) LLP had no previous involvement in the valuation. In our most recent financial year, C & W (U.K.) LLP received less than 5% of its total fee income from the Client.

IGD-IGDSIIQ-VALCERTPERBILANCIO-200630-01-ENG

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## 1.5 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.

## 1.6 BASES OF VALUATION

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

*"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 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".*

## 1.7 SPECIAL ASSUMPTIONS

A Special Assumption is referred to in the Glossary in the RICS Red Book as an assumption that "either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date", ("Special Assumption").

This valuation is not subject to any Special Assumptions.

## 1.8 DEPARTURES

We have made no Departures from the RICS Red Book.

## 1.9 RESERVATIONS

The valuation is not subject to any reservation.

IGD-IGDSIIQ-VALCERTPERBILANCIO-200630-01-ENG

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## 1.10 INSPECTION

Details of our inspection of the Property are included in the Individual Report section of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA*.

## 1.11 MEASUREMENT

Unless specified otherwise, floor areas and analysis in this Valuation Report are based on the areas provided to us and calculated as per local market practice. Details of the floor areas of the Property are included in the Individual Report section of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA*.

## 1.12 ACCOMMODATION

**Source of Floor Areas**

We adopted floor areas provided by Gruppo IGD.

## 1.13 SOURCES OF INFORMATION

In addition to information established by us, we have relied on the information obtained from you, listed in this Valuation Report.

We have made the assumption that the information provided by you, in respect of the Property we have valued is both full and correct. We have made the further assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

## 1.14 GENERAL COMMENT

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or Special Assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of value would exactly coincide with the price achieved were there an actual sale at the Valuation Date.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation were to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the Property is given proper exposure to the market.

A copy of this Valuation Report should be provided to your solicitors and they should be asked to inform us if they are aware of any aspect which is different, or in addition, to that we have set out; in which case we will be pleased to reconsider our opinion of value in the light of their advice and opinions.

### 1.15 CURRENCY

The Properties have been valued in local currency.

## 2. 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-200630-01-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-200630-01-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.

## 3. 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 single reports of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA*.

### 3.1 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.

## 4. VALUATION

**MATERIAL VALUATION UNCERTAINTY DUE TO COVID – 19**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation[s] than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

Subject to the contents of this Valuation Report, our opinion of the Market Value of the freehold interest in the Properties as at the Valuation Date is:

**€526,700,000**
**(Five hundred twenty-six million seven hundred thousand Euros)**

The above is an aggregated figure of the individual values for each Property in the portfolio. Please note that the Properties have been valued individually and assuming that each of the Properties would be marketed in an orderly way and not placed on the market at the same time. If the portfolio were to be sold as a single lot or in groups of properties, the total value could differ significantly.

Single Valuation Reports are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA.*

As per your request we report in the following table the Values gross of purchaser's costs, which is equal to €534,655,691.

## 5. CONFIDENTIALITY

The contents of this Valuation Report and appendices are confidential to you, for your sole use only and for the Purpose of Valuation as stated.

Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to our Terms of Business and the Special Assumptions and/or Departures from the RICS Red Book referred to herein. For the avoidance of doubt, such approval is required whether or not C & W (U.K.) LLP is referred to by name and whether or not the contents of our Valuation Report are combined with others.

## 6. DISCLOSURE

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.

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

We hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out in the Terms of Business.

## 7. RELIANCE

This Valuation Report may be relied upon only in connection with the Purpose of Valuation stated and only by:

(i) you;

(ii) by such other parties who have signed a Reliance Letter.

For the avoidance of doubt, the total aggregate limit of liability specified in the Terms of Business (the "Aggregate Cap") shall apply in aggregate to (i) you (ii) such other parties who have signed a Reliance Letter. Apportionment of the Aggregate Cap shall be a matter for you and such other third parties alone.

Attachments that form part of this report:

SECTION A TERMS OF BUSINESS

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IGD-IGDSIIQNOSVILUPPO-VALCERTPERBILANCIO-200630-01-ENG

*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 JULY 2020** |
| VALUATION DATE: | **30 JUNE 2020** |

# 1. INSTRUCTIONS

## 1.1 APPOINTMENT

We are pleased to submit our report and valuation (the "Valuation Report"), which has been prepared in accordance with the Engagement Letter entered into between us dated 19 April 2019, a copy of which is to be found at the back of this document. This letter and the terms set out there in constitute the "Terms of Business", which form an integral part of this Valuation Report.

Therefore, it is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the Valuation Services Schedule (which forms part of the Terms of Business). Where Assumptions detailed in the Valuation Services Schedule are also referred to within this Valuation Report they are referred to as an "assumption" or "assumptions". Unless otherwise defined, all capitalised terms herein shall be as defined in the Terms of Business.

We have valued the property interest detailed in the Individual Report attached at Section A.

Please also refer to the Individual Report for a description of the Property.

## 1.2 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 |

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| GRUPPO IGD PORTFOLIO | | | |
|---|---|---|---|
| # | Location | Province | Property |
| 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 |

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref: IGD-GruppoIGDNoSviluppi-CertVal-200630-01-ITA.*

## 1.3 COMPLIANCE WITH RICS "RED BOOK"

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards, which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book"), edition current at the Valuation Date. It follows that the valuations are compliant with IVS.

## 1.4 STATUS OF VALUER AND CONFLICTS OF INTEREST

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that Mariacristina Laria MRICS has overall responsibility for the valuation and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as an External Valuer as defined in the RICS Red Book.

The valuation was prepared by the team of professionals of C&W V&A and reviewed by Mariacristina Laria MRICS and Joachim Sandberg FRICS. C & W (U.K.) LLP has been signatory to valuations provided to the Client for the same purpose as the report, from June 2014 until December 2019. Prior to June 2014, C & W (U.K.) LLP had no previous involvement in the valuation. In our most recent financial year, C & W (U.K.) LLP received less than 5% of its total fee income from the Client.

## 1.5 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.

## 1.6 BASES OF VALUATION

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

*"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 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".*

## 1.7 SPECIAL ASSUMPTIONS

A Special Assumption is referred to in the Glossary in the RICS Red Book as an assumption that "either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date", ("Special Assumption").

This valuation is not subject to any Special Assumptions.

## 1.8 DEPARTURES

We have made no Departures from the RICS Red Book.

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## 1.9 RESERVATIONS

The valuation is not subject to any reservation.

## 1.10 INSPECTION

Details of our inspection of the Property are included in the Individual Report section.

## 1.11 MEASUREMENT

Unless specified otherwise, floor areas and analysis in this Valuation Report are based on the areas provided to us and calculated as per local market practice. Details of the floor areas of the Property are included in the Individual Report section.

## 1.12 ACCOMMODATION

**Source of Floor Areas**

We adopted floor areas provided by Gruppo IGD.

## 1.13 SOURCES OF INFORMATION

In addition to information established by us, we have relied on the information obtained from you, listed in this Valuation Report.

We have made the assumption that the information provided by you, in respect of the Property we have valued is both full and correct. We have made the further assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

## 1.14 GENERAL COMMENT

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or Special Assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of value would exactly coincide with the price achieved were there an actual sale at the Valuation Date.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation were to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the Property is given proper exposure to the market.

IGD-IGDSIIQNOSVILUPPO-VALCERTPERBILANCIO-200630-01-ENG

*For translation purposes only – Italian version legally binding*

A copy of this Valuation Report should be provided to your solicitors and they should be asked to inform us if they are aware of any aspect which is different, or in addition, to that we have set out; in which case we will be pleased to reconsider our opinion of value in the light of their advice and opinions.

### 1.15 CURRENCY

The Properties have been valued in local currency.

## 2. 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-200630-01-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-200630-01-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.

## 3. 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 single reports.

IGD-IGDSIIQNOSVILUPPO-VALCERTPERBILANCIO-200630-01-ENG

*For translation purposes only – Italian version legally binding*

### 1.1 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.

## 4. VALUATION

**MATERIAL VALUATION UNCERTAINTY DUE TO COVID – 19**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation[s] than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

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:

**€524,200,000**
**(Five hundred twenty-four million and two hundred thousand Euros)**

The above is an aggregated figure of the individual values for each Property in the portfolio. Please note that the Properties have been valued individually and assuming that each of the Properties would be marketed in an orderly way and not placed on the market at the same time. If the portfolio were to be sold as a single lot or in groups of properties, the total value could differ significantly.

Single Valuation Reports are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-200630-01-ITA.*

As per your request we report the Value gross of purchaser's costs, which is equal to €532.116.876.

## 5. CONFIDENTIALITY

The contents of this Valuation Report and appendices are confidential to you, for your sole use only and for the Purpose of Valuation as stated.

Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to our Terms of Business and the Special Assumptions and/or Departures from the RICS Red Book referred to herein. For the avoidance of doubt, such approval is required whether or not C & W (U.K.) LLP is referred to by name and whether or not the contents of our Valuation Report are combined with others.

## 6. DISCLOSURE

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.

IGD-IGDSIIQNOSVILUPPO-VALCERTPERBILANCIO-200630-01-ENG

*For translation purposes only – Italian version legally binding*

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

We hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out in the Terms of Business.

## 7. RELIANCE

This Valuation Report may be relied upon only in connection with the Purpose of Valuation stated and only by:

(i) you;

(ii) by such other parties who have signed a Reliance Letter.

For the avoidance of doubt, the total aggregate limit of liability specified in the Terms of Business (the "Aggregate Cap") shall apply in aggregate to (i) you (ii) such other parties who have signed a Reliance Letter. Apportionment of the Aggregate Cap shall be a matter for you and such other third parties alone.

Attachments that form part of this report:

SECTION A TERMS OF BUSINESS

CBRE
CBRE VALUATION S.p.A. con unico socio
Piazza degli Affari 2
20123 Milan
Switchboard +39 02 9974 6000
Fax +39 02 9974 6950

# VALUATION CERTIFICATE FOR FINANCIAL STATEMENT

| | |
|---|---|
| **Report Date** | 31 July 2020 |
| **Addressee (or Client)** | IGD SiiQ SpA<br>Via Trattati Comunitari Europei 1957-2007, n.13<br>40127 Bologna (BO)<br>For the attention of: **Mr Roberto Zoia** |
| **The Property** | Real estate properties owned by IGD SiiQ SpA as per attached schedule. |
| **Property Description** | The portfolio under valuation consists in 4 shopping centres (including both the hypermarket and the gallery) in Italy and 5 in Romania, 5 retail galleries (one of which also includes a Retail park and a mixed use development in Italy plus and office building in Romania, as better described in the in the property report.<br>In relation to the portfolio of assets owned in Romania, please refer to the specific valuation certificate 20-64VAL-0161. |
| **Ownership Purpose** | Investment. |
| **Instruction** | To value the unencumbered Freehold interest in the Properties on the basis of Market Value as at the valuation date in accordance with the terms of engagement 085-20 entered into between CBRE and the addressee dated 07 April 2020 countersigned the 8 May 2020. |
| **Valuation Date** | 30 June 2020 |
| **Capacity of Valuer** | External Valuer, as defined in the current version of the RICS Valuation – Global Standards. / Independent Valuer, as defined in our instructions. |
| **Purpose** | Financial reporting purpose for incorporation within the Company's accounts. |
| **Market Value** | Market Value as at 30 June 2020:<br>€683,799,500.00 (SIX HUNDRED EIGHTY THREE MILLION SEVEN HUNDRED NINETY NINE THOUSAND AND FIVE HUNDRED/00 EUROS) exclusive of V.A.T. |
| **Service Agreement** | Our opinion of value is based upon the Scope of Work and Valuation Assumptions attached.<br>However, for the avoidance of doubt, we confirm that our Valuation has been prepared in accordance with the Valuation assumptions provided by Bank of Italy for Reit Fund and contained in "Regolamento sulla gestione collettiva del risparmio |

- Titolo V, Capitolo IV, Sezione II, paragrafi 2.5 'Beni Immobili' and 4, 'Esperti indipendenti'" dated 05 March 2015.

**Material Valuation Uncertainty**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted many aspects of daily life and the global economy – with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, in the case of the properties listed in Appendix there is a shortage of market evidence for comparison purposes, to inform opinions of value. Our valuation of these properties is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of COVID-19 on the real estate market and the difficulty in differentiating between short-term impacts and longer-term structural market changes, we recommend that you keep the valuation[s] contained in this report under frequent review.

In the case of **development** valuations, we would draw your attention to the fact that, even in normal market conditions, the residual method of valuation is very sensitive to changes in key inputs, with small changes in variables (such as the timing of the development, finance/construction costs and sales rates) having a disproportionate effect on land value. Consequently, in the current extraordinary market conditions – with construction costs increasing, supply and timing issues, fluctuating finance rates, uncertain marketing periods and a lack of recent comparables – it is inevitable that there is even greater uncertainty, with site values being susceptible to much more variance than normal.

In Italy since the 23rd February 2020, the Government took immediate actions (ref. DPCM 23rd February 2020 and subsequent) to tackle the spread of Coronavirus, including home quarantine and other restrictions.

**Rental Income**

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or other payments or undisclosed breaches of covenant.

The valuation we have provided reflects the rental income as at the date of valuation, as set out within this report, which you have confirmed to be correct and comprehensive. It also reflects any issues concerning the anticipated cash-flow that you have advised us of, as set out within this report. Given the uncertainties relating to the Covid-19 virus and the current restrictions on business activities, it is likely that there will be significant rental defaults and/or insolvencies leading to voids and a resulting shortfall in rental income. Should this occur, there will be a negative impact on the value of the subject property.

| | |
|---|---|
| **Special Assumptions** | None |
| **Compliance with Valuation Standards** | The Valuation has been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) (the Red Book) current as at the valuation date.<br><br>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.<br><br>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.<br><br>This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject property. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject property as at the Valuation date. |
| **Assumptions** | The Property details on which each Valuation are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.<br><br>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. |
| **Variation from Standard Assumptions** | None. |
| **Valuer** | The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the current edition of the RICS Valuation – Global Standards (the Red Book) and with the "Provvedimento della Banca d'Italia" released by Bank of Italy on 05 March 2015. |
| **Independence** | The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. or other companies forming part of the same group of companies within the Italy from the Addressee or other companies forming part of the same group of companies is less than 5.0% of the total Italy revenues. |
| **Previous Involvement & Conflict of Interests** | We confirm that CBRE Valuation SpA has previously carried out Valuation on your behalf and for the same purpose in relation to some of the properties within the portfolio. This instruction is in effect a renewal of our previous agreement.<br><br>We do not consider that this previous involvement represents a conflict of interest. |
| **Disclosure** | CBRE S.p.A. has carried out Valuation and Professional services on behalf of the addressee for 15 years and over. |



CBRE

**Reliance**

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

(i) Addressees of the Report; and

(ii) Parties who have received prior written consent from CBRE in the form of a reliance letter;

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.

We would draw your attention to the fact that where our appointment is from an entity to which the European Parliament and Council Directive 2011/61/EU ['the Directive'], concerning Alternative Investment Fund Managers ['AIFM'], applies, our role is limited to providing Valuations of individual property assets or liabilities [based on the assumptions as set out within our Valuation report] – not the net asset value ['NAV'] of either the Fund or the individual properties within the Fund. Furthermore, and for the avoidance of doubt, we are acting in the capacity of a 'Valuation adviser' to the AIFM and not as an 'external valuer' as defined in the Directive. Details of any limitations to our liability in respect of the Valuations we carry out are as set out within this report and our terms of engagement. You have confirmed that the 'Valuation function' under the Directive is performed by the Alternative Investment Fund Manager itself – not CBRE.

**Publication**

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.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of the special assumptions referred to herein.

Yours faithfully

**Davide Cattarin**
**Managing Director**

For and on behalf of
CBRE Valuation S.p.A.

+39 02 9974 6900
Davide.Cattarin@cbre.com

**Elena Gramaglia MRICS**
**Director**
**MRICS Registered Valuer**

For and on behalf of
CBRE Valuation S.p.A.

+39 02 9974 6900
Elena.Gramaglia@cbre.com

CBRE Valuation S.p.A.
Valuation & Advisory Services
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20-64VAL-0161

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20123 Milan
Switchboard +39 02 9974 6000
Fax +39 02 9974 6950

# VALUATION CERTIFICATE FOR FINANCIAL STATEMENT

| | |
|---|---|
| **Report Date** | 31 July 2020 |
| **Addressee (or Client)** | **IGD** SiiQ SpA<br>Via Trattati Comunitari Europei 1957-2007, n.13<br>40127 Bologna (BO)<br>For the attention of: **Mr Roberto Zoia** |
| **The Property** | Real estate properties owned by IGD SiiQ SpA as per attached schedule. |
| **Property Description** | The portfolio under valuation consists in 4 shopping centres (including both the hypermarket and the gallery) in Italy and 5 in Romania, 5 retail galleries (one of which also includes a Retail Park) in Italy plus and office building in Romania, as better described in the in the property report.<br>In relation to the portfolio of assets owned in Romania, please refer to the specific valuation certificate 20-64VAL-0161. |
| **Ownership Purpose** | Investment. |
| **Instruction** | To value the unencumbered Freehold interest in the Properties on the basis of Market Value as at the valuation date in accordance with the terms of engagement 085-20 entered into between CBRE and the addressee dated 07 April 2020 countersigned the 8 May 2020. |
| **Valuation Date** | 30 June 2020 |
| **Capacity of Valuer** | External Valuer, as defined in the current version of the RICS Valuation – Global Standards. / Independent Valuer, as defined in our instructions. |
| **Purpose** | Financial reporting purpose for incorporation within the Company's accounts. |
| **Market Value** | Market Value as at 30 June 2020:<br>€615,520,000.00 (SIX HUNDRED FIFTEEN MILLION FIVE HUNDRED TWENTY THOUSAND/00 EUROS) exclusive of V.A.T. |
| **Service Agreement** | Our opinion of value is based upon the Scope of Work and Valuation Assumptions attached.<br>However, for the avoidance of doubt, we confirm that our Valuation has been prepared in accordance with the Valuation assumptions provided by Bank of Italy for Reit Fund and contained in "Regolamento sulla gestione collettiva del risparmio |

- Titolo V, Capitolo IV, Sezione II, paragrafi 2.5 'Beni Immobili' and 4, 'Esperti indipendenti'" dated 05 March 2015.

**Material Valuation Uncertainty**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted many aspects of daily life and the global economy – with some real estate markets experiencing significantly lower levels of transactional activity and liquidity. As at the valuation date, in the case of the properties listed in Appendix there is a shortage of market evidence for comparison purposes, to inform opinions of value. Our valuation of these properties is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact of COVID-19 on the real estate market and the difficulty in differentiating between short-term impacts and longer-term structural market changes, we recommend that you keep the valuation[s] contained in this report under frequent review.

In Italy since the 23rd February 2020, the Government took immediate actions (ref. DPCM 23rd February 2020 and subsequent) to tackle the spread of Coronavirus, including home quarantine and other restrictions.

**Rental Income**

Unless specifically requested, we do not make detailed enquiries into the covenant strength of occupational tenants but rely on our judgement of the market's perception of them. Any comments on covenant strength should therefore be read in this context. Furthermore, we assume, unless otherwise advised, that the tenant is capable of meeting its financial obligations under the lease and that there are no arrears of rent or other payments or undisclosed breaches of covenant.

The valuation we have provided reflects the rental income as at the date of valuation, as set out within this report, which you have confirmed to be correct and comprehensive. It also reflects any issues concerning the anticipated cash-flow that you have advised us of, as set out within this report. Given the uncertainties relating to the Covid-19 virus and the current restrictions on business activities, it is likely that there will be significant rental defaults and/or insolvencies leading to voids and a resulting shortfall in rental income. Should this occur, there will be a negative impact on the value of the subject property.

**Special Assumptions**

None

**Compliance with Valuation Standards**

The Valuation has been prepared in accordance with the version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) (the Red Book) current as at the valuation date.

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.<br><br>This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject property. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject property as at the Valuation date. |
| **Assumptions** | The Property details on which each Valuation are based are as set out in this report. We have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.<br><br>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. |
| **Variation from Standard Assumptions** | None. |
| **Valuer** | The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the current edition of the RICS Valuation – Global Standards (the Red Book) and with the "Provvedimento della Banca d'Italia" released by Bank of Italy on 05 March 2015. |
| **Independence** | The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. or other companies forming part of the same group of companies within the Italy from the Addressee or other companies forming part of the same group of companies is less than 5.0% of the total Italy revenues. |
| **Previous Involvement & Conflict of Interests** | We confirm that CBRE Valuation SpA has previously carried out Valuation on your behalf and for the same purpose in relation to some of the properties within the portfolio. This instruction is in effect a renewal of our previous agreement.<br><br>We do not consider that this previous involvement represents a conflict of interest. |
| **Disclosure** | CBRE S.p.A. has carried out Valuation and Professional services on behalf of the addressee for 15 years and over. |
| **Reliance** | The contents of this Report may only be relied upon by:<br><br>(i) Addressees of the Report; and<br><br>(ii) Parties who have received prior written consent from CBRE in the form of a reliance letter;<br><br>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. |

We would draw your attention to the fact that where our appointment is from an entity to which the European Parliament and Council Directive 2011/61/EU ['the Directive'], concerning Alternative Investment Fund Managers ['AIFM'], applies, our role is limited to providing Valuations of individual property assets or liabilities [based on the assumptions as set out within our Valuation report] – not the net asset value ['NAV'] of either the Fund or the individual properties within the Fund. Furthermore, and for the avoidance of doubt, we are acting in the capacity of a 'Valuation adviser' to the AIFM and not as an 'external valuer' as defined in the Directive. Details of any limitations to our liability in respect of the Valuations we carry out are as set out within this report and our terms of engagement. You have confirmed that the 'Valuation function' under the Directive is performed by the Alternative Investment Fund Manager itself – not CBRE.

**Publication**

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.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Red Book or the incorporation of the special assumptions referred to herein.

Yours faithfully

**Davide Cattarin**
**Managing Director**

For and on behalf of
CBRE Valuation S.p.A.

+39 02 9974 6900
Davide.Cattarin@cbre.com

Yours faithfully

**Elena Gramaglia MRICS**
**Director**
**MRICS Registered Valuer]**

For and on behalf of
CBRE Valuation S.p.A.

+39 02 9974 6900
Elena.Gramaglia@cbre.com

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20-64VAL-0160
20-64VAL-0161

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# Valuation Advisory

## Valuation Certificate

Client: IGD SiiQ S.p.A.

Property: Retail Portfolio

06/2020 - FINAL

Milan, 30/06/2020

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 30th June 2020 of a Retail Portfolio held by IGD SiiQ S.p.A. comprising 9 Hypermarkets/Supermarkets, 3 Retail Galleries, 1 Retail Park and 1 Area Fitness*

Dear Mr. Zoia,

Following the assignment conferred on 08th May 2020, 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.

Property: Retail Portfolio 06/2020 - FINAL

# 1. Valuation Certificate

## 1.1. Subject properties

The retail portfolio under-analysis consists of 9 Hypermarkets/Supermarkets, 3 Retail Galleries, 1 Retail Park and 1 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 $m^2$ current |
|---|---|---|---|
| Ipermercato Miralfiore | Pesaro (PU) | Hypermarket + shopping unit | 10,470 |
| Globo | Lugo (RA) | Hypermarket | 7,937 |
| Ipermercato Maestrale | Senigallia (AN) | Hypermarket | 12,551 |
| Ipermercato Schio | Schio (VI) | Hypermarket | 8,176 |
| Supermercato Civitacastellana | Civita Castellana (LT) | Supermarket | 2,892 |
| Supermercato Cecina | Cecina (GR) | Supermarket | 5,749 |
| Ipermercato Coné | Conegliano (VE) | Hypermarket | 9,498 |
| Galleria Commerciale + RP Coné | Conegliano VE) | Shopping Gallery + Retail Park | 18,161 |
| Ipermercato Malatesta | Rimini | Hypermarket | 12,724 |
| Area Fitness Malatesta | Rimini | Fitness area | 882 |
| Galleria Millenium | Rovereto (TN) | Shopping Gallery | 7,683 |
| Ipermercato ESP | Ravenna (RA) | Hypermarket | 16,536 |
| Galleria Commerciale ESP | Ravenna (RA) | Galleria Commerciale | 33,272 |

## 1.2. 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, 30th of June 2020:

- 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.

## 1.3. Basis of Valuation

Our analyses are carried out in accordance with the principles, guidelines and definitions contained in the RICS professional standards and guidance, global – RICS Valuation – Global Standards, issued November 2019, effective from 31 January 2020, 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 and guidance, global – RICS Valuation – Global Standards, issued November 2019, effective from 31 January 2020 (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."*

The subject valuation is carried out in accordance with the following definition of Market Rent as settled by the International Valuation Standards Committee and referred to in the RICS professional standards and guidance, global – RICS Valuation – Global Standards, issued November 2019, effective from 31 January 2020 (VPS 4 – Section 5):

**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."*

## 1.4. Valuation Certainty[1] - RICS Valuation-Professional Standards VPGA 10

**Global Pandemic**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

Although we reflect our general understanding of the status of the tenant(s) based on publicly available information which may not be up to date, we are not qualified to advise you on the financial standing of the tenant(s).

With the ongoing outbreak of Covid-19 virus, uncertain trading and credit market conditions may lead to rapid changes in covenant strength and/or sentiment.

**Volatility Retail Market**

The combination of a weakened economic background together with of the political turmoil of the last year and adverse projections regarding the future of retail in traditional out-of-town secondary schemes (also in connection with the E-Commerce phenomenon), has influenced domestic investors and international investors' confidence in retail real estate asset class towards the Italian Market and they have adopted more cautious approach.

In light of the above and considering a quite abundant offer of secondary retail assets for sale has led to a marked slow-down of the investment activity regarding Out-of-Town Retail Assets. The low level of liquidity of Secondary Assets is therefore currently characterising the Retail Real Estate Market in Italy.

In this environment, it is possible that prices and values could go through a period of heightened volatility whilst the market absorbs the price repositioning; a potential reappraisal of property values over the short term combined with a potential lengthening of the appropriate exposure period of properties onto the market may occur.

[1] Please refer to VPGA 10 (latest issue dated November 2019) of RICS Valuation-Professional Standards edited by RICS.

 

The outcomes of the current economic uncertainty cannot be precisely measured as at today, therefore we deem appropriate to bring this to the Reader's attention– please refer to VPGA 10 par.2 and sub.par.2.4 of the RICS Valuation-Professional Standards (edition November 2019) edited by RICS – in combination with the potential impact on values over the short term.

## 1.5. 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

## 1.6. 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 off 2018, 2019 and for the first 3 months of 202020 (Retail Gallery and Retail Park);
- Turnover figures (net VAT) of the Supermarket and Hypermarket divided per year for the years: 2018, 2019 and first 3 months of 2020;
- Non- recoverable Landlord costs;
- Summary schedule of all additional income;
- Forecast turnover rent generated in 2020;
- Asset summary identification schedules.

## 1.7. 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.

## 1.8. Valuation

Please note that the sum of the Net Market Values of each subject property, listed in Section 1 ("Subject Properties"), is € 417,910,000, while the sum of the rounded Gross Market Values is equal to € 432,162,000 rounded.

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

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This certificate 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.

P. Marin

Pierre Marin MRICS
**CEO Jones Lang LaSalle Spa**

DUFF & PHELPS
Real Estate Advisory Group

Agrate Brianza, 30th July 2020
Ref. n° 21222,06 – 21199,06

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

*To the kind attention of Mr Roberto Zoia*

**Subject:** **Determination of the Market Value as of June 30th, 2020 of a real estate portfolio consisting of n. 12 real estate assets intended for commercial use and n.1 real estate asset intended for residential and office mixed use, located on the Italian territory and n. 9 real estate assets located on the romanian territory, indicated as owned by GRUPPO IGD S.p.A.**

Dear sirs,
in compliance with Your request, REAG – Real Estate Advisory Group carried out the valuation of a real estate portfolio, indicated as owned by GRUPPO IGD S.p.A. (hereinafter the Client), in order to determine the market value as of June 30th, 2020.

The appraisal has been completed on the basis of the following assumptions:

- sale of the real estate complex as a whole (not piecemeal), in the rental situation at the date of the appraisal.

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Real Estate Advisory Group

## Definitions

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

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

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

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

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

**"Market Rent" (MR)** is " (…) the estimated amount for which a property, or space within a Property, should lease on the date of valuation between a willing lessor and a willing lessee on

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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 June 2020.

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

**REAG moreover:**

- Carried out site inspections on the Properties located in Guidonia Montecelio (CC Tiburtino) and Livorno (CC Fonti del Corallo) in Italy and on the n.9 Properties located in Romania, to find out all the information (building qualities, preservation condition, etc,) necessary to elaborate the appraisals themselves, in addition to the information given by Client; no site inspections were carried on the other properties, REAG based the appraisals on the information already known.

- Carried out an analysis of the conditions of the local real estate market, took the economic data detected therein into consideration and adapted it to the specific features of the Properties through appropriate statistical work-ups;

- Determined the building area on the basis of the documents supplied by the Client;

- Considered the draft of the "model" lease agreement, the individual amounts of the fees as indicated in the "rent-roll" and the related clauses (duration, insurance costs, maintenance costs, etc) provided by the Client;

- Determined the value of the Property on the assumption of its highest and best use, that is to say, considering among all legally permitted and financially feasible technical uses, only those that can potentially confer the maximum value to each Property;

- Considered the rental situation at the date of the appraisal and indicated by the Client;

- Specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes;

- No environmental impact study has been ordered made.

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

**Report content**

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

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

**Conclusions**

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

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

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

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*Given the above considerations*

It is our opinion that, as of June 30th, 2020, the **Market Value** of the subject Properties can reasonably be expressed as follows:

**Euro 672.000.000,00**
**(Euro Six Hundred Seventy Two Millions /00)**

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*
*Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*
*Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.*

Agrate Brianza, 30th July 2020
Ref. n° 21222,06 - 21199,06

**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.

# 1.11. // 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 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**").

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.

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 30 June 2020, similar to year-end 2019, 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 2019, as resolved in previous years, during the AGM held on 11 June 2020 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 €25,149,800.48, stemming from:

- for €5,578,654.15, distributable income generated entirely by exempt operations;
- for €19,571,146.33, profits carried forward from exempt operations.

## 1.12. // Subsequent events

There are no events to report.

## 1.13. // Outlook

With regard to the Covid-19 health crisis, the Group is carefully assessing the possible impact of the pandemic on the economic-financial results and financial position, by focusing on three key indicators, specifically: *(i)* profitability, *(ii)* valuation of the real estate investments, and *(iii)* liquidity.

As for FY profitability projections, the Group simulated the impact that a drop in the rental income generated by Italian malls and Romania would have (hypermarkets and supermarkets, as well as a series of "essential" activities, were not affected by the containment measures by the government in response to the health crisis). The Company decided to activate a series of initiatives aiming to modify lease payments falling due in the second quarter of 2020 and, after obtaining the necessary indications from the government regarding tax relief and financial assistance being offered businesses impacted by the pandemic (i.e. the "Cura Italia" Legislative Decree and the "Rilancio" Legislative Decree), began good faith negotiations with individual tenants in order to adjust the leases. These talks are still underway.

At the same time the Group had already implemented a series of measures to contain operating costs in order to mitigate the economic impact.

Significant uncertainty still surrounds the valuation of real estate investments; currently, given the lack of information on the tenants' sales and store traffic post-lockdown, as well as the lack of significant transactions (a considerable decline in investments was recorded in the second quarter of 2020) and in light of the unpredictable evolution of the virus worldwide, we believe that it would be premature to provide indications in this regard. At any rate, in our view the Group's equity is more than enough to sustain the impact of any additional fair value adjustments that might materialize at 31 December 2020.

With regard to liquidity, subsequent to the issue of a new €400 million bond and the partial buyback of existing bonds in November 2019, the Group had cash on hand of around €103 million at 30 June 2020. Thanks to this liquidity, as well as the available credit lines (including recently renewed committed facilities) and including the bond maturities repayable in May 2021 of around €71 million, the Group is currently not subject to any financial distress. In order to mitigate the negative effects of a hypothetical drop in revenue, the foreseeable difficulties with credit collection and maintain a solid and balanced financial structure, the Group decided to adopt additional extraordinary measures including the suspension/postponement or cancellation of a few capex slotted for this year which will result in total savings of around €40 million, the reformulation of the 2020 dividend and the use of government funding (the request is in the process of being finalized). Thanks also to the actions described above, the Group will be able to meet financial obligations falling due in the next 12/18 months.

As announced on 7 May 2020, when the results for 1Q 2020 were approved, as a result of the economic-financial impact of the Covid-19 health crisis, the 2020 FFO guidance originally disclosed to the market on 27 February 2020 needed to be revised.

In light of the results achieved in 1H 2020, how the situation is unfolding and taking into account the estimated impact of Covid-19 on the current year (one-off and, therefore, without considering further implications for subsequent years), the new FFO guidance is approximately €0.54 - €0.57 per share which represents a decrease of around -28%/-25% compared to the 2019 FFO. This outlook is based on assumptions and hypotheticals consistent with a situation of general recovery. That said, it is important to stress that elements of risk and uncertainty not controllable by the company remain including, for example, the risk of a second wave of the virus resulting in the introduction of new restrictions, as well as the outcome of the negotiations underway with tenants relative to the management of the lockdown period.

Given this backdrop, the 2021 targets for the Business Plan 2019-2021 (presented on 7 November 2018) should no longer be considered current as they were defined based on hypotheses formulated before the spread of the pandemic and the onset of the Covid-19 emergency, in a scenario that is very different from the current one, that changes every day. The Company will prepare an updated Business Plan when the overall picture is clearer and more stable in order to base the plan on the new, most updated macroeconomic and sector conditions.

## 1.14. // 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.

Details of related party transactions carried out in the first half of 2020 are provided in a section of the notes to the financial statements.

## 1.15. // Treasury shares

IGD had a total of 109,249 treasury shares at 30 June 2020, recognized as a €540,939 reduction in net equity.

## 1.16. // Research and development

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

## 1.17. // Significant transactions

During the first half of 2020, 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. IGD GROUP HALF YEAR CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AT 30 JUNE 2020

# 2.1 // Consolidated income statement

| (in thousands of Euros) | Note | 30/06/2020 (A) | 30/06/2019 (B) | Change (A)-(B) |
|---|---|---|---|---|
| **Revenue** | 1 | **74,636** | **77,344** | **(2,708)** |
| Revenues from third parties | | 54,491 | 56,071 | (1,580) |
| Revenues from related parties | | 20,145 | 21,273 | (1,128) |
| **Other revenue** | 2.1 | **3,139** | **3,188** | **(49)** |
| Other revenues from third parties | | 1,832 | 1,897 | (65) |
| Other revenues from related parties | | 1,307 | 1,291 | 16 |
| **Revenues from property sales** | 2.2 | **450** | **0** | **450** |
| **Operating revenues** | | **78,225** | **80,532** | **(2,307)** |
| Change in inventory | 6 | 254 | 302 | (48) |
| **Revenues and change in inventory** | | **78,479** | **80,834** | **(2,355)** |
| Construction costs for the period | 6 | 864 | 323 | 541 |
| Service costs | 3 | 7,473 | 7,344 | 129 |
| Service costs from third parties | | 5,451 | 5,710 | (259) |
| Service costs from related parties | | 2,022 | 1,634 | 388 |
| Cost of labour | 4 | 4,715 | 5,101 | (386) |
| Other operating costs | 5 | 5,055 | 5,441 | (386) |
| **Total operating costs** | | **18,107** | **18,209** | **(102)** |
| Depreciations, amortization and provisions | | (301) | (303) | 2 |
| (Impairment losses)/Reversals on work in progress and inventories | | (2,159) | (141) | (2,018) |
| Provisions for doubtful accounts | | (9,532) | (163) | (9,369) |
| Change in fair value | | (71,418) | (38,675) | (32,743) |
| **Depreciation, amortization, provisions, impairment and change in fair value** | 7 | **(83,410)** | **(39,282)** | **(44,128)** |
| **EBIT** | | **(23,038)** | **23,343** | **(46,381)** |
| **Income/ (loss) from equity investments and asset disposal** | 8 | **(72)** | **3** | **(75)** |
| **Financial Income** | | **27** | **26** | **1** |
| Financial income from third parties | | 27 | 25 | 2 |
| Financial income from related parties | | 0 | 1 | (1) |
| **Financial charges** | | **17,993** | **16,441** | **1,552** |
| Financial charges from third parties | | 17,990 | 16,391 | 1,599 |
| Financial charges from related parties | | 3 | 50 | (47) |
| **Net financial income (expense)** | 9 | **(17,966)** | **(16,415)** | **(1,551)** |
| **Pre-tax profit** | | **(41,076)** | **6,931** | **(48,007)** |
| Income taxes | 10 | (2,246) | (168) | (2,078) |
| **NET PROFIT FOR THE PERIOD** | | **(38,830)** | **7,099** | **(45,929)** |
| Non-controlling interests in (profit)/loss for the period | | 0 | 0 | 0 |
| **Profit/(loss) for the period attributable to the Parent Company** | | **(38,830)** | **7,099** | **(45,929)** |
| Basic earnings per share | 11 | (0.352) | 0.065 | (0.417) |
| Diluted earnings per share | 11 | (0.352) | 0.065 | (0.417) |

# 2.2 // Consolidated statement of comprehensive income

| (in thousands of Euros) | 30/06/2020 | 30/06/2019 |
|---|---|---|
| **NET PROFIT FOR THE PERIOD** | **(38,830)** | **7,099** |
| **Total other components of comprehensive income that will not be reclassified to profit/(loss)** | **0** | **0** |
| **Other components of comprehensive income that will be reclassified to profit/ (loss):** | | |
| Effects of hedge derivatives on net equity | 1,860 | (5,091) |
| Tax effects of hedge derivatives on net equity | (406) | 1,261 |
| Other effects on income statement components | (61) | (63) |
| **Total other components of comprehensive income that will be reclassified to profit/ (loss)** | **1,393** | **(3,893)** |
| **Total comprehensive profit/ (loss) for the period** | **(37,437)** | **3,206** |
| Non-controlling interests in (profit)/loss for the period | 0 | 0 |
| **Profit/(loss) for the period attributable to the Parent Company** | **(37,437)** | **3,206** |

# 2.3 // Consoldiated statement of financial position

| (in thousands of Euros) | Note | 30/06/2020 (A) | 31/12/2019 (B) | Change (A)-(B) |
|---|---|---|---|---|
| **NON CURRENT ASSETS:** | | | | |
| **Intangible assets** | | | | |
| Intangible assets with finite useful lives | 12 | 39 | 50 | (11) |
| Goodwill | 13 | 12,485 | 12,485 | 0 |
| | | **12,524** | **12,535** | **(11)** |
| **Property, plant, and equipment** | | | | |
| Investment property | 14 | 2,300,570 | 2,365,214 | (64,644) |
| Buildings | 15 | 7,535 | 7,643 | (108) |
| Plant and machinery | 16 | 157 | 161 | (4) |
| Equipment and other goods | 16 | 1,058 | 1,166 | (108) |
| Assets under construction and advance payments | 17 | 40,610 | 40,827 | (217) |
| | | **2,349,930** | **2,415,011** | **(65,081)** |
| **Other non-current assets** | | | | |
| Sundry receivables and other non-current assets | 19 | 127 | 118 | 9 |
| Equity investments | 20 | 151 | 223 | (72) |
| Non-current financial assets | 21 | 174 | 174 | 0 |
| | | **452** | **515** | **(63)** |
| **TOTAL NON-CURRENT ASSETS (A)** | | **2,362,906** | **2,428,061** | **(65,155)** |
| **CURRENT ASSETS:** | | | | |
| Work in progress inventory and advances | 22 | 32,433 | 33,602 | (1,169) |
| Trade and other receivables | 23 | 32,429 | 11,114 | 21,315 |
| Related party trade and other receivables | 24 | 2,361 | 921 | 1,440 |
| Other current assets | 25 | 4,576 | 3,084 | 1,492 |
| Cash and cash equivalents | 26 | 102,958 | 128,677 | (25,719) |
| **TOTAL CURRENT ASSETS (B)** | | **174,757** | **177,398** | **(2,641)** |
| **TOTAL ASSETS (A + B)** | | **2,537,663** | **2,605,459** | **(67,796)** |
| **NET EQUITY:** | | | | |
| Share capital | | 650,000 | 749,738 | (99,738) |
| Share premium reserve | | 30,058 | 30,058 | 0 |
| Treasury share reserve | | (541) | (198) | (343) |
| Other reserves | | 489,435 | 416,263 | 73,172 |
| Group profit (loss) carried forward | | 17,962 | 5,682 | 12,280 |
| Net profit (loss) of the year | | (38,830) | 9,471 | (48,301) |
| **Total Group net equity** | | **1,148,084** | **1,211,014** | **(62,930)** |
| Capital and reserves of non-controlling interests | | 0 | 0 | 0 |
| **TOTAL NET EQUITY (C)** | 27 | **1,148,084** | **1,211,014** | **(62,930)** |
| **NON-CURRENT LIABILITIES:** | | | | |
| Derivatives - liabilities | 40 | 15,830 | 17,365 | (1,535) |
| Non-current financial liabilities | 28 | 1,132,293 | 1,232,669 | (100,376) |
| Provisions for employee severance indemnities | 29 | 3,169 | 3,057 | 112 |
| Deferred tax liabilities | 18 | 24,097 | 26,313 | (2,216) |
| Provisions for risks and future charges | 30 | 3,251 | 4,068 | (817) |
| Sundry payables and other non-current liabilities | 31 | 8,110 | 8,152 | (42) |
| Related parties sundry payables and other non-current liabilities | 31 | 13,721 | 13,721 | 0 |
| **TOTAL NON-CURRENT LIABILITIES (D)** | | **1,200,471** | **1,305,345** | **(104,874)** |
| **CURRENT LIABILITIES:** | | | | |
| Current financial liabilities | 32 | 136,403 | 58,820 | 77,583 |
| Trade and other payables | 34 | 10,299 | 15,960 | (5,661) |
| Related parties trade and other payables | 35 | 1,309 | 1,031 | 278 |
| Current tax liabilities | 36 | 4,542 | 2,601 | 1,941 |
| Other current liabilities | 37 | 23,770 | 10,688 | 13,082 |
| Related parties other current liabilities | 37 | 12,785 | 0 | 12,785 |
| **TOTAL CURRENT LIABILITIES (E)** | | **189,108** | **89,100** | **100,008** |
| **TOTAL LIABILITIES (F=D+E)** | | **1,389,579** | **1,394,445** | **(4,866)** |
| **TOTAL NET EQUITY AND LIABILITIES (C + F)** | | **2,537,663** | **2,605,459** | **(67,796)** |

# 2.4 // Consolidated statement of changes in equity

| (In thousands of Euro) | Share Capital | Share premium reserve | Other reserves | Group profit (loss) carried forward | Group profit (loss) of the period | Group net equity | Non-controlling interests capital and reserves | Total net equity |
|---|---|---|---|---|---|---|---|---|
| **Balance on 01/01/2019** | **749,738** | **31,504** | **410,109** | **14,599** | **46,388** | **1,252,338** | **0** | **1,252,338** |
| FTA IFRS 16 | 0 | 0 | 1,886 | 0 | 0 | 1,886 | 0 | 1,886 |
| **Balance on 01/01/2019 post IFRS 16** | **749,738** | **31,504** | **411,995** | **14,599** | **46,388** | **1,254,224** | **0** | **1,254,224** |
| Profit of the year | 0 | 0 | 0 | 0 | 7,099 | 7,099 | 0 | 7,099 |
| Cash flow hedge derivative assessment | 0 | 0 | (3,830) | 0 | 0 | (3,830) | 0 | (3,830) |
| Other comprehensive income (losses) | 0 | 0 | (63) | 0 | 0 | (63) | 0 | (63) |
| **Total comprehensive profit (losses)** | **0** | **0** | **(3,893)** | **0** | **7,099** | **3,206** | **0** | **3,206** |
| (Purchase)/Sale of treasury shares | 0 | 0 | 160 | 0 | 0 | 160 | 0 | 160 |
| *Allocation of 2018 profit* | | | | | | | | |
| Dividends paid | 0 | (1,446) | (557) | (12,037) | (41,113) | (55,153) | 0 | (55,153) |
| To legal reserve | 0 | 0 | 1,893 | 0 | (1,893) | 0 | 0 | 0 |
| To other reserve | 0 | 0 | 3,382 | 0 | (3,382) | 0 | 0 | 0 |
| **Balance at 30/06/2019** | **749,738** | **30,058** | **412,980** | **2,562** | **7,099** | **1,202,437** | **0** | **1,202,437** |

| (In thousands of Euro) | Share Capital | Share premium reserve | Other reserves | Group profit (loss) carried forward | Group profit (loss) of the period | Group net equity | Non-controlling interests capital and reserves | Total net equity |
|---|---|---|---|---|---|---|---|---|
| **Balance on 01/01/2020** | **749,738** | **30,058** | **416,065** | **5,682** | **9,471** | **1,211,014** | **0** | **1,211,014** |
| Profit of the year | 0 | 0 | 0 | 0 | (38,830) | (38,830) | 0 | (38,830) |
| Cash flow hedge derivative assessment | 0 | 0 | 1,454 | 0 | 0 | 1,454 | 0 | 1,454 |
| Other comprehensive income (losses) | 0 | 0 | (61) | 0 | 0 | (61) | 0 | (61) |
| **Total comprehensive profit (losses)** | **0** | **0** | **1,393** | **0** | **(38,830)** | **(37,437)** | **0** | **(37,437)** |
| Sale of treasury shares | 0 | 0 | (343) | 0 | 0 | (343) | 0 | (343) |
| Capital reduction | (99,738) | 0 | 99,738 | 0 | 0 | 0 | 0 | 0 |
| *Allocation of 2019 profit* | | | | | | | | |
| Dividends paid | 0 | 0 | 0 | (25,150) | 0 | (25,150) | 0 | (25,150) |
| Fair value reserve reclassification | 0 | 0 | (27,959) | 27,959 | 0 | 0 | 0 | 0 |
| Allocation of profits previous years | 0 | 0 | 0 | 9,471 | (9,471) | 0 | 0 | 0 |
| **Balance at 30/06/2020** | **650,000** | **30,058** | **488,894** | **17,962** | **(38,830)** | **1,148,084** | **0** | **1,148,084** |

# 2.5 // Consolidated statement of cash flows

| (in thousands of Euro) | 30/06/2020 | 30/06/2019 |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Pre-tax profit | **(41,076)** | **6,931** |
| **Adjustments to reconcile net profit with cash flow generated (absorbed) by operating activities:** | | |
| Financial charges/ (income) | 17,966 | 16,415 |
| Depreciation, amortization and provisions | 301 | 303 |
| Writedown of receivables | 9,532 | 163 |
| (Impairment losses)/reversals on work in progress | 2,159 | 141 |
| Changes in fair value - increases / (decreases) | 71,418 | 38,675 |
| Gains/losses from disposals - equity investments | 72 | (3) |
| Changes in provisions for employees and administrators benefits | (402) | (152) |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **59,970** | **62,473** |
| Financial charges paid | (13,354) | (25,517) |
| Income tax | (343) | (653) |
| **CASH FLOW FROM OPERATING ACTIVITIES NET OF TAX** | **46,273** | **36,303** |
| Change in inventory | (254) | (211) |
| Net change in current assets and liabilities | (36,502) | 3,148 |
| Net change in non-current assets and liabilities | (50) | 221 |
| **CASH FLOW FROM OPERATING ACTIVITIES (A)** | **9,467** | **39,461** |
| (Investments) in non-current assets | (7,352) | (8,780) |
| Disposals of non-current assets | 56 | 595 |
| (Investments) in equity interests | 0 | 0 |
| **CASH FLOW FROM INVESTING ACTIVITIES (B)** | **(7,296)** | **(8,185)** |
| Change in non-current financial assets | 0 | 69 |
| Disposal/ (purchase) of treasury shares | (343) | 160 |
| Capital increase net of costs | 0 | 0 |
| Distribution of dividends | 0 | (55,153) |
| Fees paid for finance leases | (2,576) | (5,096) |
| Change in current debt | (2,845) | (146,010) |
| Change in non-current debt | (22,065) | 175,109 |
| **CASH FLOW FROM FINANCING ACTIVITIES (C)** | **(27,829)** | **(30,921)** |
| Exchange rate differences on cash and cash equivalents (D) | (61) | (63) |
| **NET INCREASE (DECREASE) IN CASH BALANCE (A+B+C+D)** | **(25,719)** | **292** |
| **CASH BALANCE AT BEGINNING OF THE PERIOD** | **128,677** | **2,472** |
| **CASH BALANCE AT END OF THE PERIOD** | **102,958** | **2,764** |

# 2.6 // Notes to the half year consolidated financial statements

## 2.6.1. General information

The condensed interim consolidated financial statements of Immobiliare Grande Distribuzione at 30 June 2020 were approved and authorized for publication by the Board of Directors on 6 August 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.

## 2.6.2. Summary of accounting standards

### 2.6.2.1. Preparation criteria

**Statement of compliance with International Accounting Standards**

The condensed interim consolidated financial statements for the period ended 30 June 2020 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 and specifically includes IAS 34 – Interim Financial Reporting. The IFRS have been applied consistently to all reporting periods presented. The condensed interim consolidated financial statements do not include all disclosures required in the annual financial statements, and should be read jointly with the Group's annual report for the year ended 31 December 2019.

**Reporting formats**

The items in the statement of financial position are classified as current, non-current, or (if applicable) non-current held for sale, 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

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group as from 1 January 2020:

- 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 rule has not affected the Group's 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 rule has not affected the Group's consolidated financial statements.
- 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 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

At 30 June 2020 the EU authorities had not yet finished the endorsement process necessary for the adoption of the following amendments and standards.

- On 23 January 2020 the IASB published "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". These clarifying amendments are meant to take effect on 1 January 2022 but the IASB has issued an exposure draft to delay its effectiveness until 1 January 2023; early adoption is in any case permitted.

The directors do not expect the amendment to have a significant impact on the consolidated financial statements. On 14 May 2020 the IASB published the following:

- Amendments to IFRS 3 Business Combinations, for the purpose of updating the reference in IFRS 3 to the revised version of the Conceptual Framework, with no material changes to the accounting standard.
- Amendments to IAS 16 Property, Plant and Equipment, to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced during the asset's testing phase. Such proceeds and the related costs will instead be recognized in profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, to clarify that all costs relating directly to a contract must be considered when determining whether the contract is onerous. Therefore, an entity should consider both incremental costs (e.g. materials) as well as any costs it cannot avoid because it is a party to the contract (e.g. labor and the depreciation of machinery used to fulfill the contract).
- Annual Improvements 2018-2020: the improvements concern IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and the Illustrative Examples of IFRS 16 Leases.

All of the amendments will take effect on 1 January 2022. The directors do not expect them to have a significant impact on the consolidated financial statements.

### 2.6.2.2. Consolidation

#### a) Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 30 June 2020, prepared by the boards of directors of the consolidated companies and adjusted, where necessary, to align them with the Group’s IFRS-compliant accounting and classification policies. The scope of consolidation has not changed since 31 December 2019. Pursuant to Consob Circular DEM/6064293 of 28 July 2006, below is a list of Group companies showing the location of their registered office, share capital in the local currency and consolidation method. The interests held directly or indirectly by IGD SIIQ S.p.A. and each of its subsidiaries are also specified.

| Name | Registered office | Country | Share capital | Currency | % 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 | 650,000,000.00 | 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. 0,1% | 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% | Darsena City shopping center management |

IGD SIIQ S.p.A., directly and indirectly, controls various consortiums for the management of shopping centers (costs relating to common areas and promotional activities). They are not consolidated as they are considered to be immaterial.

| Name | Type of control | % held | Registered office |
|---|---|---|---|
| Owner consortium of SC Leonardo | Direct | 52.00% | VIA AMENDOLA 129, IMOLA (BO) |
| Owner consortium of SC I Bricchi | Direct | 72.25% | VIA PRATO BOSCHIERO, ISOLA D'ASTI (LOC MOLINI) |
| Owner consotium of Centrolame | 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, FORLI' (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) |
| Consortium Darsena | Direct | 77.12% | Via Darsena 75 - Ferrara (FE) |
| Consortium of SC Casilino | Direct | 45.80% | Via Casilina 1011 - (Roma) |

## 2.6.3. Use of estimates

The preparation of the condensed interim consolidated financial statements and notes in accordance with IFRS requires Management to follow accounting policies and methods that in some cases depend on difficult subjective quantifications and estimates based on past experience, and assumptions that are considered reasonable and realistic on a case-by-case basis. These affect the carrying values of assets and liabilities and disclosures of contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.
The critical valuation processes and key assumptions used by management in the process of applying IFRS that may significantly impact the amounts presented in the consolidated financial statements or that may in the future lead to material differences with respect to the carrying amount of assets and liabilities are summarized below.

## Investment property and inventory

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms selected on the basis of the following criteria: (i) recognized European-level qualifications, (ii) specialized expertise in the retail segment, and (iii) reputability and independence. The selection of the independent appraisers is by resolution of the Board of Directors.

In line with recommendations from the supervisory authorities and the various industry best practices, the company has long followed a specific procedure that governs the selection rules for independent appraisers and the handling of information flows used in the process of assessing the properties' fair value.

To appraise the real estate portfolio at 30 June 2020, the following independent firms were selected: (i) CBRE Valuation S.p.A., (ii) Duff&Phelps Reag 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.

The IGD Group's real estate portfolio has been measured according to Level 3 fair value models as the inputs directly and indirectly unobservable in the market, used in the valuation models, are greater than the observable inputs.

The following table shows IGD Group investment property by type, measured at fair value at 30 June 2020, in total equal to Euro 34,928 thousands. 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 30/06/2020<br>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 MARKET (LEVEL 3) |
|---|---|---|---|
| **Investment property Italy:** | | | |
| Malls and retail parks | | | 1,513,337 |
| Hypermarkets and supermarkets | | | 575,758 |
| Residual portion of property | | | 20,484 |
| **Total investment property Italy** | | | **2,109,579** |
| | | | |
| **Investment property Romania:** | | | |
| Shopping malls | | | 139,520 |
| Office Building | | | 2,700 |
| **Total investment property Romania** | | | **142,220** |
| | | | |
| **IGD Group investment property** | | | **2,251,799** |
| | | | |
| **Porta a Mare project** | | | |
| Porta a Mare project (*) | | | 35,890 |
| **Total assets held for trading** | | | **35,890** |
| | | | |
| **Right of use (IFRS 16)** | | | |
| Right of use (IFRS 16) | | | 48,771 |
| **Total right of use (IFRS 16)** | | | **48,771** |
| | | | |
| **Total IGD Group investment property measured at Fair Value** | | | **2,336,460** |

(*) This is a project relating to a retail sector of the Porta a Mare project, classified under construction in progress and measured at fair value

The unobservable inputs used to appraise the real estate portfolio (Level 3 of the fair value hierarchy) are as follows:

- discount rate;
- gross cap out rate;
- annual market 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 30 June 2020:

| Portfolio | Appraisal method | Discount rate 30/06/2020 | | GROSS CAP OUT RATE 30/06/2020 | | Yearly rent €/sqm 30/06/2020 | |
|---|---|---|---|---|---|---|---|
| | | min | Max | min | max | min | max |
| TOTAL MALLS/RP | Income-based (DCF) | 6.20% | 7.97% | 5.91% | 9.68% | 14 | 521 |
| TOTAL HYPER/SUPER | Income-based (DCF) | 5.60% | 7.25% | 5.26% | 6.90% | 76 | 240 |
| TOTAL Winmarkt | Income-based (DCF) | 6.50% | 9.50% | 6.13% | 9.48% | 41 | 206 |

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 30 June 2020 is reported below.

## Sensitivity analysis at 30.06.2020

| Asset class | Hypermarkets and supermarkets | Malls and retail parks | Other | Investment property Romania | Total |
|---|---|---|---|---|---|
| Market value at 30/06/2020 +0.5 discount rate | (21,285) | (54,746) | (1,293) | (4,110) | (81,434) |
| Market value at 30/06/2020 -0.5 discount rate | 21,925 | 57,575 | 1,343 | 4,350 | 85,193 |
| Market value at 30/06/2020 +0.5 gross cap out | (24,482) | (54,709) | (764) | (5,030) | (84,985) |
| Market value at 30/06/2020 -0.5 gross cap out | 28,614 | 60,027 | 924 | 6,050 | 95,615 |
| Market value at 30/06/2020 +0.5 discount rate +0.5 gross cap out | (44,263) | (106,320) | (1,966) | (9,040) | (161,589) |
| Market value at 30/06/2020 -0.5 discount rate -0.5 gross cap out | 52,464 | 126,212 | 2,279 | 10,630 | 191,585 |
| Market value at 30/06/2020 +0.5 discount rate -0.5 gross cap out | 4,748 | 6,579 | (399) | 1,320 | 12,248 |
| Market value at 30/06/2020 -0.5 discount rate +0.5 gross cap out | (3,516) | 1,784 | 549 | (900) | (2,083) |

Regarding the sensitivity of fair value measurements to changes in the main unobservable inputs, fair value would go down for increases in the discount rate and gross cap out rate.

Other variables that could reduce fair value are:

- an increase in operating costs and/or taxes
- a decrease in rent or in estimated rental value for vacant space
- an increase in estimated extraordinary charges.

Conversely, fair value would go up if these variables changed in the opposite direction.

## Recoverable amount of goodwill

The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment.

### Recoverability of deferred tax assets

The Group has deferred tax assets on deductible temporary differences and theoretical tax benefits for losses carried forward. In estimating recoverable value, the Group considered the results of the business plan in keeping with those used for impairment testing.

### Fair value of derivative instruments

The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates, also with support from external consultants. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market.

### Variable revenue

Variable revenue at 30 June is determined on the basis of monthly earnings reports from the individual tenants, if available, or otherwise on the basis of the previous year's earnings.

### 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.

## 2.6.4. 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 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 | 30/06/2020 | 30/06/2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| | CORE BUSINESS PROPERTIES | | SERVICES | | "PORTA A MARE" PROJECT | | SHARED | | Total | |
| **Total revenue and operating income** | **74,636** | **77,344** | **3,139** | **3,188** | **450** | **0** | **0** | **0** | **78,225** | **80,532** |
| **Change in work in progress inventory** | **0** | **0** | **0** | **0** | **254** | **302** | **0** | **0** | **254** | **302** |
| Direct costs (a) (excluding provision for doubtful accounts) | 9,015 | 8,784 | 2,504 | 2,723 | 1,102 | 323 | 0 | 0 | 12,621 | 11,830 |
| G&A expenses (b) | 0 | 0 | 0 | 0 | 0 | 0 | 5,486 | 6,379 | 5,486 | 6,379 |
| **Total operating costs (a)+(b)** | **9,015** | **8,784** | **2,504** | **2,723** | **1,102** | **323** | **5,486** | **6,379** | **18,107** | **18,209** |
| (Depreciation and amortizations) | (9,743) | (372) | 0 | 0 | 0 | 0 | (90) | (94) | (9,833) | (466) |
| (Impairment losses) /reversals on work in progress and | (734) | (59) | 0 | 0 | (1,425) | (82) | 0 | 0 | (2,159) | (141) |
| Fair value change - increase/(decreases) | (71,418) | (38,730) | 0 | 0 | 0 | 55 | 0 | 0 | (71,418) | (38,675) |
| **Total depreciation, amortization, provisions, impairment and fair value changes** | **(81,895)** | **(39,161)** | **0** | **0** | **(1,425)** | **(27)** | **(90)** | **(94)** | **(83,410)** | **(39,282)** |
| **EBIT** | **(16,274)** | **29,399** | **635** | **465** | **(1,823)** | **(48)** | **(5,576)** | **(6,473)** | **(23,038)** | **23,343** |
| **Income/ (loss) from equity investments and property sales** | **0** | **0** | **0** | **0** | **0** | **0** | **(72)** | **3** | **(72)** | **3** |
| **Financial income** | 0 | 0 | 0 | 0 | 0 | 0 | 27 | 26 | 27 | 26 |
| **Financial charges** | 0 | 0 | 0 | 0 | 0 | 0 | 17,993 | 16,441 | 17,993 | 16,441 |
| **Net financial income (expense)** | 0 | 0 | 0 | 0 | 0 | 0 | **(17,966)** | **(16,415)** | **(17,966)** | **(16,415)** |
| **PRE-TAX PROFIT** | **(16,274)** | **29,399** | **635** | **465** | **(1,823)** | **(48)** | **(23,614)** | **(22,885)** | **(41,076)** | **6,931** |
| Income taxes for the period | 0 | 0 | 0 | 0 | 0 | 0 | (2,246) | (168) | (2,246) | (168) |
| **NET PROFIT FOR THE PERIOD** | **(16,274)** | **29,399** | **635** | **465** | **(1,823)** | **(48)** | **(21,368)** | **(22,717)** | **(38,830)** | **7,099** |
| 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** | **(16,274)** | **29,399** | **635** | **465** | **(1,823)** | **(48)** | **(21,368)** | **(22,717)** | **(38,830)** | **7,099** |

| REVENUE FROM FREEHOLD PROPERTIES | 30-jun-20 | 30-jun-19 | 30-jun-20 | 30-jun-19 | 30-jun-20 | 30-jun-19 | 30-jun-20 | 30-jun-19 |
|---|---|---|---|---|---|---|---|---|
| | Northen ITALY | | CENTRAL/SOUTHERN ITALY&ISLANDS | | ABROAD | | TOTAL | |
| *Lease & retail income* | 37,737 | 37,861 | 25,642 | 26,457 | 3,873 | 4,877 | 67,252 | 69,195 |
| *One-off revenue* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Temporary location rentals* | 905 | 1,232 | 367 | 553 | 0 | 0 | 1,272 | 1,785 |
| *Other rental income* | 27 | 21 | 113 | 66 | 28 | 7 | 168 | 94 |
| **TOTAL** | **38,669** | **39,114** | **26,122** | **27,076** | **3,901** | **4,884** | **68,692** | **71,074** |

| Balance sheet | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 | 30/06/2020 | 31/12/2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| | CORE BUSINESS PROPERTIES | | SERVICES | | "PORTA A MARE" PROJECT | | SHARED | | Total | |
| Investment property | 2,300,570 | 2,365,214 | 0 | 0 | 0 | 0 | 0 | 0 | 2,300,570 | 2,365,214 |
| Assets under construction | 40,610 | 40,827 | 0 | 0 | 0 | 0 | 0 | 0 | 40,610 | 40,827 |
| Intangible assets | 11,478 | 11,478 | 1,007 | 1,007 | 0 | 0 | 40 | 50 | 12,525 | 12,535 |
| Other tangible assets | 1,043 | 1,131 | 174 | 190 | 0 | 7 | 7,536 | 7,642 | 8,753 | 8,970 |
| Sundry receivables and other non-current assets | 0 | 0 | 0 | 0 | 0 | 0 | 125 | 117 | 125 | 117 |
| Equity investments | 0 | 0 | 0 | 0 | 0 | 0 | 151 | 223 | 151 | 223 |
| NWC | (15,477) | (16,797) | 2,253 | 1,112 | 32,316 | 34,127 | 0 | 0 | 19,092 | 18,442 |
| Funds | (5,075) | (1,584) | (1,347) | (5,516) | 3 | (25) | 0 | 0 | (6,419) | (7,125) |
| Non-current payables and other liabilities | (15,912) | (15,953) | 0 | 0 | (5,920) | (5,920) | 0 | 0 | (21,832) | (21,873) |
| Net deferred tax (assets)/ liabilities | (26,659) | (28,875) | 0 | 0 | 2,562 | 2,562 | 0 | 0 | (24,097) | (26,313) |
| **Total use of funds** | **2,290,578** | **2,355,441** | **2,087** | **(3,207)** | **28,961** | **30,751** | **7,852** | **8,032** | **2,329,478** | **2,391,017** |
| Total shareholders' equity | 1,120,852 | 1,184,472 | (340) | (4,509) | 27,572 | 31,051 | 0 | 0 | 1,148,084 | 1,211,014 |
| Net (assets) and liabilities for derivative instruments | 15,830 | 17,365 | 0 | 0 | 0 | 0 | 0 | 0 | 15,830 | 17,365 |
| Net financial position | 1,153,896 | 1,153,604 | 2,427 | 1,302 | 1,389 | (300) | 7,852 | 8,032 | 1,165,564 | 1,162,638 |
| **Total sources** | **2,290,578** | **2,355,441** | **2,087** | **(3,207)** | **28,961** | **30,751** | **7,852** | **8,032** | **2,329,478** | **2,391,017** |

## 2.6.5. Notes to the half-year consolidated financial statements

### Note 1) Revenue and other income

| | Note | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|---|
| **Revenue** | 1 | **74,636** | **77,344** | **(2,708)** |
| Revenues from third parties | | 54,491 | 56,071 | (1,580) |
| Revenues from related parties | | 20,145 | 21,273 | (1,128) |
| **Other revenue** | 2.1 | **3,139** | **3,188** | **(49)** |
| Other revenues from third parties | | 1,832 | 1,897 | (65) |
| Other revenues from related parties | | 1,307 | 1,291 | 16 |
| **Revenues from property sales** | 2.2 | **450** | **0** | **450** |
| **Operating revenues** | | **78,225** | **80,532** | **(2,307)** |

The decrease in total operating revenue (of around €2,307K) mainly reflects: *(i)* a reduction in variable, temporary revenue associated with the lockdown period; *(ii)* vacancies due to delayed or canceled openings; and *(iii)* greater discounts written into the contracts of the Romanian subsidiaries for management of the lockdown, as partially offset by *(iv)* higher income from the sale of a residential unit by the subsidiary Porta Medicea.

### Note 1.1) Revenue

| | Note | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|---|
| Freehold hypermarkets - Rents and business leases from related parties | a.1 | 18,369 | 19,133 | (764) |
| Leasehold hypermarkets - Business leases from related parties | a.2 | 61 | 60 | 1 |
| Freehold supermarkets - Rents and business leases from related parties | a.3 | 787 | 734 | 53 |
| **TOTAL HYPERMARKETS/SUPERMARKETS** | a | **19,217** | **19,927** | **(710)** |
| **Freehold malls, offices and city center** | b.1 | **48,173** | **49,393** | **(1,220)** |
| **Rents** | | **8,297** | **9,603** | **(1,306)** |
| To related parties | | 350 | 617 | (267) |
| To third parties | | 7,947 | 8,986 | (1,039) |
| **Business leases** | | **39,876** | **39,790** | **86** |
| To related parties | | 484 | 483 | 1 |
| To third parties | | 39,392 | 39,307 | 85 |
| **Leasehold malls** | b.2 | **5,643** | **5,824** | **(181)** |
| **Rents** | | **313** | **314** | **(1)** |
| To related parties | | 59 | 59 | 0 |
| To third parties | | 254 | 255 | (1) |
| **Business leases** | | **5,330** | **5,510** | **(180)** |
| To related parties | | 126 | 125 | 1 |
| To third parties | | 5,204 | 5,385 | (181) |
| **Other contracts and temporary rents** | b.3 | **1,603** | **2,200** | **(597)** |
| Other contracts and temporary rents | | 1,576 | 2,138 | (562) |
| Other contracts and temporary rents - related parties | | 27 | 62 | (35) |
| **TOTAL MALLS** | b | **55,419** | **57,417** | **(1,998)** |
| **GRAND TOTAL** | a+b | **74,636** | **77,344** | **(2,708)** |
| of which related parties | | 20,145 | 21,273 | (1,128) |
| of which third parties | | 54,491 | 56,071 | (1,580) |

Total revenue decreased by €2,708K compared with the same period last year.

Rent from freehold hypermarkets and supermarkets decreased by €710K, due mainly to the remapping of various hypermarkets.

Rent and business lease revenue from freehold malls, offices and city center properties fell by €1,220K, chiefly as a result of: *(i)* a reduction in variable, temporary revenue associated with the lockdown period; *(ii)* vacancies due to delayed or canceled openings; and *(iii)* greater discounts written into the contracts of the Romanian subsidiaries for management of the lockdown.
For further information, see the income statement review (section 1.4) in the Directors' Report.

## Note 2.1) Other income

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Out-of-period income/charges | 1 | 7 | (6) |
| Facility management revenues | 1,654 | 1,649 | 5 |
| Portfolio and rent management revenues | 85 | 110 | (25) |
| Pilotage and construction revenues | 51 | 58 | (7) |
| Marketing revenues | 17 | 0 | 17 |
| Other income | 24 | 73 | (49) |
| **Other revenues from third parties** | **1,832** | **1,897** | **(65)** |
| Facility management revenues from related parties | 1,268 | 1,252 | 16 |
| Marketing revenues vs related parties | 24 | 25 | (1) |
| Portfolio and rent management revenues from related parties | 15 | 14 | 1 |
| **Other revenues from related parties** | **1,307** | **1,291** | **16** |
| **Other revenue** | **3,139** | **3,188** | **(49)** |

Other income from third parties decreased by €65K with respect to the first half of 2019.
Other income from related parties was slightly up (+€16K) due mainly to the rise in facility management revenue.

## Note 2.2) Income from the sale of trading properties

This came to €450K in the first half of 2020 and concerns one residential unit, two enclosed garage units and one parking space in the Porta a Mare project.

## Note 3) Service costs

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| **Service costs from third parties** | **5,451** | **5,710** | **(259)** |
| Paid rents | 107 | 164 | (57) |
| Promotional and advertising expenses | 336 | 190 | 146 |
| Centers management expenses for vacancies | 691 | 710 | (19) |
| Centers management expenses for ceiling to tenants' costs | 851 | 856 | (5) |
| Facility management administration costs | 379 | 373 | 6 |
| Insurances | 472 | 413 | 59 |
| Professional fees | 39 | 60 | (21) |
| Directors' and statutory auditors' fees | 661 | 610 | 51 |
| External auditing fees | 116 | 126 | (10) |
| Investor relations, Consob, Monte Titoli costs | 227 | 221 | 6 |
| Shopping center pilotage and construction costs | 0 | 14 | (14) |
| Consulting | 512 | 560 | (48) |
| Real estate appraisals fees | 226 | 255 | (29) |
| Maintenance and repair expenses | 104 | 199 | (95) |
| Other costs of services | 730 | 959 | (229) |
| **Service costs from related parties** | **2,022** | **1,634** | **388** |
| Service | 154 | 153 | 1 |
| Centers management expenses for vacancies | 855 | 458 | 397 |
| Centers management expenses for ceiling to tenants' costs | 967 | 918 | 49 |
| Insurances | 36 | 36 | 0 |
| Directors' and statutory auditors' fees | 10 | 67 | (57) |
| Other costs of services | 0 | 2 | (2) |
| **Service costs** | **7,473** | **7,344** | **129** |

Service costs were €129K higher than during the first half of the previous year.
Most of the increase concerned promotional expenses as a result of the higher number of initiatives launched in the second half of 2019 and concluded in the first quarter of 2020 and the campaign post lockdown, as well as facility management costs due to unlet space (related parties). These were partially offset by a decrease in costs for other services and for construction work, maintenance and repairs.

## Note 4) Cost of labor

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Wages and salaries | 3,573 | 3,842 | (269) |
| Social security | 888 | 919 | (31) |
| Severance pay | 240 | 210 | 30 |
| Other costs | 14 | 130 | (116) |
| **Cost of labour** | **4,715** | **5,101** | **(386)** |

The cost of labor was €386K lower than in the first half of 2019 due mainly to the reduction in the bonus provision and the temporary use of government salary relief measures (*fondo di integrazione salariale*) in connection with the Covid-19 emergency.

## Note 5) Other operating costs

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| IMU/TASI/Property tax | 4,549 | 4,791 | (242) |
| Other taxes | 45 | 63 | (18) |
| Contract registrations | 198 | 238 | (40) |
| Out-of-period income/charges | (29) | 18 | (47) |
| Membership fees | 58 | 67 | (9) |
| Losses on receivables | 16 | 36 | (20) |
| Fuel and tolls | 68 | 109 | (41) |
| Other costs | 150 | 119 | 31 |
| **Other operating costs** | **5,055** | **5,441** | **(386)** |

Other operating costs decreased by €386K due primarily to the lower IMU (municipal property tax) at Tiburtino.

## Note 6) Change in work in progress inventory

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Construction costs for the period | 864 | 323 | 541 |
| Change in inventories for disposal | (610) | (21) | (589) |
| **Change in inventory** | **254** | **302** | **(48)** |

Work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno increased by €254K due to the sale of residential units net of the advancement of works for the period (see Note 22 for further information).

## Note 7) Depreciation, amortization, provisions, impairment and fair value changes

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Amortization of intangible assets | (11) | (9) | (2) |
| Amortization of tangible assets | (221) | (225) | 4 |
| Provisions for risks | (69) | (69) | 0 |
| **Depreciations, amortization and provisions** | **(301)** | **(303)** | **2** |
| **Provisions for doubtful accounts** | **(9,532)** | **(163)** | **(9,369)** |
| **(Impairment losses)/Reversals on work in progress and inventories** | **(2,159)** | **(141)** | **(2,018)** |
| **Change in fair value** | **(71,418)** | **(38,675)** | **(32,743)** |
| **Depreciation, amortization, provisions, impairment and change in fair value** | **(83,410)** | **(39,282)** | **(44,128)** |

Depreciation and amortization were in line with the amounts for the first half of 2019.

The allocation to the provision for doubtful accounts came to €9,532K, up from €163K in the first half of 2019. Most of the change concerns a provision of €8,500K reflecting agreements with tenants concerning the lockdown and reopening period, which for now are only partially formalized.
That provision aside, the amount was determined by evaluating the individual positions of clients in order to adjust them to estimated realizable value; in this respect, various tenants have filed for

composition with creditors (as duly reflected in the allocation for the period), while some provisions made in the past and no longer deemed necessary have been released.
See Note 23 for changes in this provision.
Other provisions refer to the estimated outcome of IMU (municipal property tax) disputes regarding Esp (Ravenna) and La Torre (Palermo) shopping centers.
"(Impairment losses)/reversals on work in progress and Inventory" (-€2,159K) cover the following: *(i)* an impairment loss of €193K for the expansion of Porto Grande (see Note 17), to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 30 June 2020; *(ii)* an impairment loss of €1,425K regarding work in progress inventory for the Porta a Mare project, to bring carrying value into line with the lower of cost and fair value as stated in the appraisal of 30 June 2020 (see Note 22); *(iii)* an impairment loss of €541K on land owned by the subsidiary IGD Management S.r.l.
The negative amount for "Fair value changes" (€71,418K) covers: *(i)* net writedowns of €69,749K (see Note 14) to adjust the carrying value of investment property and *(ii)* a writedown of €1,669K to match the carrying value 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

For the first half of 2020 this item came to a loss of €72K due to the complete write-off of IGD Management S.r.l.'s investment in Iniziative Bologna Nord S.r.l..

## Note 9) Financial income and charges

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Bank interest income | 5 | 7 | (2) |
| Other interests income and equivalents | 2 | 10 | (8) |
| Interest income from related parties | 0 | 1 | (1) |
| Exchange rate (losses)/gains | 20 | 7 | 13 |
| **Financial income from third parties** | **27** | **25** | **2** |
| Interest income from related parties | 0 | 1 | (1) |
| **Financial income from related parties** | **0** | **1** | **(1)** |
| **Financial Income** | **27** | **26** | **1** |

Financial income was consistent with the first half of the previous year.

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Interest expenses on security deposits | 3 | 50 | (47) |
| **Financial charges from related parties** | **3** | **50** | **(47)** |
| Interest expenses to banks | 0 | 21 | (21) |
| Mortgages interests vs banks | 3,007 | 3,108 | (101) |
| Amortized mortgage loan costs | 633 | 542 | 91 |
| IRS spread | 2,888 | 3,162 | (274) |
| Bond financial charges | 8,295 | 7,114 | 1,181 |
| Bond amortized costs | 1,751 | 845 | 906 |
| Financial charges on leasing | 22 | 25 | (3) |
| IFRS16 financial charges | 791 | 965 | (174) |
| Other interests and charges | 603 | 609 | (6) |
| **Financial charges from third parties** | **17,990** | **16,391** | **1,599** |
| **Financial charges** | **17,993** | **16,441** | **1,552** |

Financial charges went from €16,441K in the first half of 2019 to €17,993K this year. The net increase of €1,552K is due mainly to: *(i)* greater financial charges on bonds; *(ii)* higher amortized cost expense due to the issue of a new €400 million bond and partial buyback of the outstanding bonds in November 2019.

At 30 June 2020, the average cost of debt (without considering recurring and non-recurring transaction costs) was 2.30%, down from 2.35% at 31 December 2019, while the weighted average effective cost of debt (including ancillary charges) went from 2.98% to 2.69% for the same period.

## Note 10) Income taxes

| | 30/06/2020 | 30/06/2019 | Change |
|---|---|---|---|
| Current taxes | 518 | 655 | (137) |
| Deferred tax liabilities | (2,713) | (886) | (1,827) |
| Deferred tax assets | 40 | 65 | (25) |
| Out-of-period income/charges - Provisions | (91) | (2) | (89) |
| **Income taxes** | **(2,246)** | **(168)** | **(2,078)** |

The impact of current and deferred taxes was a positive €2,246K for the period, an improvement of €2,078K with respect to the first half of 2019, due mainly to: *(i)* the adjustment of deferred tax assets and deferred tax liabilities to reflect the disparity between fair value and the amount valid for tax purposes, caused by fair value adjustments on investment properties held by subsidiaries without SIIQ status; and *(ii)* deferred taxation under IFRS 16.
Current taxes decreased by €137K, chiefly reflecting the decline in revenue due to the lockdown period. Contingent assets consists mainly of the effects for the various Group companies of the cancellation of the IRAP (regional business tax) balance for 2019 and first advance payment for 2020, as provided for by the "Decreto Rilancio" (Recovery Decree) published in the Gazzetta Ufficiale on 19 May 2020.
Below is a reconciliation between theoretical income tax and actual income tax for the periods ended 30 June 2020 and 30 June 2019.

| Reconciliation of income tax applicable to profit before taxes | 30/06/2020 | 30/06/2019 |
|---|---|---|
| **Pre-tax profit** | **(41,076)** | **6,931** |
| *Theoretical tax charges (rate 24%)* | 0 | 1,664 |
| Profit resulting in the income statement | (41,076) | 6,931 |
| ***Increases:*** | | |
| IMU - Property tax | 4,241 | 4,331 |
| Fair value on work in progess and inventories | 1,618 | 142 |
| Other increases | 4,784 | 2,191 |
| ***Decreases:*** | | |
| Change in tax-exempt income | (22,584) | (34,532) |
| Deductible depreciation | (2,284) | (3,185) |
| Negative Fair value | 69,684 | 37,373 |
| Other changes | (13,328) | (10,945) |
| ***Tax income*** | **1,055** | **2,306** |
| ***Use of past losses*** | **44** | **0** |
| ***Use of ACE Benefit*** | **731** | **1,331** |
| ***Taxable income net of losses and ACE Benefit*** | **280** | **975** |
| ***Lower current taxes recognized direcly in equity*** | **0** | **(1)** |
| ***Current taxes of the years*** | **300** | **473** |
| ***Total current IRES for the year (a)*** | **300** | **473** |
| | | |
| ***Difference between value and cost of production*** | **56,458** | **63,575** |
| *Theoretical tax charges (rate 3.9%)* | 2,202 | 2,479 |
| ***Difference between value and cost of production*** | **56,458** | **63,575** |
| *Changes:* | | |
| Increases | 9,098 | 5,568 |
| Decreases | (14,322) | (8,897) |
| Change in exempt income | (40,135) | (50,566) |
| Other decuctions | (4,987) | (5,113) |
| ***Taxable IRAP income*** | **6,112** | **4,567** |
| ***Current IRAP for the year (b)*** | **218** | **182** |
| ***Total current taxes (a+b)*** | **518** | **655** |

## Note 11) Earnings/(loss) per share

As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings/loss per share for profit or loss from continuing operations attributable to the ordinary 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.

| | 30/06/2020 | 30/06/2019 |
|---|---|---|
| Net profit attributable to IGD SIIQ S.p.A. shareholders | (38,830) | 7,099 |
| Diluted net profit attributable to IGD SIIQ S.p.A. shareholders | (38,830) | 7,099 |
| Weighted average number of ordinary shares for purposes of basic earnings per share | 110,262,363 | 109,682,003 |
| Weighted average number of ordinary shares for purposes of diluted earnings per share | 110,262,363 | 109,682,003 |
| **Basic earnings per share** | **(0.352)** | **0.065** |
| **Diluted earnings per share** | **(0.352)** | **0.065** |

## Note 12) Intangible assets with finite useful lives

| | 01/01/2020 | Increase | Decrease | Amortization | Reclassification | 30/06/2020 |
|---|---|---|---|---|---|---|
| Intangible assets with finite useful lives | 50 | 0 | 0 | (11) | 0 | 39 |

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of trademarks used by the Group, which are amortized over 10 years, and of business software, amortized over 3 years. In the first half of 2020 there were no impairment losses or reversals on intangible assets.

## Note 13) Goodwill

| | 01/01/2020 | Increase | Impairment | Variation of consolidated area | Reclassification | 30/06/2020 |
|---|---|---|---|---|---|---|
| Goodwill | 12,485 | 0 | 0 | 0 | 0 | 12,485 |

Goodwill has been allocated to the individual cash generating units (CGUs).
Below is the breakdown of goodwill by CGU at 30 June 2020:

| Goodwill | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Millennium Gallery s.r.l. | 3,952 | 3,952 |
| Win Magazin S.A. | 5,409 | 5,409 |
| Winmarkt Management s.r.l. | 1 | 1 |
| RGD Ferrara 2013 s.r.l. | 123 | 123 |
| Fonti del Corallo | 1,000 | 1,000 |
| Centro Nova | 546 | 546 |
| Centro Piave | 448 | 448 |
| Service | 1,006 | 1,006 |
| **Goodwill** | **12,485** | **12,485** |

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 2.6.3 (use of estimates). 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. When preparing the interim report for the first half of 2020, considering also the impact of Covid-19, management decided to update the impairment analysis of the most significant items. 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. Finally, in accordance with IAS 36.12, it is an indicator of impairment if a company's net assets are higher than its market capitalization. Although management does not consider the capitalization based on stock price as of 30 June 2020 to be representative, it conducted a Group impairment test using IAS 36 criteria and the projection of 2020 budget figures adjusted for the extraordinary impact of Covid-19 as presented during the Board of Directors meeting of 7 May 2020, and found no problem areas. The discount rate used for that test (WACC - weighted average cost of capital invested) was 5.08%; the risk premium contained in the cost of equity is 5.98%, while the borrowing rate used is the average rate of competitors or 3.56%. A perpetual growth rate (g) of 1% was assumed in the projection.

## Note 14) Investment property

| | 01/01/2020 | Increase | Acquisitions | Decrease | Revaluation | Devaluation | Reclassification | 30/06/2020 |
|---|---|---|---|---|---|---|---|---|
| Investment property | 2,310,414 | 3,430 | 0 | 0 | 16,921 | (80,475) | 1,509 | 2,251,799 |
| Right-of-use IFRS16 | 54,800 | 166 | 0 | 0 | 0 | (6,195) | 0 | 48,771 |
| **Investment property** | **2,365,214** | **3,596** | 0 | 0 | **16,921** | **(86,670)** | **1,509** | **2,300,570** |

**Investment property** decreased by €64,644K, due mainly to:

- continued extraordinary maintenance on shopping centers (€3,596K), mostly for earthquake proofing at Centro d'Abruzzo and Porto Grande, waterproofing at La Favorita, fit-out work at Darsena, and mandatory fireproofing work in Romania;
- the reclassification from "Assets under development and advances" of work completed during the period, namely: *(i)* the remapping of Le Maioliche shopping center (€754K), *(ii)* the replacement of light fixtures with more energy-efficient LED technology at Punta di Ferro shopping center in Forlì (€324K), *(iii)* the restyling of the first floor in view of the imminent opening of a leisure space at Darsena shopping center in Ferrara (€416K), and *(iv)* mandatory fireproofing work at various shopping centers in Romania (€15K);
- fair value adjustments. Specifically, investment property was revalued in the amount of €16,921K and written down by €80,475K, for a net negative impact of €63,554K;
- an impairment loss on the right-of-use assets for the malls at Centro Nova, Centro Piave, and Fonti del Corallo shopping centers based on the results of third-party appraisals (€6,195K).

For details, see Sections 1.8 (significant events during the half-year) and 1.9 (the real estate portfolio) of the interim directors' report.

## Note 15) Buildings

| | 01/01/2020 | Increase | Decrease | Amortization | Reclassification | 30/06/2020 |
|---|---|---|---|---|---|---|
| Historical cost | 10,114 | 13 | 0 | 0 | 0 | 10,127 |
| Depreciation fund | (2,471) | 0 | 0 | (121) | 0 | (2,592) |
| **Net book value** | **7,643** | **13** | **0** | **(121)** | **0** | **7,535** |

This item refers to the purchase of the building housing IGD SIIQ S.p.A.'s head office. During the half-year it increased by €13K for adjustments to fall protections.

## Note 16) Plant and machinery, equipment, and leasehold improvements

| | 01/01/2020 | Increase | Decrease | Amortization | Reclassification | Currency translation gain/losses | 30/06/2020 |
|---|---|---|---|---|---|---|---|
| Historical cost | 3,208 | 44 | 0 | 0 | 0 | 0 | 3,252 |
| Depreciation fund | (3,047) | 0 | 0 | (48) | 0 | 0 | (3,095) |
| **Plant and machinery** | **161** | **44** | **0** | **(48)** | **0** | **0** | **157** |
| Historical cost | 6,020 | 0 | (56) | 0 | 0 | 0 | 5,964 |
| Depreciation fund | (4,854) | 0 | 0 | (52) | 0 | 0 | (4,906) |
| **Equipment and other goods** | **1,166** | **0** | **(56)** | **(52)** | **0** | **0** | **1,058** |
| Historical cost | 2,204 | 0 | 0 | 0 | 0 | 0 | 2,204 |
| Depreciation fund | (2,204) | 0 | 0 | 0 | 0 | 0 | (2,204) |
| **Leasehold improvements** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

Most of the changes in plant and machinery and equipment concern the purchase of body temperature scanners and other systems, as well as various disposals and depreciation for the period.

## Note 17) Assets under construction

| | 01/01/2020 | Increase | Decrease | (Writedowns)/Re valuation | Fair value changes | Reclassification to assets under construction | Var. Per traduzione | Reclassificatio n | 30/06/2020 |
|---|---|---|---|---|---|---|---|---|---|
| Assets under construction | 39,209 | 3,695 | 0 | (734) | (1,669) | 396 | 0 | (1,509) | 39,388 |
| Advance payments | 1,618 | 0 | 0 | 0 | 0 | (396) | 0 | 0 | 1,222 |
| **Assets under construction and advance payments** | **40,827** | **3,695** | **0** | **(734)** | **(1,669)** | **0** | **0** | **(1,509)** | **40,610** |

**Assets under construction and advances** decreased by a net €217K, due mainly to:

- investments carried out primarily during the first quarter for: *(i)* restyling of the Gran Rondò mall in Crema (€155K); *(ii)* restyling plans for La Favorita (Mantua) and Porto Grande (San Benedetto del Tronto) shopping centers (€174K); *(iii)* 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 (€250K); *(iv)* restyling of Darsena (Ferrara) and Punta di Ferro (Forlì) shopping centers (€653K); and *(v)* ongoing work at Officine Storiche (€2,859K);
- the reclassification to investment property of work completed during the period (€1,509K);
- writedowns of: *(i)* the Porto Grande expansion (€193K), *(ii)* the Officine Storiche portion of the Porta a Mare project, nearing completion (€1,669K), and *(iii)* land owned by the subsidiary IGD Management S.r.l. (€541K);
- a net decrease in advances (€396K).

## 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.
Deferred tax assets and deferred tax liabilities for the Italian companies are shown in detail below:

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Taxed provisions | 340 | 395 | (55) |
| Interest rate swap operations | 3,673 | 4,005 | (332) |
| Impariment loss on inventories | 2,559 | 2,560 | (1) |
| Impariment loss on equity investments and financial receivables | 289 | 271 | 18 |
| Loss from tax consolidation | 1,163 | 1,163 | 0 |
| Property investment | (123) | (79) | (44) |
| Other effects | 287 | 318 | (31) |
| IFRS 16 | 364 | 364 | 0 |
| **Total deferred tax assets** | **8,552** | **8,997** | **(445)** |

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Property investments | 14,166 | 14,798 | (632) |
| Other effects | 192 | 184 | 8 |
| IFRS 16 | (510) | 331 | (841) |
| **Total deferred tax liabilities** | **13,848** | **15,313** | **(1,465)** |

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| **Net deferred tax assets** | 0 | 0 | 0 |
| **Net deferred tax liabilities** | 5,296 | 6,316 | 1,020 |

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 fair value;
- ✓ the recognition of deferred tax assets on mortgage hedging instruments (IRS);
- ✓ tax losses carried forward.

Most of the change for the year reflects deferred tax assets on mortgage hedging instruments (IRS) due to the decrease in their negative fair value.

Deferred tax liabilities principally concern the difference between the fair value of investment property and its value for tax purposes. Most of the change relates to depreciation allowances concerning the group companies IGD Management S.r.l. and Millennium Gallery S.r.l. and to the effects of applying IFRS 16.

For the Italian companies, at 30 June 2020 the balance of deferred tax assets of €8,552K and deferred tax liabilities of €13,848K was a net liability of €5,296K.

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 WinMagazin. The decrease in deferred tax liabilities for the Romanian companies reflects the negative change in the fair value of investment property during the period.

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Property investments Romania | 18,801 | 19,997 | (1,196) |
| Iatlian companes net deferred tax liabilities | 5,296 | 6,316 | (1,020) |
| **Total deferred tax liabilities** | **24,097** | **26,313** | **(2,216)** |

## Note 19) Sundry receivables and other non-current assets

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Security deposits | 102 | 94 | 8 |
| Due to other | 25 | 24 | 1 |
| **Sundry receivables and other non-current assets** | **127** | **118** | **9** |

Sundry receivables and other non-current assets are essentially in line with the previous year.

## Note 20) Equity investments

| | 01/01/2020 | Increase | Decrease | Revaluations/ (Write-downs) | 30/06/2020 |
|---|---|---|---|---|---|
| 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** |
| Millennium Center | 4 | 0 | 0 | 0 | 4 |
| **Equity investments in associates** | **4** | **0** | **0** | **0** | **4** |
| **Equity investments in other companies** | **144** | **0** | **0** | **(72)** | **72** |
| **Equity investments** | **223** | **0** | **0** | **(72)** | **151** |

The decrease in equity investments in other companies (€72K) is explained by the impairment loss recognized on the subsidiary IGD Management S.r.l.'s interest in Iniziative Bologna Nord S.r.l.

## Note 21) Non-current financial assets

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| **Non-current financial assets** | **174** | **174** | **0** |

These consist of the interest-free loan due from Iniziative Bologna Nord S.r.l (in liquidation) in the amount of €174K, net of the €430K writedown charged in previous years.

## Note 22) Work in progress inventory

| | 01/01/2020 | Increase | Decrease | Revaluations/ (Write-downs) | Reclassification | 30/06/2020 |
|---|---|---|---|---|---|---|
| "Porta a Mare" project | 33,559 | 864 | (610) | (1,425) | 2 | 32,390 |
| Advances | 43 | 2 | 0 | 0 | (2) | 43 |
| **Work in progress inventory** | **33,602** | **866** | **(610)** | **(1,425)** | **0** | **32,433** |

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 €864K; *(ii)* a decrease for the final sale during the half-year of one property, two enclosed garage units and one parking space (€610K); and *(iii)* a writedown to adjust carrying amount to the lower of cost and appraised fair value (€1,425K).

## Note 23) Trade and other receivables

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Trade and other receivables | 55,029 | 24,394 | 30,635 |
| Provision for doubtful accounts | (22,600) | (13,280) | (9,320) |
| **Trade and other receivables** | **32,429** | **11,114** | **21,315** |

Trade receivables, net of the provision for doubtful accounts, increased by €21,315K with respect to 31 December 2019. The increase reflects the Group's decision to reschedule rent payments for the second quarter of 2020 in order to help its tenants through the lockdown period. Receivables are recognized net of the provision for doubtful accounts, which reflects positions not considered to be fully recoverable. The allocation for the half-year, €9,532K, includes (i) €1,032K reflecting the specific analysis of individual receivables and (ii) €8,500K reflecting agreements with tenants concerning the lockdown and reopening period, which for now are only partially formalized.

The use of €196K from the provision concerns doubtful accounts/problem credits identified in previous years that were fully written off during the period.

Movements in the allowance for impairment are reported below:

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| **Provision for doubtful account at the beginning of the period** | **13,280** | **13,488** | **(208)** |
| Foreign exchange effect | (15) | (29) | 14 |
| Reverse | (196) | (1,135) | 939 |
| Write-down/(uses) interest on late payments | (1) | (3) | 2 |
| Provision | 9,532 | 807 | 8,725 |
| Variation area/extraord.operations | 0 | 152 | (152) |
| **Provision for doubtful account at the end of the period** | **22,600** | **13,280** | **9,320** |

The following table shows receivables by geographical area:

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Receivables Italy | 52,466 | 22,704 | 29,762 |
| Provision for doubtful accounts | (21,287) | (12,104) | (9,183) |
| **Net receivables Italy** | **31,179** | **10,600** | **20,579** |
| Receivables Romania | 2,563 | 1,690 | 873 |
| Provision for doubtful accounts | (1,313) | (1,176) | (137) |
| **Net receivables Romania** | **1,250** | **514** | **736** |
| **Total Net Receivables** | **32,429** | **11,114** | **21,315** |

## Note 24) Related party trade and other receivables

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Coop Alleanza 3.0 | 230 | 71 | 159 |
| Robintur s.p.a. | 104 | 0 | 104 |
| Librerie Coop s.p.a. | 302 | 13 | 289 |
| Alleanza Luce e Gas | 45 | 23 | 22 |
| Unicoop Tirreno s.c.a.r.l. | 29 | 31 | (2) |
| Cons. propr. del compendio com. del Commendone (GR) | 46 | 0 | 46 |
| Consorzio Cone' | 52 | 0 | 52 |
| Consorzio I Bricchi | 72 | 0 | 72 |
| Consorzio Katanè | 456 | 326 | 130 |
| Consorzio Lame | 113 | 0 | 113 |
| Consorzio Leonardo | 123 | 61 | 62 |
| Consorzio La Torre | 125 | 124 | 1 |
| Consorzio Porta a Mare | 48 | 24 | 24 |
| Consorzio Sarca | 55 | 0 | 55 |
| Distribuzione Centro Sud s.r.l. | 5 | 0 | 5 |
| Consorzio Le Maioliche | 53 | 0 | 53 |
| R.P.T. Robintur | 3 | 0 | 3 |
| Consorzio Punta di Ferro | 12 | 6 | 6 |
| Millennium Center | 10 | 16 | (6) |
| Consorzio Proprietari Centro Luna | 3 | 7 | (4) |
| Consorzio Esp | 4 | 1 | 3 |
| Consorzio La Favorita | 5 | 17 | (12) |
| Consorzio Le Porte di Napoli | 344 | 197 | 147 |
| Consorzio Casilino | 122 | 0 | 122 |
| Mercato Coperto Ravenna | 0 | 4 | (4) |
| **Related party trade and other receivables** | **2,361** | **921** | **1,440** |

See Note 38 for details.

## Note 25) Other current assets

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| *Tax credits* | | | |
| VAT credits | 1,282 | 997 | 285 |
| IRES credits | 381 | 380 | 1 |
| IRAP credits | 245 | 339 | (94) |
| *Due from others* | | | |
| Insurance credits | 0 | 4 | (4) |
| Accrued income and prepayments | 2,143 | 1,072 | 1,071 |
| Deferred costs | 176 | 3 | 173 |
| Other costs of services | 349 | 289 | 60 |
| **Other current assets** | **4,576** | **3,084** | **1,492** |

Other current assets increased by €1,492K, due mainly to the rise in accrued assets and prepayments and in the VAT credit.

## Note 26) Cash and cash equivalents

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Cash and cash equivalents | 102,874 | 128,599 | (25,725) |
| Cash on hand | 84 | 78 | 6 |
| **Cash and cash equivalents** | **102,958** | **128,677** | **(25,719)** |

Cash and cash equivalents at 30 June 2020 consisted mainly of current account balances at banks.

## Note 27) Net equity

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Share capital | 650,000 | 749,738 | (99,738) |
| Share premium reserve | 30,058 | 30,058 | 0 |
| **Other reserves** | **488,894** | **416,065** | **72,829** |
| Legal reserve | 130,000 | 121,845 | 8,155 |
| Treasury share reserve | (541) | (198) | (343) |
| Result treasury share sale effect | (33) | (33) | 0 |
| Bond issue reserve | 14,865 | 14,865 | 0 |
| Translation reserve | (4,748) | (4,687) | (61) |
| FTA IFRS 9 reserve | (4,354) | (4,354) | 0 |
| Recalculation of defined benefit plans | (17) | (17) | 0 |
| Cash flow hedge reserve | (10,378) | (12,196) | 1,818 |
| Fair value reserve | 283,159 | 311,118 | (27,959) |
| Subsidiaries cash flow hedge reserve | (2,172) | (1,808) | (364) |
| Recalculation of defined benefit plans subsidiaries | (51) | (51) | 0 |
| Capital increase reserve | (10,305) | (10,305) | 0 |
| FTA IFRS16 reserve | 1,886 | 1,886 | 0 |
| Other available reserves | 91,583 | 0 | 91,583 |
| Group profit (loss) carried forward | 17,962 | 2,562 | 15,400 |
| Group profit | (38,830) | 12,591 | (51,421) |
| **Total Group net equity** | **1,148,084** | **1,211,014** | **(62,930)** |
| **Capital and reserves of non-controlling interests** | **0** | **0** | **0** |
| **Net Equity** | **1,148,084** | **1,211,014** | **(62,930)** |

The Group's share of net equity amounted to €1,148,084K at 30 June 2020. Most of the decrease of €62,930K with respect to 31 December 2019 is explained by:

- the dividend of €25,150K approved by the annual general meeting of 11 June 2020. The dividend was paid out starting on 22 July 2020;
- the positive adjustment of cash flow hedge reserves pertaining to derivatives accounted for using the cash flow hedge method (€1,818K for the parent company);
- the negative adjustment of cash flow hedge reserves pertaining to derivatives accounted for using the cash flow hedge method (€364K for a subsidiary);
- the purchase of treasury shares for €343K;
- movements in the reserve for the translation of foreign currency financial statements, for a negative €61K;
- parent's share of net loss for the period (€38,830K).

As discussed in Section 1.8 of the directors' report, on 11 November 2019 the extraordinary shareholders' meeting approved a voluntary reduction of 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 period for IGD's creditors to exercise their right to oppose the voluntary reduction of share capital, pursuant to Civil Code Art. 2445, ended on 10 February 2020. On 19 February 2020 the Company recorded the share capital reduction in the books.

## Note 28) 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 | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|---|
| ***Mortgage loans*** | | **446,729** | **473,289** | **(26,560)** |
| 09 Interbanca IGD | 25/09/2006 - 05/10/2021 | 7,537 | 15,012 | (7,475) |
| 05 BreBanca IGD MONDOVICINO (Galleria) | 23/11/2006 - 10/01/2023 | 2,627 | 3,238 | (611) |
| 08 Carisbo Guidonia IGD TIBURTINO | 27/03/2009 - 27/03/2024 | 33,150 | 35,144 | (1,994) |
| 06 Unipol Lungosavio IGD | 31/12/2008 - 31/12/2023 | 5,227 | 5,605 | (378) |
| 01 Unipol SARCA | 10/04/2007 - 06/04/2027 | 57,897 | 59,394 | (1,497) |
| 07 Carige Nikefin Asti I BRICCHI | 31/12/2008 - 31/03/2024 | 14,469 | 15,364 | (895) |
| 13 CR Veneto Mondovi (Retail Park) | 08/10/2009 - 01/11/2024 | 13,290 | 14,091 | (801) |
| 10 Mediocredito Faenza | 05/10/2009 - 30/06/2029 | 7,429 | 7,893 | (464) |
| 14 MPS Palermo (Gallerie) | 21/12/2010 - 30/11/2025 | 16,235 | 17,298 | (1,063) |
| 17 Carige Palermo IGD (Iper) | 12/07/2011 - 30/06/2027 | 10,992 | 11,846 | (854) |
| 15 CentroBanca Coné (Gallerie) | 22/12/2010 - 31/12/2025 | 21,671 | 22,982 | (1,311) |
| 29 ICREA | 14/12/2017 - 30/06/2021 | 0 | 4,991 | (4,991) |
| Loan UBI 5 Leonardo | 19/04/2018 - 17/10/2022 | 44,403 | 45,389 | (986) |
| Loan UBI 1 Lame RP Favorita | 19/04/2018 - 17/07/2023 | 5,602 | 6,849 | (1,247) |
| Loan UBI 2 Lame RP Favorita | 19/04/2018 - 17/10/2021 | 7,361 | 8,107 | (746) |
| Loan UBI 3 RP LT | 19/04/2018 - 17/10/2021 | 1,653 | 3,316 | (1,663) |
| Loan BNL 200ML LT | 01/01/2019 - 15/10/2023 | 197,186 | 196,770 | 416 |
| ***Debts for bonds*** | | **641,212** | **710,306** | **(69,094)** |
| Bond 100 ML | 11/01/2017 - 11/01/2024 | 99,642 | 99,598 | 44 |
| Bond 162 ML | 21/04/2015 - 21/04/2022 | 152,032 | 151,625 | 407 |
| Bond 300 ML | 31/05/2016 - 31/05/2021 | 0 | 70,611 | (70,611) |
| Bond 400 ML | 28/11/2019 - 28/11/2024 | 389,538 | 388,472 | 1,066 |
| ***Due to other source of finance*** | | **44,352** | **49,074** | **(4,722)** |
| Sardaleasing for Bologna office | 30/04/2009 - 30/04/2027 | 3,072 | 3,249 | (177) |
| IFRS 16 Livorno LT liabilities | 01/01/2019 - 31/03/2026 | 14,917 | 16,365 | (1,448) |
| IFRS 16 Abruzzo LT liabilities | 01/01/2019 - 31/12/2023 | 291 | 347 | (56) |
| IFRS 16 Nova LT liabilities | 01/01/2019 - 28/02/2027 | 23,645 | 25,487 | (1,842) |
| IFRS 16 Piave LT liabilities | 01/01/2019 - 30/06/2022 | 2,427 | 3,626 | (1,199) |
| ***Non-current financial liabilities*** | | **1,132,293** | **1,232,669** | **(100,376)** |

The following table shows movements in non-current financial liabilities:

| NON CURRENT FINANCIAL LIABILITIES | 31/12/2019 | REPAYMENTS | AMORTIZED COST | RECLASSIFICATION | 30/06/2020 |
|---|---|---|---|---|---|
| Payables due to mortgage | 473,289 | 0 | 638 | (27,198) | 446,729 |
| Payables due to bond | 710,306 | 0 | 1,516 | (70,610) | 641,212 |
| Payables due to IFRS 16 | 45,825 | (3,041) | 0 | (1,504) | 41,280 |
| Payables due to other source of finance | 3,249 | 0 | 0 | (177) | 3,072 |
| **TOTAL** | **1,232,669** | **(3,041)** | **2,154** | **(99,489)** | **1,132,293** |

### *Mortgage loans*

Mortgage loans are secured by properties. The change is due to the reclassification to current financial liabilities of the principal falling due in the next 12 months. The average interest rate on adjustable-rate mortgage loans at 30 June 2020 was 1.08%.

## *Bonds*

This item decreased due to the reclassification of €70,822K to current financial liabilities to reflect the scheduled redemption of the €300 million bond loan in May 2021.

Details of outstanding bonds are presented in the table below:

| | NON-CURRENT PORTION | CURRENT PORTION | | | NON-CURRENT PORTION | CURRENT PORTION | | |
|---|---|---|---|---|---|---|---|---|
| **Debts for bonds** | **31/12/2019** | **31/12/2019** | **Ancillary cost amortizations at 30/06/20** | **Financial charges at 30/06/2020** | **30/06/2020** | **30/06/2020** | **Nominal interest rate** | **Actual interest rate** |
| Bond 162 ML | 153,600 | 0 | 0 | 0 | 153,600 | 0 | | |
| Additional transition costs | (1,975) | 0 | 407 | 0 | (1,568) | 0 | | |
| Coupon rate 31/12/19 | 0 | 2,815 | 0 | (2,815) | 0 | 0 | | |
| Paid interests | 0 | 0 | 0 | 4,070 | 0 | 0 | | |
| Coupon rate 30/06/20 | 0 | 0 | 0 | 780 | 0 | 780 | | |
| **Total Bond 162 ML** | **151,625** | **2,815** | **407** | **2,035** | **152,032** | **780** | **2.650%** | **3.94%** |
| Bond 300 ML | 70,793 | 0 | 0 | 0 | 0 | 70,793 | | |
| Additional transition costs | (182) | 0 | 63 | 0 | 0 | (119) | | |
| IFRS 9 effects | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Coupon rate 31/12/19 | 0 | 1,032 | 0 | (1,032) | 0 | 0 | | |
| Paid interests | 0 | 0 | 0 | 1,770 | 0 | 0 | | |
| Coupon rate 30/06/20 | 0 | 0 | 0 | 147 | 0 | 147 | | |
| **Total Bond 300 ML** | **70,611** | **1,032** | **63** | **885** | **0** | **70,822** | **2.500%** | **2.80%** |
| * including the effect of the Cash Flow Hedge Reserve | | | | | | | | |
| Bond 100 ML | 100,000 | 0 | 0 | 0 | 100,000 | 0 | | |
| Additional transition costs | (402) | 0 | 44 | 0 | (358) | 0 | | |
| Coupon rate 31/12/19 | 0 | 1,056 | 0 | (1,056) | 0 | 0 | | |
| Paid interests | 0 | 0 | 0 | 1,125 | 0 | 0 | | |
| Coupon rate 30/06/20 | 0 | 0 | 0 | 1,056 | 0 | 1,056 | | |
| **Total Bond 100 ML** | **99,598** | **1,056** | **44** | **1,125** | **99,642** | **1,056** | **2.250%** | **2.35%** |
| Bond 400 ML | 400,000 | 0 | 0 | 0 | 400,000 | 0 | | |
| Additional transition costs | (11,528) | 0 | 1,066 | 0 | (10,462) | 0 | | |
| Coupon rate 31/12/19 | 0 | 756 | 0 | (756) | 0 | 0 | | |
| Paid interests | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Coupon rate 30/06/20 | 0 | 0 | 0 | 5,006 | 0 | 5,006 | | |
| **Total Bond 400 ML** | **388,472** | **756** | **1,066** | **4,250** | **389,538** | **5,006** | **2.125%** | **2.76%** |
| | | | | | | | | |
| | | | | | | | | |
| **Total Bonds** | **710,306** | **5,660** | **1,580** | **8,295** | **641,212** | **77,664** | | |
| | | | | | | | | |
| **Cash Flow Hedge Reserve (bond 300 ML)** | **(493)** | | **171** | | **(322)** | | | |
| | | | | | | | | |
| **Total financial charges** | | | **1,751** | **8,295** | | | | |

## Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 30 June 2020.

| | Name | Guarantees givens | Type of product | End date | Financial "covenant" | Indicator i) | Indicator ii) | Indicator iii) | Indicator iv) |
|---|---|---|---|---|---|---|---|---|---|
| 05 | 05 BreBanca IGD | Mondovicino shopping mall | Mortgage | 10/01/2023 | | | | | |
| 01 | 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 | 0.99 | | | |
| 06 | 06 Unipol Lungosavio IGD | Lungo Savio shopping center (Mall) | Mortgage | 31/12/2023 | | | | | |
| 07 | 07 Carige Nikefin Asti | I Bricchi shopping mall | Mortgage | 31/03/2024 | | | | | |
| 08 | 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 | 0.99 | | | |
| 09 | 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 hypermarket | 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 | 0.99 | | | |
| 10 | 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 | 1.00 | | | |
| 14 | 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% | 0.99 | 37.26% | | |
| 15 | 15 CentroBanca Cone Gall | Conè 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 | 0.99 | | | |
| 13 | 13 CR Veneto Mondovi | Retail Park Mondovicino | 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 | 0.99 | | | |
| 17 | 17 Carige Palermo IGD | La Torre shopping center (Hypermarket) | Mortgage | 30/06/2027 | | | | | |
| 29 | 29 Iccrea 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%; | 0.96 | 49.21% | | |
| 30 | 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 | 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 | 32 Ubi 3 rp | La Favorita shopping center (Retail Park ) | Mortgage | 18/10/2021 | | | | | |
| 33 | 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% | 0.96 | 43.70% | | |
| 26 | 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 IFRS16 accounting standards] | 49.21% | 5.07 | 12.01% | 1.60 |
| 27 | 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 IFRS16 accounting standards] | 49.21% | 5.07 | 12.01% | 1.60 |
| 28 | 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 IFRS16 accounting standards] | 50.24% | 5.14 | 13.77% | 1.60 |
| 35 | 35 Bond 400M - 2,125% - 28/11/24 | unsecured | Bond | 28/11/2024 | i) Ratio Total Asset - Intangible Asset to Total Debt (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 of Cash and Cash equivalentsi) > 1.25 - [excluding effect of IFRS16 accounting standards] | 45.05% | 5.07 | 12.01% | 1.80 |
| 34 | 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 IFRS16 accounting standards] | 49.21% | 5.07 | 12.01% | 1.60 |

## Note 29) Provision for employee severance indemnities

Movements in the provision for employee severance indemnities are shown below:

| | 01/01/2020 | Actuarial (Gain)/ Losses | Reverse | Provision | Financial charges IAS 19 | 30/06/2020 |
|---|---|---|---|---|---|---|
| **Provisions for employee severance indemnities** | **3,057** | **0** | **(68)** | **164** | **16** | **3,169** |

The following charts show the demographic and financial assumptions used:

| *DEMOGRAPHIC ASSUMPTIONS* | *EMPLOYEES* |
|---|---|
| Probability of death | RG 48 |
| Probability of long-term disability | INPS (national statistics) by age and gender |
| Probability of retirement | Achievement of retirement age under mandatory general insurance |
| Probability of resignation | 2% |
| Probability of receiving TFR advance at beginning of the year (provisioned at 70%) | 1% |

| *FINANCIAL ASSUMPTIONS* | *2020* |
|---|---|
| Cost of living increase | 1.20% |
| Discount rate | 1.04% |
| Increase in total compensation | Executive 2.5% white collar/Middle manager 1.0% Blue collar 1.0% |
| Increase in severance indemnity provision | 2.400% |

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.

## Note 30) General provisions

| | 01/01/2020 | Reverse | Provision | 30/06/2020 |
|---|---|---|---|---|
| Provision for taxation | 1,737 | 0 | 69 | 1,806 |
| Consolidated Fund risks and future charges | 1,193 | (372) | 200 | 1,021 |
| Bonus provisions | 1,138 | (1,055) | 341 | 424 |
| **Provisions for risks and future charges** | **4,068** | **(1,427)** | **610** | **3,251** |

### *Provision for taxation*

This provision covers the charges that might arise from tax audits and other likely tax liabilities. The increase consists mainly of an additional allocation against pending IMU/ICI (local property tax) disputes, which mainly concern new classifications and cadastral rent calculations for two shopping centers.

### *Bonus provision*

The bonus provision covers the variable compensation that will be paid to employees in 2021 on the basis of the Group's 2020 estimated results. The utilization concerns the reclassification to other current liabilities of the 2019 bonus, which was paid to employees in July 2020.

### *Other general provisions*

These cover the risks arising from litigation in course, as well as probable future expenses.

The use of €372K for the period refers to legal actions brought by former employees of a tenant that had leased retail space from IGD at Conè shopping center. The allocation for the half-year (€200K) covers end-of-term benefits for directors.

## Note 31) Sundry payables and other non-current liabilities

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Deferred income | 5,920 | 5,920 | 0 |
| Advances due one year | 800 | 800 | 0 |
| Extention fee | 1,000 | 1,000 | 0 |
| Other liabilities | 390 | 432 | (42) |
| **Sundry payables and other non-current liabilities** | **8,110** | **8,152** | **(42)** |

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).
Advances due beyond one year refer to the advance from BNP Paribas under the agreement for the sale of the commercial licenses of the Fonti del Corallo mall, which will be finalized in 2026 when the current rental contract expires.
Extension fees consist of the two €500K fees that IGD will have to pay to BNP Paribas in 2021 and 2022 in order to extend the duration of the €200 million loan taken out in the second half of 2018 to 2022 and 2023, respectively. The extension is currently regarded as likely.

Related party payables are shown below:

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Security deposit Coop Alleanza 3.0 | 13,191 | 13,191 | 0 |
| Security deposit Alleanza Luce e Gas | 55 | 55 | 0 |
| Security deposit Unicoop Tirreno s.c.a.r.l. | 25 | 25 | 0 |
| Security deposit Distribuzione Centro Sud s.r.l. | 450 | 450 | 0 |
| **Related parties sundry payables and other non-current liabilities** | **13,721** | **13,721** | **0** |

Security deposits refer to sums received for the leasing of hypermarkets and malls. They pay interest at the rates provided for by law.

## Note 32) Current financial liabilities

| | Duration | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|---|
| ***Mortgage loans*** | | **49,480** | **44,090** | **5,390** |
| 05 BreBanca IGD MONDOVICINO (Galleria) | 23/11/2006 - 10/01/2023 | 1,215 | 1,184 | 31 |
| 06 Unipol Lungosavio IGD | 31/12/2008 - 31/12/2023 | 746 | 723 | 23 |
| 09 Interbanca IGD | 25/09/2006 - 05/10/2021 | 14,949 | 14,670 | 279 |
| 08 Carisbo Guidonia IGD TIBURTINO | 27/03/2009 - 27/03/2024 | 4,129 | 4,131 | (2) |
| 01 Unipol SARCA | 10/04/2007 - 06/04/2027 | 3,043 | 3,020 | 23 |
| 07 Carige Nikefin Asti I BRICCHI | 31/12/2008 - 31/03/2024 | 1,774 | 1,716 | 58 |
| 13 CR Veneto Mondovi (Retail Park) | 08/10/2009 - 01/11/2024 | 1,696 | 1,696 | 0 |
| 10 Mediocredito Faenza IGD | 05/10/2009 - 30/06/2029 | 933 | 933 | 0 |
| 14 MPS Palermo (Galleria) | 21/12/2010 - 30/11/2025 | 2,148 | 2,118 | 30 |
| 17 Carige Palermo IGD (Iper) | 12/07/2011 - 30/06/2027 | 1,696 | 1,677 | 19 |
| 15 CentroBanca Coné (Galleria) | 22/12/2010 - 31/12/2025 | 2,640 | 2,640 | 0 |
| ICCREA | 14/12/2017 - 30/06/2021 | 4,994 | 0 | 4,994 |
| Loan UBI 5 Leonardo | 19/04/2018 - 17/10/2022 | 2,106 | 2,092 | 14 |
| Loan UBI 1 Lame RP Fav | 19/04/2018 - 17/07/2023 | 2,530 | 2,570 | (40) |
| Loan UBI 2 Lame RP Fav | 19/04/2018 - 17/10/2021 | 1,533 | 1,572 | (39) |
| Loan UBI 3 RP | 19/04/2018 - 17/10/2021 | 3,348 | 3,348 | 0 |
| ***Due to other source of finance*** | | **9,259** | **9,070** | **189** |
| Leasing IGD Office | 30/04/2009 - 30/04/2027 | 350 | 345 | 5 |
| IFRS 16 Livorno liabilities current | 01/01/2019 - 31/03/2026 | 2,836 | 2,777 | 59 |
| IFRS 16 Abruzzo liabilities current | 01/01/2019 - 31/12/2023 | 111 | 109 | 2 |
| IFRS 16 Nova liabilities current | 01/01/2019 - 28/02/2027 | 3,608 | 3,530 | 78 |
| IFRS 16 Piave liabilities current | 01/01/2019 - 30/06/2022 | 2,354 | 2,309 | 45 |
| ***Debts for bonds*** | | **77,664** | **5,660** | **72,004** |
| Bond 100 ML | 11/01/2017- 11/01/2024 | 1,056 | 1,056 | 0 |
| Bond 162 ML | 21/04/2015 - 21/04/2022 | 780 | 2,815 | (2,035) |
| Bond 300 ML | 31/05/2016 - 31/05/2021 | 70,822 | 1,033 | 69,789 |
| Bond 400 ML | 28/11/2019 - 28/11/2024 | 5,006 | 756 | 4,250 |
| ***Current financial liabilities*** | | **136,403** | **58,820** | **77,583** |

Movements in current financial liabilities are shown in the table below:

| CURRENT FINANCIAL LIABILITIES | 31/12/2019 | COUPON OF THE YEAR | INCREASES | REPAYMENTS | AMORTIZED COST | RECLASSIFICATION | 30/06/2020 |
|---|---|---|---|---|---|---|---|
| Payables due to mortgage | 44,090 | 0 | 0 | (21,802) | (6) | 27,198 | 49,480 |
| Payables due to bond | 5,660 | 8,295 | 0 | (6,965) | 63 | 70,611 | 77,664 |
| Payables due to IFRS 16 | 8,725 | 0 | 123 | (1,443) | 0 | 1,504 | 8,909 |
| Payables due to other source of finance | 345 | 0 | 0 | (172) | 0 | 177 | 350 |
| **TOTAL** | **58,820** | **8,295** | **123** | **(30,382)** | **57** | **99,490** | **136,403** |

Current financial liabilities with third parties include the current portion of lease payments on the new head office, the current portion of outstanding mortgage and bond loans (including interest accrued), and the current portion of the financial liabilities arising from the adoption of IFRS 16.

The main changes in current financial liabilities relate to principal payments on mortgage loans outstanding at the end of the previous year and the corresponding reclassification of payments due in the next 12 months from non-current financial liabilities.

## Note 33) Net financial position

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Cash and cash equivalents | (102,958) | (128,677) | 25,719 |
| **LIQUIDITY** | **(102,958)** | **(128,677)** | **25,719** |
| Mortgage loans - current portion | 49,480 | 44,090 | 5,390 |
| Leasing - current portion | 9,259 | 9,070 | 189 |
| Bond loans - current portion | 77,664 | 5,660 | 72,004 |
| **CURRENT DEBT** | **136,403** | **58,820** | **77,583** |
| **CURRENT NET DEBT** | **33,445** | **(69,857)** | **103,302** |
| Non-current financial assets | (174) | (174) | 0 |
| Leasing - non-current portion | 44,352 | 49,074 | (4,722) |
| Non-current financial liabilities | 446,729 | 473,289 | (26,560) |
| Bond loans | 641,212 | 710,306 | (69,094) |
| **NON-CURRENT NET DEBT** | **1,132,119** | **1,232,495** | **(100,376)** |
| **Net debt** | **1,165,564** | **1,162,638** | **2,926** |

The table below presents the net financial position at 30 June 2020 and 31 December 2019. 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 period.
Committed revolving credit facilities with banks, unutilized at 30 June 2020, amount to €60 million.
See the section "Statement of financial position and financial review" of the Directors' Report for comments.

## Note 34) Trade and other payables

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Trade payables within | 10,299 | 15,960 | (5,661) |
| **Trade and other payables** | **10,299** | **15,960** | **(5,661)** |

Trade payables decreased with respect to the previous year due to the suspension of all deferrable investments in the second quarter of 2020.

## Note 35) Related party trade and other payables

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Coop Alleanza 3.0 | 157 | 248 | (91) |
| Robintur s.p.a. | 0 | 8 | (8) |
| Alleanza Luce e Gas | 0 | 183 | (183) |
| Unicoop Tirreno s.c.a.r.l. | 12 | 0 | 12 |
| Cons. propr. del compendio com. del Commendone (GR) | (4) | 3 | (7) |
| Consorzio prop. Fonti del Corallo | 7 | 141 | (134) |
| Consorzio Cone' | 50 | 0 | 50 |
| Consorzio I Bricchi | 122 | 0 | 122 |
| Consorzio Katanè | 223 | 40 | 183 |
| Consorzio Lame | 114 | 0 | 114 |
| Consorzio Leonardo | 122 | 61 | 61 |
| Consorzio La Torre | 131 | 177 | (46) |
| Consorzio Porta a Mare | 50 | 36 | 14 |
| Consorzio Sarca | 15 | 12 | 3 |
| Distribuzione Centro Sud s.r.l. | 0 | 4 | (5) |
| Consorzio Punta di Ferro | 6 | 6 | 0 |
| Millennium Center | 32 | 0 | 32 |
| Consorzio Proprietari Centro Luna | (15) | 8 | (23) |
| Consorzio Esp | 2 | 4 | (2) |
| Consorzio La Favorita | 1 | 1 | 0 |
| Consorzio Le Porte di Napoli | 165 | 99 | 66 |
| Consorzio Casilino | 119 | 0 | 119 |
| **Related parties trade and other payables** | **1,309** | **1,031** | **278** |

Related party payables increased by €278K due primarily to the addition of Consorzio Casilino as a related party when it was turned from a consortium of operators into a consortium of owners.
See Note 38 for additional information.

## Note 36) Current tax liabilities

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Due to tax authorities for withholdings | 609 | 646 | (37) |
| Irap | 96 | 64 | 32 |
| Ires | 53 | 258 | (205) |
| VAT | 3,755 | 117 | 3,638 |
| Drainage consortium | 2 | 0 | 2 |
| Other taxes | 27 | 31 | (4) |
| Substitute tax | 0 | 1,485 | (1,485) |
| **Current tax liabilities** | **4,542** | **2,601** | **1,941** |

Most of the change, totaling €1,941K, concerns the increase in VAT payable due to the different timing of invoices with respect to the previous year. This was partially offset by the elimination of the substitute tax due by the merged company Punta di Ferro SIINQ S.p.A. as a result of obtaining SIINQ status at the end of the 2015 administrative year, after the final payment was made in June 2020.

## Note 37) Other current liabilities

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Social security | 620 | 367 | 253 |
| Accrued liabilities and deferred income | 410 | 686 | (276) |
| Insurance | 8 | 8 | 0 |
| Due to employees | 1,388 | 830 | 558 |
| Security deposits | 7,120 | 6,944 | 176 |
| Unclaimed dividends | 12,371 | 5 | 12,366 |
| Advances received due within the year | 631 | 581 | 50 |
| Amounts due to director for emoluments | 152 | 270 | (118) |
| Other liabilities | 1,070 | 997 | 73 |
| **Other current liabilities** | **23,770** | **10,688** | **13,082** |

This item increased by €13,082K, including €12,366K in dividends due to non-related shareholders, which were paid in July 2020.
Other current liabilities to related parties are reported below:

| | 30/06/2020 | 31/12/2019 | Change |
|---|---|---|---|
| Unclaimed dividends to Coop Alleanza 3.0 | 10,302 | 0 | 10,302 |
| Unclaimed dividends to Unicoop Tirreno | 2,483 | 0 | 2,483 |
| **Related parties other current liabilities** | **12,785** | **0** | **12,785** |

Other current liabilities to related parties at 30 June 2020 amounted to €12,785K, consisting entirely of dividends due to related party shareholders, which were paid in July 2020.

## 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 - DECREASES |
|---|---|---|---|---|---|---|---|---|
| Coop Alleanza 3.0 | 230 | 0 | 10,460 | 13,191 | 0 | 0 | 0 | 0 |
| Robintur s.p.a. | 104 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Librerie Coop s.p.a. | 302 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Alleanza Luce e Gas | 45 | 0 | 0 | 55 | 0 | 0 | 0 | 0 |
| Unicoop Tirreno s.c.a.r.l. | 29 | 0 | 2,495 | 25 | 0 | 0 | 0 | 0 |
| Cons. propr. del compendio com. del Commendone (GR) | 46 | 0 | (4) | 0 | 0 | 0 | 0 | 0 |
| Consorzio prop. Fonti del Corallo | 0 | 0 | 7 | 0 | 0 | 0 | 4 | 0 |
| Consorzio Cone' | 52 | 0 | 50 | 0 | 0 | 0 | 0 | 0 |
| Consorzio I Bricchi | 72 | 0 | 122 | 0 | 0 | 0 | 46 | 0 |
| Consorzio Katané | 456 | 0 | 223 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Lame | 113 | 0 | 114 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Leonardo | 123 | 0 | 122 | 0 | 0 | 0 | 0 | 0 |
| Consorzio La Torre | 125 | 0 | 131 | 0 | 0 | 0 | 11 | 0 |
| Consorzio Porta a Mare | 48 | 0 | 50 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Sarca | 55 | 0 | 15 | 0 | 0 | 0 | 0 | 0 |
| Distribuzione Centro Sud s.r.l. | 5 | 0 | 0 | 450 | 0 | 0 | 0 | 0 |
| Consorzio Le Maioliche | 53 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R.P.T. Robintur | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Punta di Ferro | 12 | 0 | 6 | 0 | 0 | 0 | 7 | 0 |
| Millennium Center | 10 | 0 | 32 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Proprietari Centro Luna | 3 | 0 | (15) | 0 | 0 | 0 | 1 | 0 |
| Consorzio Esp | 4 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Carburanti 3.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consorzio La Favorita | 5 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Le Porte di Napoli | 344 | 0 | 165 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Casilino | 122 | 0 | 118 | 0 | 0 | 0 | 0 | 0 |
| Mercato Coperto Ravenna | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consorzio del centro commerciale Nuova Darsena | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 |
| **Total** | **2,361** | **0** | **14,094** | **13,721** | **0** | **0** | **72** | **0** |
| **Amount reported** | **71,799** | **174** | **48,163** | **21,831** | **1,268,696** | **127** | | |
| **Total increase/decrease for the period** | | | | | | | **7,352** | **(56)** |
| **% of the total** | **3.29%** | **0.00%** | **29.26%** | **62.85%** | **0.00%** | **0.00%** | **0.98%** | **0.00%** |

| | Operating revenues | Financial Income | Total operating costs | Financial charges |
|---|---|---|---|---|
| Coop Alleanza 3.0 | 16,159 | 0 | 154 | 3 |
| Robintur s.p.a. | 158 | 0 | 0 | 0 |
| Librerie Coop s.p.a. | 483 | 0 | 0 | 0 |
| Alleanza Luce e Gas | 108 | 0 | 0 | 0 |
| Unicoop Tirreno s.c.a.r.l. | 2,517 | 0 | 10 | 0 |
| Cons. propr. del compendio com. del Commendone (GR) | 75 | 0 | 40 | 0 |
| Consorzio Cone' | 85 | 0 | 113 | 0 |
| Consorzio Clodì | 28 | 0 | 48 | 0 |
| Consorzio Crema (Gran Rondò) | 31 | 0 | 34 | 0 |
| Consorzio I Bricchi | 59 | 0 | 258 | 0 |
| Consorzio Katané | 105 | 0 | 87 | 0 |
| Consorzio Lame | 93 | 0 | 29 | 0 |
| Consorzio Leonardo | 118 | 0 | 6 | 0 |
| Consorzio La Torre | 102 | 0 | 171 | 0 |
| Consorzio Porta a Mare | 39 | 0 | 128 | 0 |
| Consorzio Sarca | 90 | 0 | 196 | 0 |
| Distribuzione Centro Sud s.r.l. | 721 | 0 | 0 | 0 |
| Consorzio Le Maioliche | 87 | 0 | 155 | 0 |
| R.P.T. Robintur | 7 | 0 | 0 | 0 |
| Consorzio Punta di Ferro | 84 | 0 | 67 | 0 |
| Millennium Center | 49 | 0 | 5 | 0 |
| Consorzio Proprietari Centro Luna | 71 | 0 | 3 | 0 |
| Consorzio Esp | 104 | 0 | 120 | 0 |
| Consorzio La Favorita | 64 | 0 | 33 | 0 |
| Consorzio Le Porte di Napoli | 0 | 0 | 134 | 0 |
| Consorzio Casilino | 0 | 0 | 53 | 0 |
| Mercato Coperto Ravenna | 15 | 0 | 0 | 0 |
| Consorzio del centro commerciale Nuova Darsena | 0 | 0 | 178 | 0 |
| **Total** | **21,452** | **0** | **2,022** | **3** |
| **Amount reported** | **78,225** | **27** | **18,107** | **17,993** |
| **% of the total** | **27.42%** | **0.00%** | **11.17%** | **0.02%** |

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 the first half of 2020, including for retail premises, amounted to €16.2 million;
- the provision of IT services by Coop Alleanza 3.0. Soc. Coop.;
- security deposits received on leases.

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the period ended 30 June 2020, €158K in rent was received from Robintur S.p.A. and €7K 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 half-year, the Group received €483K 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 half-year, the Group received €108K 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 €721K, 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 and supermarkets. For the half-year, the Group received €2.5 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., Porta Medicea S.r.l. and RGD Ferrara 2013 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, 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. 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 95.12% 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 40 for quantitative information on derivatives.

### *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.

### *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.

### Capital management

The primary objective of the Group's capital management is to make sure it maintains a solid credit rating and sufficient capital indicators to support the business and maximize shareholder value. This is pursued by:

1. keeping the net debt/equity ratio at 1x or below (the ratio was 0.95x at 31 December 2019 and 1.00x at 30 June 2020);
2. keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50% (it was 49.01% at the close of the half-year, compared with 47.58% at the end of 2019).

## Note 40) 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 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 7: 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 | 30/06/2020 | 31/12/2019 | Change | Level |
|---|---|---|---|---|
| Derivative assets | 0 | 0 | 0 | 2 |
| Derivative liabilities | (15,830) | (17,365) | 1,535 | 2 |
| **IRS net effect** | **(15,830)** | **(17,365)** | **1,535** | |

| Contracts in detail | IRS 07 - Banca Aletti 3.420% | IRS 09 - BNP Paribas 3.439% | IRS 10 - ex MPS 3.439% | IRS 08 - ex MPS 3.420% | IRS 06 - Carisbo 3.3495% | IRS 12 - Carisbo 3.177% | IRS 11 - ex MPS 3.175% |
|---|---|---|---|---|---|---|---|
| Nominal account | 3,769,908 | 3,769,908 | 3,769,908 | 3,769,908 | 3,832,182 | 3,769,908 | 3,769,908 |
| 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 |
| 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 | 4,883,001 | 9,447,750 | 6,510,668 | 5,979,774 | 4,883,001 | 9,447,750 | 9,447,750 |
| 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 |
| 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 | 9,447,750 | 5,357,143 | 15,150,000 | 12,210,000 | 4,884,000 | 7,326,000 | 30,500,000 |
| 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 | 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 |
| 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 0.333% | 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 | 30,500,000 | 46,500,000 | 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 | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly |
| 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% |

## Note 41) Subsequent events

At the date of approval, no events following the mid-year reporting date had occurred that would require the Group to adjust the figures in the financial statements or report elements not previously disclosed.

## Note 42) Commitments

At 30 June 2020 the Group had the following major commitments:

- contract for the development of the Officine Storiche section, for a remaining amount of €14.5 million;
- contract for the remapping of Conè shopping center (Conegliano Veneto), for a remaining amount of €425K.

## Note 43) Disputes

Information is provided below on the main disputes involving Group companies.

### Centro Sarca

An accident that occurred at Centro Sarca shopping center on 15 September 2018 triggered a criminal case before the Court of Monza. Under investigation were 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. At the end of the preliminary investigation stage, the public prosecutor had found no evidence of their liability and filed for the case to be dismissed. The injured party's lawyer objected to the proposed dismissal and a hearing was scheduled for 6 October 2020.
The defense attorney's opinion is that the measures taken by the Company absolve these two persons of liability, and that in the absence of specific complaints, IGD Management will also be found not liable.

## 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 2017 it definitively cleared the IRES and IRAP assessments, and with decision no. 254/17 (also filed on 28 February 2017) 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 (DRE) appealed the VAT decision (254/17) and on 28 November 2017 IGD filed its counterarguments against that appeal.

On 9 January 2020, the DRE filed a statement of defense in reply to IGD's arguments; the Group awaits the decision of the hearing held on 10 January.

# 2.7 // Certification of the condensed consolidated interim financial statements

Certification pursuant to Art. 154-bis of Legislative Decree 58/98 and 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 first half of 2020.

2. We also confirm that:

2.1. the condensed 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 significant events that occurred in the first six months of the year and their impact on the half-year financial statements, along with a description of the main risks and uncertainties for the remaining six months of the year. The directors' report also includes a reliable analysis of the information of significant transactions with related parties.

Bologna, 6 August 2020

| | |
|---|---|
| Claudio Albertini<br>Chief Executive Officer | Carlo Barban<br>Financial Reporting Officer |

# 2.8 // External Auditors' Review Report on the consolidated condensed interim financial statements

## REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

### Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter, also the "Company" and together with its subsidiaries the "IGD Group") as of 30 June 2020 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The Directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

### Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of IGD Group as of 30 June 2020 are not prepared, in all

*PricewaterhouseCoopers SpA*

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material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, 6 August 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*

# 3. 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 (Funds from Operations) is a performance indicator used widely in the real estate sector (REITs).

Core business FFO, which measures the cash flow generated by the Group’s core business, 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 and adjusted to reflect non-recurring items.

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), i.e. 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.

### 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.

### GENERAL EXPENSES

Corporate costs not attributable to the individual shopping center.

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 occupancy 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 mortgage 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.

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.

INITIAL YIELD

The annualized rental income from a property as a percentage of its valuation at the time of purchase.

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 REVENUE

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 (i.e. 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 (including the lease for IGD's headquarters) 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.

### MALL

Property that includes an aggregation of shops, as well as the common areas on which they insist

### 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 METRICS

The main performance indicators that provide stakeholders with information about the fair value of the company's assets and liabilities.
In October 2019, three new asset value metrics were introduced in EPRA Best Practices Recommendations: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV) which replace EPRA NAV and EPRA NNNAV.
Consistent with EPRA Best Practices Recommendations, the new EPRA NAV indicators were used for the first time in the half-year report at 30 June 2020 which include a reconciliation of the calculation used for the old and new indicators, along with the calculation used for the comparison period (2019).

### 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 DISPOSAL VALUE (NDV)

Represents the stakeholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. In this disposal scenario goodwill is excluded from the Group's portion of equity, while the fair value of debt is included

## 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)".

## NET REINSTATEMENT VALUE (NRV)

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. It represents the repurchase value of the company, assuming the company does not sale any properties and is calculated based on the equity attributable to the Group (as shown in the IFRS financial statements), excluding the fair value movements on financial derivatives and deferred taxes on property valuation surpluses.

## NET TANGIBLE ASSETS (NTA)

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallizing certain levels of deferred tax liability. It represents a scenario in which a few properties could be sold. At 30 June 2020 the company does not have any assets which could be sold and for this reason the deferred taxes coincide with the amount excluded from the NRV calculation. Contrary to NRV, the goodwill and the intangible assets included in the financial statements are excluded from the equity attributable to the Group.

## 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 company whose prevalent activity is the rental of properties and equivalent, provided they meet a series of earnings and balance sheet requirements.

### STORE
Property for the retail sale of non-food consumer goods.

### SUPER MARKET
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.