ANNUAL REPORT 2017

igd SIIQ

SPACES TO BE LIVED IN

Cover

CENTRO SARCA

MILAN

Opening 2003

Restyling 2015

Mall GLA sq.m. 23,773

Food anchor GLA sq.m. 11,000

5,769,979 visitors in 2017

Environrmental Certifications:

BREEAM

UNI EN ISO 14001

IGD, spaces to be lived in

2017 ANNUAL REPORT

Contents

CHAPTER
01
The Igd Group

CHAPTER
02
Directors' Report

CHAPTER

03

Report on Corporate Governance and Ownership Structure

CHAPTER

04

IGD Group: Consolidated financial statements for the year ended 31/12/2017

CHAPTER

05

IGD SIIQ S.p.A.: Separate financial statements for the year ended 31/12/2017

CHAPTER

06

Glossary

ESP

RAVENNA

Opening 1998

Extension 2017

Mall sq.m.30,071

Food anchor sq.m. 16,536

4,876,358 visitors in 2017

THE IGD GROUP

01

1.1
LETTER TO THE SHAREHOLDERS

Dear Shareholders,
The results presented in your Company's 2017 Annual Report have never been achieved before. Not only have the record performances recorded in 2016 been surpassed, but it is clear that IGD is well on track to deliver on the Business Plan 2016-2018. A few targets for the end of the plan have basically already been reached.

Elio Gasperoni,
IGD's Chairman

Claudio Albertini,
IGD's CEO

The Group's net profit reached €86.5 million, an increase of 26.5% with respect to 2016. The key indicator for understanding the efficiency of a real estate company, the core business Funds from Operations (FFO), reached €65.6 million in 2017, an increase of 21.7% against the prior year: we, therefore, exceeded the full year guidance for FFO of +20% announced in August in the wake of the encouraging results posted in the first half.

The 5.8% increase in rental income and revenue from the real estate business fueled an increase in core business EBITDA of 6.7%, attributable also to rigorous control of operating costs. The core business EBITDA Margin came to 69.7%, 40 basis points higher than the 69.3% recorded in 2016.

IGD's real estate portfolio had an appraised fair value at year-end 2017 of about €2,228 million. This figure, around €50 million higher than the year-end 2016 appraisals, confirms IGD's role as a key player in the Italian retail real estate sector. Even though yield compression did not help to sustain the fair value increase of our assets to the extent that it did in 2016, in 2017 the portfolio did benefit from two of the factors driving its value. Firstly, the expanded perimeter linked to the ESP extension, inaugurated on 1 June 2017 after a total investment of €51 million, made over several years, and the Maremà center in Grosseto; secondly, the significant contribution of the like-for-like perimeter linked to the higher fair value of a few of IGD's key malls which each were valued at more than €70 million. The biggest increases were reported by the properties where restyling and new fit-outs, as well as extensions of the leasable space, were recently completed.

Our portfolio has always been characterized by its balanced structure, which allows us to have a very low risk profile: IGD's shopping centers are, in fact, distributed throughout Italy, typically along main thoroughfares near cities, and well positioned in their primary catchment areas. The medium size gives us the flexibility and responsiveness needed to quickly rethink the spaces inside each center based on retailers' changing needs, as well as make changes to the tenant mix.

In order to maintain a high level of occupancy and create the conditions needed to grow retailers' revenue, in 2017 we also continued to work on ensuring the quality of our portfolio and the appeal of each center. We introduced innovative international brands, including when this required substantial redistribution of the space, we increased our focus on food courts and added services like gyms, dental studios and cinemas which generate traffic that is not necessarily linked to shopping needs. In the wake of the success of Le Porte di Napoli, at the Città delle Stelle shopping center we also created new value by downsizing the hypermarket and creating a new piazza that is connected to the newly expanded mall. In 2017 the big international brands also requested more space with a view to providing its customers with a richer shopping experience and highlighting the role of the store as a show-room.

The operating indicators confirm the fact that this work was successful: in 2017 the occupancy continued to be very high in Italy (coming in at 96.8%) and rose considerably in Romania where it reached 96.4%. The average upside on the new leases signed with mall retailers in Italy came to 4.9% in 2017, while the average upside on renewals in Romania reached 2.1%. Not only: we succeeded in making the most of the opportunity to redesign the merchandising mix and include tenants with the best sales performances through rotation during the turnover phase which involved 5.4% of the tenants in Italy and 32.7% of the Winmarkt tenants.

The results posted in 2017 show that the strategic guidelines for the second year of the three-year business plan were adhered to and increase the visibility of achieving the targets for 2018. The results for 2017 should, however, not be taken for granted: they were achieved in what was undoubtedly a favorable economic environment but, at the same time, in a context which was much more complicated with respect to the past, given the challenges linked to the emerging models of consumption, particularly with the younger generation, and the new needs of the large omni-channel retailers who are increasingly more interested in integrating the physical store experience with online shopping.

Looking again at the consolidated income statement for 2017, the investments made in maintaining the high quality of the portfolio fueled a €23.9 million rise in fair value. This figure is even more impressive if we consider that it is even higher than the increase of €19.6 million recorded in 2016.

If the operating results testify to the validity of the asset management and commercial choices made, financial management was also key to creating value in 2017. In line with the strategies outlined in the Business Plan, we worked to maintain a good level of debt, to optimize access to credit and to contain the cost of debt.

The results of these steps can be seen, firstly, in the Loan-to-Value which came to 47.4% at year-end 2017 versus 48.3% at year-end 2016. The LTV was once again below the 50% level, which is key to ensuring that IGD's debt will continue to be rated investment grade. In 2017 the Interest Cover Ratio (ratio of EBITDA to financial expense) was strengthened further, coming in at 2.93x. Lastly, we also succeeded in reducing the average cost of debt from the 3.3% recorded in 2016 to 2.82%.
Based on the positive performances recorded in the year, confirmed by these results, on 21 December 2017 Moody's updated the credit opinion issued for the first time on 17 May 2016. The agency confirmed our debt's rating, Baa3, and maintained the stable outlook. This result ensures that we will have full access to the market when we need to place future bond issues. In 2017 bank debt accounted for 35.2% of our total financing: as was our intention, we were able to make optimal use of our access to all available channels.

The value created for IGD's shareholders can also be seen in the gradual increase in the Net Asset Value, which we measure based on the EPRA Triple Net Asset Value per share, which rose from the €12.5 recorded year-end 2015 to €12.9 at year-end 2016, to then rise further at year-end 2017 to €13.7, an increase of 6.3%.

While the results achieved in terms of organic growth are satisfying, in order to consolidate our leadership through M&A as well, we looked long and hard at the Italian market and on 15 December we signed a preliminary agreement with Eurocommercial Properties for the purchase of a portfolio we view as strategic comprised of four shopping malls and a retail park, for a total investment of around €200 million.

The transaction promises to provide interesting yields as the assets are already producing revenue and together could generate a gross yield of 6.8% and a net yield of 6.4%.

All of the assets included in the portfolio are well positioned in their catchment areas and can count on the presence of a Coop food anchor. IGD already owns the hypermarkets found in two of the centers, namely the Leonardo center in Imola and the Lame center in Bologna. The acquisition would, therefore, foster more efficient commercial and property management once full ownership of the two centers is achieved. In addition to the visible returns linked to the already existing leases, the transaction paves the way for future opportunities which could create value and the possible extension of the Sarzana and Imola properties.

In order to maintain our solid debt profile we plan on financing the transaction primarily through a capital increase of up to a maximum of €150 million. Option rights will be offered to the current shareholders. Our majority shareholder, Coop Alleanza 3.0, has undertaken to subscribe its entire portion of the capital increase of around 40.9%.

Through the capital increase we are, therefore, proposing that the market participate in a growth path which has never been speculative and is supported, in this instance as well, by a stable shareholder who used industrial criteria to make an investment decision. Today IGD is a company with an expert and numerically adequate staff, which it can leverage on in order to extract almost the entire operating profit from each acquisition as the expanded perimeter will result in a limited increase in operating costs. If we also consider that currently the difference between property yields and the cost of debt is at an historic high, the acquisitions represent an attractive opportunity for immediate value creation.

In the wake of the results presented in the 2017 Annual Report, IGD's Board of Directors proposes to allocate a total of around at least €49.3 million for dividends. The Board of Directors does intend, once the terms of the capital increase and the maximum number of shares to be issued are determined, to pay a dividend on all outstanding shares if the capital increase is successfully completed of around €50-52 cents per share.

2017 IGD's stock price rose 33.1% from €0.724 at 30 December 2016 to €0.964 at 29 December 2017. The sharp increase in the price, which led IGD to significantly outperform both the European real estate index and the Italian Stock Exchange, was fueled by the Company's valid fundamentals confirmed at the end of each reporting period. Toward the end of the year, the stock also benefitted noticeably from the fact that the Italian Budget Law eliminated the ban prohibiting *Piani Individuali di Risparmio* from investing in real estate stocks.

IGD, therefore, provided its shareholders with a Total Shareholder Return, capital gains plus the dividend yield, of 40.4%.
Despite the considerable rise in price, the P/NNNAV recorded at the end of 2017 indicates that the stock is still trading at a discount of 29.6% with respect to its NAV.

Our work over the next few months will not only be focused on the successful execution of the Business Plan 2016-2018, but also on convincing investors that IGD is already an efficient platform and it makes sense to undertake transactions which accelerate growth if the potential returns are compelling and visible.
In 2018 we will continue to work on the pipeline which calls for the construction of a new midsize area and restyling at the Gran Rondò center in Crema to be completed and opened by the end of the first half, in addition to moving forward with the Officine Storiche portion of the Porta a Mare project in Livorno, an investment which will lead to the opening in 2019 of a modern concept retail space providing personal services dedicated to fitness, leisure time and restaurants. During the Annual General Meeting convened to approve the 2017 Annual Report, the shareholders will also be called upon appoint a new Board of Directors which will approve the Business Plan destined to guide the Company beyond 2018.

Over the last two years IGD's governance has changed profoundly. On the one hand, the shareholders' agreement between Coop Alleanza 3.0 and Unicoop Tirreno expired at the end of 2015 and was not renewed. On the other hand, while the form of the current BoD is the one of the Board appointed on 15 April 2015, a few changes took place linked to single directors: the two directors from the minority list of Soros's Quantum Strategic Partners Ltd. resigned and, there was a change in the Chairman following the departure of Gilberto Coffari who had been with IGD since its inception.

The capital increase could mark a turning point as it represents an opportunity to sustain the company's growth path, benefit from the 2017 dividend and contribute, through the directors appointed to the new Board, to determining the direction the Company will take for the next three years.

Even though political risk in Italy remains, in 2018 we think that the environment will continue to be favorable for our business. If on the one hand the confidence indices continue to be positive and bode well for consumption, on the other hand we expect that the cost of capital will continue to be low: by extending Quantitative Easing through September 2018 the ECB indicated that it intends to maintain interest rates at zero including beyond the end-date of the buying program and that the reinvestment in maturing securities will continue.

In light of the fact that since the launch of the PIR or *Piani Individuali di Risparmio* funds of around €11 billion have been gathered and that the potential inflows for 2018 are considerable, we expect that demand will continue to have a positive impact on the price and liquidity of our shares.

Once the capital increase is completed, IGD will be even closer to becoming a "one-billion company", namely a company with a market cap of one billion euros which will allow us to be included in other stock market indices and have access to a vaster audience of potential investors. This would create a virtuous circle which could provide us with increasingly more opportunities and flexibility for growth, to the benefit of all our shareholders.

The Chairman
Elio Gasperoni

The Chief Executive Officer
Claudio Albertini

LE MAIOLICHE
FAENZA (RAVENNA)

Opening 2009
Mall GLA sq.m. 12,580
Food anchor GLA sq.m. 9,277

2,211,553 visitors in nel 2017

Environmental Certification:
UNI EN ISO 14001

1.2
CORPORATE AND SUPERVISORY BODIES
Summary

Board of Directors

ELIO GASPERONI	Chairman	*Executive*	Chairman Committee
FERNANDO PELLEGRINI	Vice Chairman	*Non executive*	Chairman Committee
CLAUDIO ALBERTINI	Chief Executive Officer	*Executive*	Chairman Committee
ARISTIDE CANOSANI	Directors	*Non executive*	
LUCA DONDI DALL'OROLOGIO	Directors	*Independent*	
GILBERTO COFFARI	Directors	*Non executive*	
LEONARDO CAPORIONI	Directors	*Non executive*	
MATTEO CIDONIO	Directors	*Independent*	Related party transactions Committee
ELISABETTA GUALANDRI	Directors	*Independent*	Compensation and Nominations Committee; Control and Risk Committee
MILVA CARLETTI	Directors	*Independent*	Compensation and Nominations Committee
ROSSELLA SAONCELLA	Directors	*Independent*	Related party transactions Committee; Control and Risk Committee
ANDREA PARENTI	Directors	*Independent*	Compensation and Nominations Committee; Related party transactions Committee
LIVIA SALVINI	Directors	*Independent*	Control and Risk Committee

Board of statutory auditors

ANNA MARIA ALLIEVI	Chairman	*Standing*
ROBERTO CHIUSOLI	Auditor	*Standing*
PASQUINA CORSI	Auditor	*Standing*
PIERLUIGI BRANDOLINI	Auditor	*Alternate*
ISABELLA LANDI	Auditor	*Alternate*
ANDREA BONECHI	Auditor	*Alternate*

Supervisory Board

FABIO CARPANELLI (Chairman), ALESSANDRA DE MARTINO, RICCARDO SABADINI

External Auditors

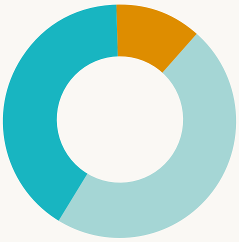
PRICEWATERHOUSECOOPERS S.P.A.

Financial Reporting Officer

GRAZIA MARGHERITA PIOLANTI

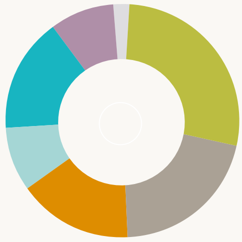
Shareholders

SHAREHOLDER BASE



- **40.92%** COOP ALLEANZA 3.0
- **12.03%** UNICOOP TIRRENO
- **47.05%** FLOATING

FREE FLOAT BY GEOGRAPHICAL AREA*

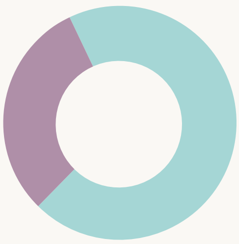


- **28%** USA+CANADA
- **21%** UK+IRELAND
- **16%** FRANCE
- **9%** LUX+NL+BEL
- **16%** ITALY
- **9%** REST OF EUROPE
- **2%** REST OF THE WORLD

* Source: data processed internally based on dividend recipients

Board of Directors

BREAKDOWN BY GENDER

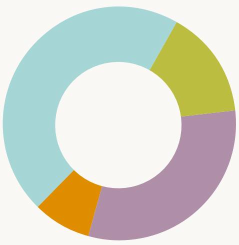


- **9** MALE
- **4** FEMALE

INDEPENDENT/NON-INDEPENDENT DIRECTORS

- **7** INDEPENDENT DIRECTORS
- **6** NON-INDEPENDENT DIRECTORS

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



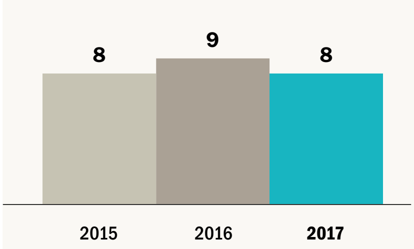
- 46% 6+ YEARS
- 15% 4-6 YEARS
- 31% 2-4 YEARS
- 8% 0-2 YEARS

CHANGES COMPARED TO THE PRIOR MANDATE	LAST MANDATE	CURRENT MANDATE	FTSE MID CAP
NUMBER OF DIRECTORS	**15**	**13**	
DIRECTORS APPOINTED BY MINORITIES	**0**	**2***	
% OF WOMEN IN THE B.O.D.	**20%**	**31%**	**26.20%**
% OF INDEPENDENT DIRECTORS	**53%**	**54%**	
AVERAGE AGE OF THE DIRECTORS	**64**	**60**	**57.1**
STATUS OF THE CHAIRMAN	**EXECUTIVE**	**EXECUTIVE**	
LEAD INDEPENDENT DIRECTOR (LID)	**YES**	**NO**	

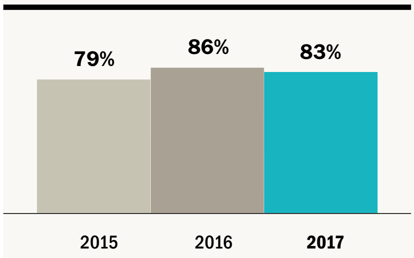
* The 2 directors John William Vojticeck and Matthew David Lentz, appointed by the minority shareholders, tendered their resignation in 2016 and 2017, respectively, and the Board substituted them with independent directors Luca Dondi Dall'Orologio and Matteo Cidonio, from the majority list as there were no other candidates on the minority list.

Functioning of the Board of Directors

NUMBER OF BOARD MEETINGS



DIRECTORS ATTENDANCE



BOARD EVALUATION PROCESS

Board evaluation conducted
YES

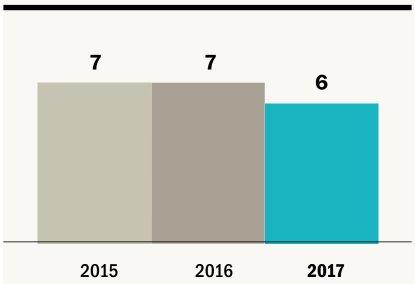
Advisor
EGON ZEHNDER

Self-assessment tools
ANONYMOUS QUESTIONNAIRES/INTERVIEWS

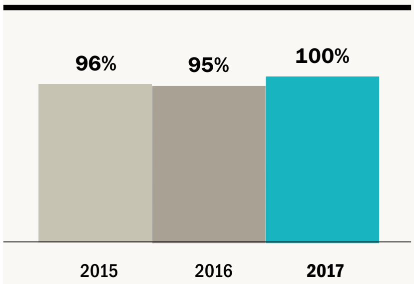
NUMBER OF COMMITTEE MEETINGS AND DIRECTORS' ATTENDANCE	NUMBER OF MEETINGS	ATTENDANCE	PRESENCE OF INDEPENDENT MEMBERS (%)
NOMINATIONS AND COMPENSATION COMMITTEE	**5**	**100%**	**100%**
CONTROL AND RISK COMMITTEE	**6**	**94%**	**100%**
COMMITTEE FOR RELATED PARTY TRANSACTIONS	**0**	**0%**	**0%**

Control and risk management system Functioning of the Committees

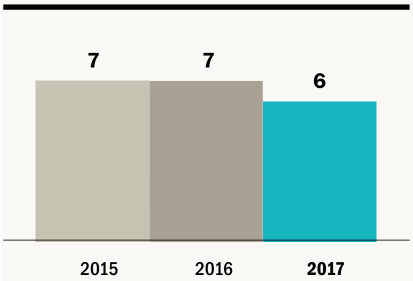
NUMBER OF THE CONTROL AND RISK COMMITTEE MEETING



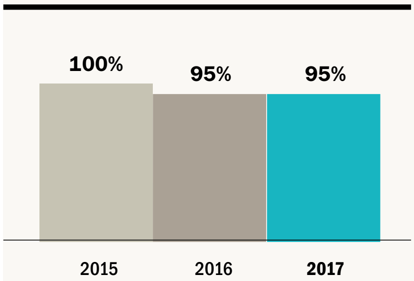
ATTENDANCE AT THE CONTROL AND RISK COMMITTEE



NUMBER OF THE BOARD OF STATUTORY AUDITORS MEETINGS



ATTENDANCE AT THE BOARD OF STATUTORY AUDITORS



MAIN ELEMENTS OF THE CONTROL SYSTEM

Risk management division
YES

Enterprise risk management plan
YES

Is the ERM plan discussed with the Committee?
YES

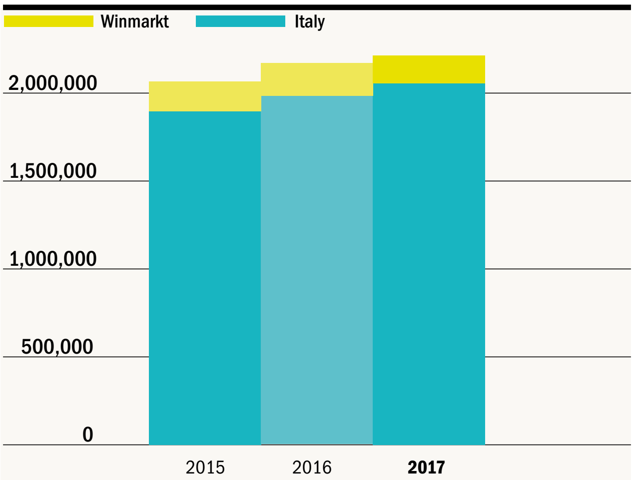
Specific compliance programs in place (Antitrust/Anticorruption/Whistleblowing…)
YES

For more information see Chapter 3.
Report on Corporate Governance and Ownership Structure.

1.3

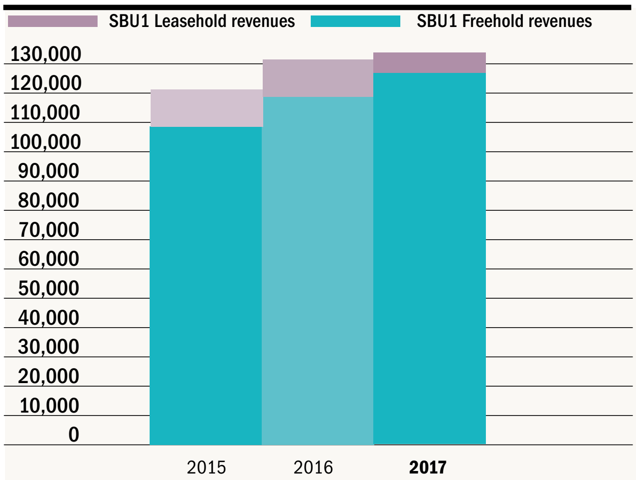
GROUP HIGHLIGHTS

Real estate portfolio market value



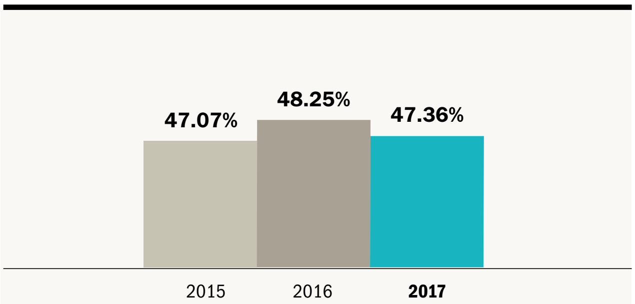
€ 2,228.23 million

Core business rental revenues



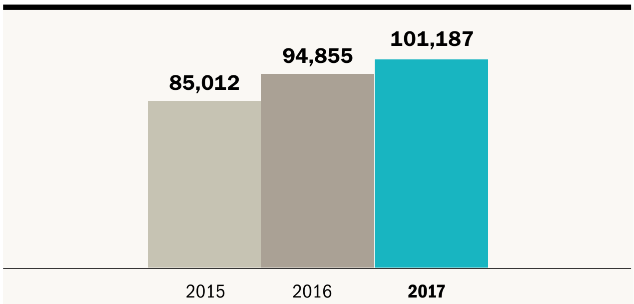
€ 138,915 million

Loan to value



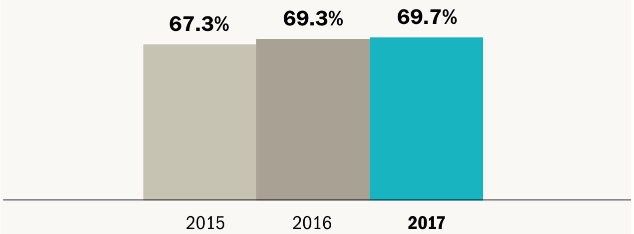
47.36%

Core business EBITDA



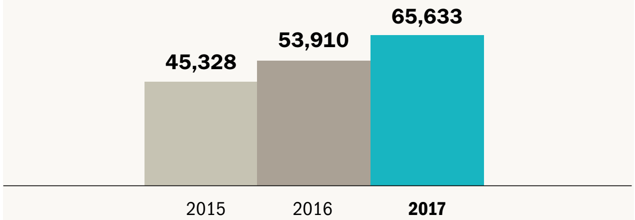
€101.187 million

Core Business EBITDA Margin



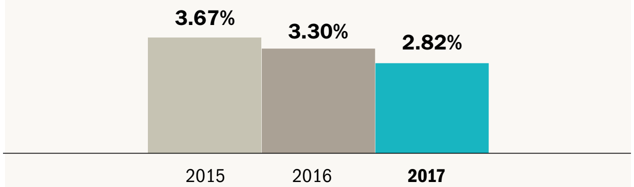
69.7%

Core business FFO



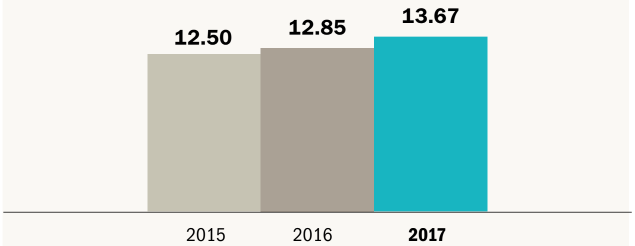
€65.633 million

Average cost of debt



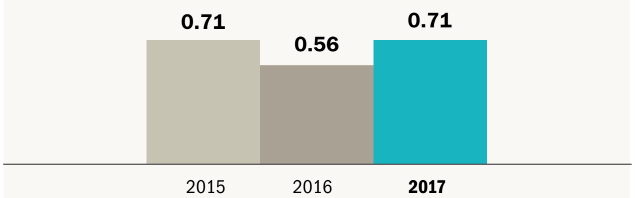
2.82%

Epra NNNav per share



€13.67

Share price/Epra NNNAV



€0.71

PUNTADIFERRO
FORLÌ

Opening 2011

Mall GLA sq.m. 21,223

3,287,175 visitors in 2017

DIRECTORS' REPORT

02

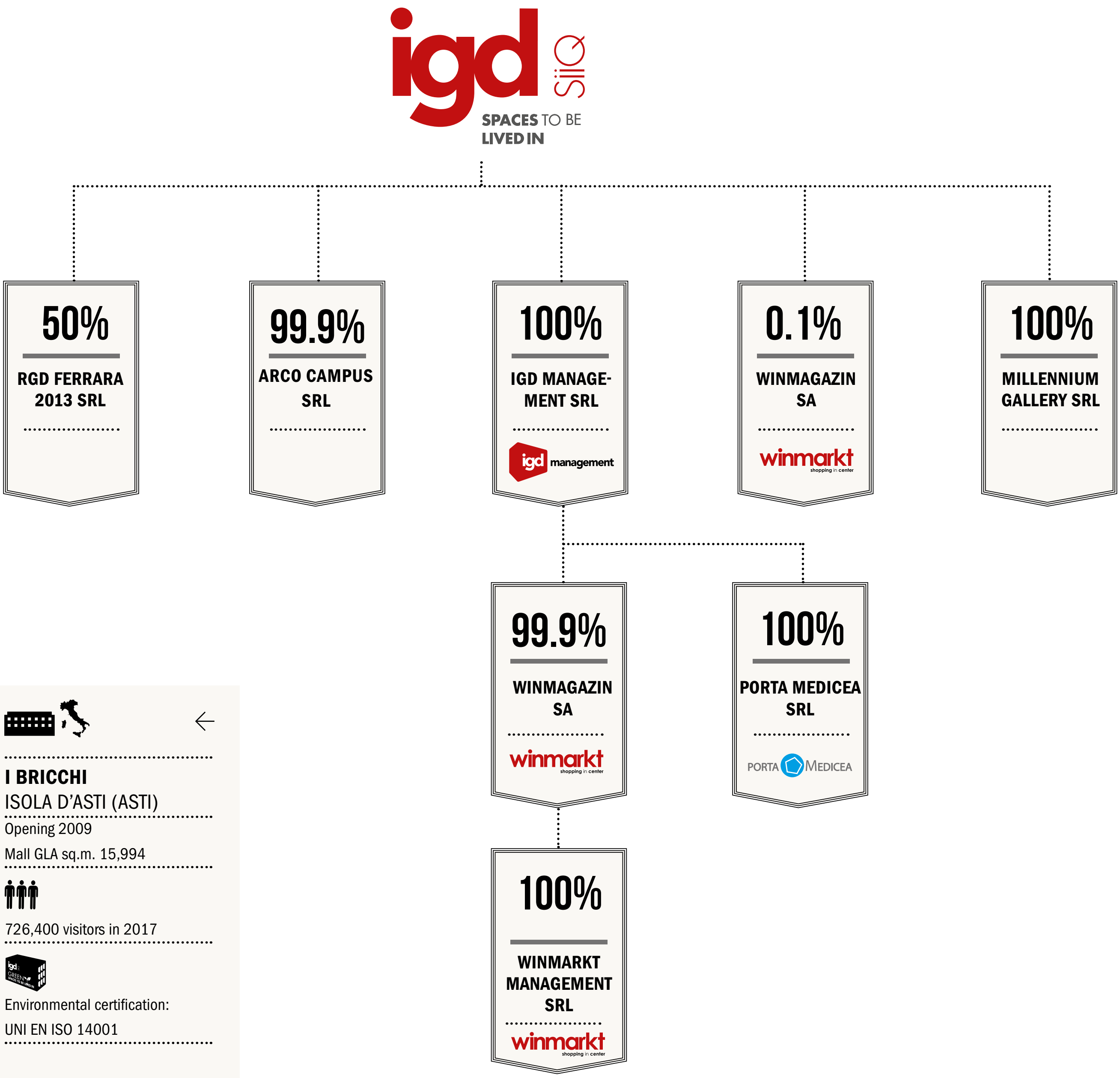
Dear Shareholders,
The directors' report that follows combines the reports to the consolidated financial statements and the financial statements of the Parent Company Immobiliare Grande Distribuzione SIIQ S.p.A., to avoid the repetition that would result by providing two separate documents. The consolidated financial statements at 31 December 2017 of Gruppo Immobiliare Grande Distribuzione SIIQ S.p.A. (IGD SIIQ S.p.A or IGD for short), including this report and the notes to the financial statements, consolidate the balance sheets and income statements of IGD SIIQ SpA and other Group companies as listed in the paragraph related to the scope of consolidation.

Alternative Performance Indicators

This report contains alternative performance indicators with respect to the conventional indicators required of audited financial statements, which comply with IAS/IFRS. The alternative performance indicators do stem from financial statements prepared on an IAS/IFRS-compliant basis, but have also been calculated using other sources or alternative methods, where clearly specified. These may not comply with the accounting standards required of audited financial statements and may not consider the accounting, recognition and measurement requirements associated with such standards. The indicators deemed significant for the reading of the Group's financial statements include like-for-like revenue, core business EBITDA, core business EBITDA margin, FFO, net financial position, the interest cover ratio, the average cost of debt (net of ancillary expenses, recurring and non), the gearing ratio, the loan to value, the net asset value (NAV) and triple net asset value (NNNAV), the calculations of which are described in the Glossary.

2.1
THE IGD GROUP

IGD was the first company in Italy to obtain SIIQ (Società di Investimento Immobiliare Quotata or real estate investment trust) status in 2008 and is still the only retail real estate company that qualifies as a SIIQ.
Most of the Group's real estate assets are in Italy (93%). The remainder is in Romania (7%), where IGD owns the Winmarkt chain of shopping centers through WinMagazin SA.



I BRICCHI
ISOLA D'ASTI (ASTI)
Opening 2009
Mall GLA sq.m. 15,994
726,400 visitors in 2017
Environmental certification:
UNI EN ISO 14001

IGD SIIQ's perimeter of exempt operations includes the freehold assets found in Italy. On 1 April the merger by incorporation was completed of Igd Property SIINQ S.p.A. and Punta di Ferro SIINQ S.p.A. in IGD SIIQ S.p.A.
At 31 December 2017, the Parent Company also controlled:

- 100% of **Millennium Gallery**, (part of the Rovereto shopping mall and a business division in the shopping center in Crema);
- 50% of **RGD Ferrara 2013,** formed on 30 September 2013, to manage the Darsena City Shopping Center in Ferrara;
- 99.9% di **Arco Campus srl,** company dedicated to the construction, leasing and management of properties used for sports;
- 100% of **IGD Management srl** 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's scope of consolidation:
  - 99.9% of **WinMagazine SA,** the Romanian subsidiary, through which it controls 100% of **WinMarkt Management srl,** the company responsible for the team of Romanian managers;
  - 80% of **Porta Medicea srl,** responsible for the requalification and real estate development project of Livorno's waterfront;
  - management of the leasehold properties (Centro Nova and Centro Piave);
  - service activities which include mandates for the management of freehold and leasehold properties.

1/2 IGD GROUP headquarters, Bologna

The IGD Group's operations can be broken down in to three distinct divisions:

- **Asset management and development;**
- **Sales, marketing and network management;**
- **Romania.**

The three divisions report to the Chief Operating Officer.

Our activities

Property management and leasing

The **property management and leasing** of all the Group's freehold properties, as well as of some third party assets, represents IGD's most important business. The main objective is to enhance the long term value of the portfolio through three distinct activities:

1. The purchase and leasing of real estate.
IGD acquires properties already generating revenue or assets which have yet to open and may get involved in development.

2. The optimization of property yields.
IGD's commercial policies and marketing initiatives aim to guarantee a steady flow of traffic and a high rate of occupancy in the shopping center. During restyling and extensions of portfolio assets, the Commercial Division and Asset Management and Development work closely with a view to making changes to the space which result in both a new merchandising format and tenant mix.

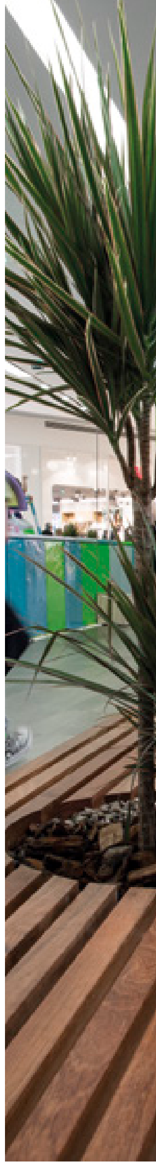
3. Disposal of freehold assets.
Asset rotation through the disposal of freehold assets is key to ensuring an optimal portfolio structure.

Services

IGD has always been involved in a few other activities, in addition to the main business of purchasing and leasing real estate. Primarily, **Facility Management:** IGD, in fact, coordinates and supervises the activities deemed essential to the operation of a shopping center: not just marketing, but also security, cleaning and routine maintenance. This category also includes the revenue generated by **Agency Management** and **Pilotage** which are carried out in order to promote newly opened, expanded or restyled centers.

Contract management

In Italy at the end of 2017 IGD had 1,253 leases with a total of 672 retailers. During the year the Company signed 194 new leases explained for 126 by renewals and the remaining 68 by turnover.
In Romania at the end of 2017 WinMagazin SA had 597 leases. During the year 459 new leases were executed; there were 264 renewals, versus 195 terminations and early withdrawals.
Careful turnover management, on the one hand, provides IGD with an opportunity to change the offering in its malls in light of new consumer trends and, on the other, to select retailers with the best sales potential, as well as more reliable.
As part of its Enterprise Risk Management activities, IGD has been, for some time, analyzing the risk profile of its tenants and looking at the percentage of retailers that belong to the same risk category, as well as the rents as a percentage of IGD's total revenue. Thanks to turnover, in 2017 IGD was able to reduce the number of high risk tenants and, at the same time, lower the sales at risk as a percentage of total sales.
The concentration of retailers generating a significant portion of IGD's rental income is limited: in Italy the ten largest tenants represented 20.82% of the total rental income generated by malls in 2017 (largely in line with the 21.1% recorded in 2016), while in Romania the ten largest retailers account for 27.3% of the total, a decided decrease compared to the 45.1% recorded in 2016.
IGD's retail offering features a good number of very appealing brands: in the Italian malls, international brands account for 41% of the total rental income, while in Romania these brands represent 34% of the total.



Marketing

In 2016 IGD developed a new methodology for defining and implementing Marketing Plans for each individual shopping center, with centralized coordination of the different pre-letting and start-up phases. Thanks to careful analysis of the environment in which each shopping center operates and the relative competitive positioning, as well as setting specific goals for each plan and each event, the first results in terms of more effective initiatives and cost optimization materialized already in 2017.

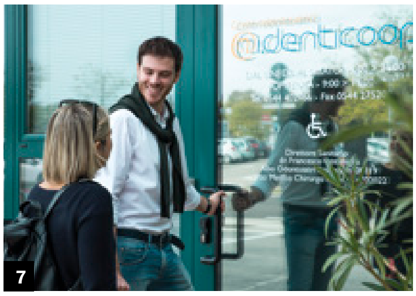
In 2017 IGD continued with initiatives inspired by the philosophy "Spaces to be lived in" with a few high impact travelling events liked the new edition of Happy Hand in Tour – in which those with and without handicaps worked together in a number of artistic activities and sports events – and an interactive exhibit which recreated the stories and settings of Jules Verne's books.
With a view to strengthening the presence of Millennials in its centers, in 2017 IGD offered appointments with celebrities - bloggers, writers or known Italian musical acts – which also appealed to the little ones.

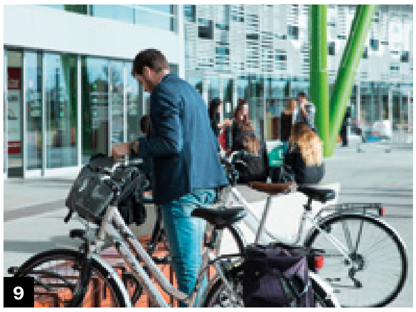
The marketing activities made a key contribution to enhancing the appeal of the shopping centers and in boosting footfalls at a time when the food anchor is less attractive than in the past: footfalls reached about 67 million in 2017 in IGD's Italian centers, down slightly compared to 2016.
Footfalls in the Romanian Winmarkt centers reached around 30.6 million in 2017, a decrease of 2.0% compared to the 31.3 million reported in 2016 explained by the competition linked to the opening of new latest generation shopping centers near a few Romanian cities where Winmarkt has a presence in the historic centers.

Mission

IGD's mission is to create value for all its stakeholders: shareholders and financial backers, employees, customers, local communities, retailers, as well as suppliers. We believe this is possible through sustainable growth.

3 Music live show at Città delle Stelle shopping center, Ascoli Piceno
4 Jules Verne exhibition at Centro Piave shopping center, San Donà di Piave (Venezia)
5 Event with a web star at Esp shopping center, Ravenna





Vision

IGD has always been focused on the retail segment of the Italian real estate market. A top player because of the overall size of its portfolio, IGD has succeeded in delivering on Business Plan guidance thanks to the way in which it has interpreted its role over time, including during the lengthy consumer crisis which persisted throughout a large part of the last decade. The ability to listen to the different needs of retailers, the desire to offer a range of flexible and personalized retail solutions, the ability to meet the changing needs of international brands (including bigger spaces and different formats) in a timely manner have allowed IGD to build a professional profile with characteristics that are unique to Italy. A fair, collaborative and farsighted approach to working which is valued by the tenants has also had a positive impact on the results posted in IGD's income statement.

Contrary to the models used by the main European retail property companies, IGD has not focused on large shopping centers nor on a specific type of region: a calculated choice originally which has proven repeatedly to be successful over the last 12 years of the Company's development. IGD's property portfolio, comprised primarily of midsize centers, can be found throughout Italy typically near urban centers along main roads which allows for easy access to the centers Most of the IGD's assets, while not large, are also strongly positioned in primary catchment areas.

Historically, the typical IGD shopping benefitted from a food anchor which helped to attract traffic all week long and promote customer loyalty which, in turn, benefitted mall retailers. More recently the format of IGD's centers is being gradually transformed, with the addition of more than one non-food anchor which act as important "attractors" for the whole center and a growing number of personal services: not only restaurants, but also dental studios and fitness centers. Activities which reflect fully IGD's "Spaces to be lived in" concept and which respond to the needs that e-commerce cannot satisfy.
The success of the work done at Porte di Napoli in Afragola and at Citta delle Stelle in Ascoli Piceno in 2017 which involved the downsizing of the space dedicated previously to the hypermarket to create new food courts today represents a benchmark for the rethinking of the layouts at other centers in where there is room for the hypermarket to be revisited in order to adapt to new models of consumption, above all in the younger age ranges.

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

6 Le Porte di Napoli shopping center, Neaples
7 The dental clinic at Esp shopping center, Ravenna
8-9 New services offered to visitors at Esp shopping center, Ravenna

Strategic guidelines

IGD's updated strategic guidelines were presented on 10 May 2016 when the new version of the Business Plan 2015-2018 was presented. The Plan was revisited in light of the changing global market conditions and the new financial and portfolio structures formed as a result of the important acquisition of the Puntadiferro di Forlì mall and the capital increase this transaction called for.

The goals set forth in the Plan aim to confirm IGD's role as the leading retail property company in Italy.

This strategy hinges on an integrated approach to the four different operating areas: **commercial, asset management, finance and sustainability.**

More in detail, the objective of the strategy is to maximize value for the shareholders and all the Group's stakeholders in general and lower the risk profile, guaranteeing sustainable growth over time. All of this translates into, on the one hand, dynamic and long-term management of the assets in order to maintain maximum efficiency and appeal, as well as continuously generate cash flow and, on the other, maintain a balanced, sustainable financial structure with diversified sources of funding with a view to optimizing the cost of debt by obtaining the best market conditions possible.

10 PuntadiFerro shopping center, Forlì

2.2
PERFORMANCE IN 2017

2.2.1 Income statement review

In 2017 the IGD Group's activities continued at an intense pace with the completion of important financial and business transactions. These results were delivered in a positive global market environment: economic growth was positive in the main advanced and emerging markets, sustained by a new cycle of investments which boosted world trade (which grew 3.5% in third quarter 2017), and the short-term prospects remain favorable.[1]

The overall market conditions in Italy were particularly positive: the recovery begun in 2014 stabilized and accelerated. According to ISTAT's preliminary estimates **GDP** was positive for the entire year, with cumulative growth for 2017 coming in at +**1.4%**[2]**.** This growth was driven firstly by exports (+7.9% in the first 11 months of the year compared to the same period 2016[3]), which benefitted from rekindled world trade and investments. **Household spending** continued to rise (**expected to reach +1.4% at year-end**[4]) driven by real disposable income supported, in turn, by lower unemployment (10.8% at December 2017, down -1.0% against December 2016[5]).

This positive environment gave a boost to consumer prices with inflation reaching a yearly average increase of +1.2%, versus a negative close to 2016.[6]

Consistent with this improved context, **sales for retailers in Italian malls rose 1.3%** like-for-like (+4.3% taking into account the ESP extension) at 31 December 2017, while footfalls fell slightly by 0.5% compared to the prior year. The sales figure is particularly good if compared to the domestic performance of non-food retail sales which fell -0.2% in 2017 with a -0.3% decrease in volumes.

Average occupancy of the Italian portfolio was basically unchanged, moving from the 97.0% posted in 2016[7] to 96.8% at year-end 2017.

The combination of these variables also influenced **rental income** which at 31 December 2017 **was up 5.8%** like-for-like in Italy. The new openings made the biggest contribution to this good result: IGD benefitted from the income generated by the ESP extension, inaugurated in June, and the full-year contribution of the Maremà mall which did not contribute fully to revenue in 2016 as it was opened on 27 October. Revenue for the expanded perimeter was also up by 1.5% due mainly to the good pre-letting results which fueled an **average upside on new leases of 4.9%,** in addition to the gradual decrease in temporary discounts on rent.

In 2017 IGD continued with its asset management activities. The extension of Centro ESP in Ravenna was opened on 1 June. This addition, which added an additional GLA of 19,000 m², provided space for 43 more stores and 8 restaurants. This is an important transaction as ESP now has the highest value of all the assets in IGD's portfolio. In November the new piazza inside the Città delle Stelle center in Ascoli Piceno was also opened after the completion of internal remodeling during which the hypermarket was downsized and the mall expanded. The new piazza houses 13 new shops. Work also continued on the other projects included in the Business Plan 2016-2018, namely the development of Officine Storiche in Livorno and the extension and restyling of Gran Rondò in Crema.

In **Romania** economic growth continues at a decidedly more robust pace than in Italy and higher than the European average: in the first nine months of 2017 GDP rose by more than 7% driven by family spending which, thanks to the Government measures implemented between 2016 and 2017, is showing noticeable progress (rising more than 9% in the first nine months of 2017, after an increase of more than 7% in 2016).[8] These solid results, along with the significant work done by IGD in the last few years on restyling and refreshing the merchandise mix, have translated into the good operating performances recorded by the Romanian portfolio: **occupancy** improved further rising from 96.1% in 2016 to **96.4%** in 2017 and is, at this point, **basically in line with the Italian rate** and there was **an average upside on renewals of 2.1%.** All these good indicators led to an **increase in rental income of 5.4% against 2016.**

1 Source: Bank of Italy – *Economic Bulletin 1/2018,* January 2018
2 Source: Istat – *GDP preliminary estimates,* February 2018
3 Source: Istat – *Foreign trade and import prices for manufactured goods,* January 2018
4 Source: Istat – *Prospects for the Italian economy in 2017-2018,* November 2017
5 Source: Istat – *Employment figures,* January 2018
6 Source: Istat – *Consumer prices,* January 2018
7 The 2016 figure includes Piazza Mazzini which was transferred from the cluster City center to malls.
8 Source: Reiffeisen Research – Economic Overview Romania, December 2017

From a financial standpoint, 2017 began with the placement on the US market of the €100 million bond issue approved in 2016. In December Moody's also confirmed IGD's Baa3 rating, with a stable outlook, confirmation that the Group has maintained a solid financial profile. The work done over the last few years made it possible for IGD to lower the **cost of debt** even more, which fell from 3.30% at year-end 2016 to **2.82% at year-end 2017. The interest cover ratio** or ICR also improved, coming in at 2.93x versus 2.89x at year-end 2016.

As described in greater detail below, these positive results, along with the changes in fair value, caused **net profit to rise 26.5%** against 2016 to **€86.5 million** and **core business FFO to increase 21.7%** against 2016 to **€65.6 million,** exceeding the guidance disclosed to the market calling for an increase of around 20%.

The consolidated operating income statement is shown below:

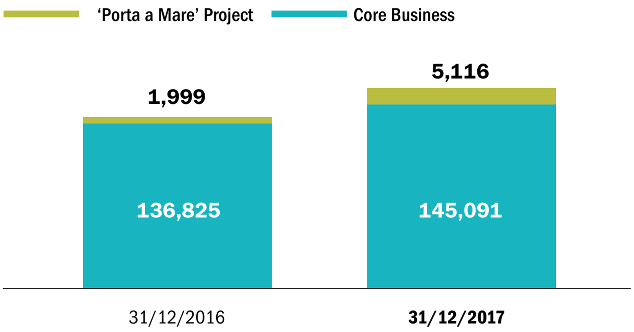
CONSOLIDATED INCOME STATEMENT €/000	CONSOLIDATED			CORE BUSINESS			PORTA A MARE PROJECT		
	31/12/16	31/12/17	Δ%	31/12/16	31/12/17	Δ%	31/12/16	31/12/17	Δ%
Revenues from freehold real estate and rental activities	118,882	126,276	6.2%	118,882	126,276	6.2%	0	0	n.a.
Revenues from leasehold real estate and rental activities	12,414	12,639	1.8%	12,414	12,639	1.8%	0	0	n.a.
Total revenues from real estate and rental activities	**131,296**	**138,915**	**5.8%**	**131,296**	**138,915**	**5.8%**	**0**	**0**	**n.a.**
Revenues from services	5,529	6,176	11.7%	5,529	6,176	11.7%	0	0	n.a.
Revenues from trading	1,999	5,116	n.a.	0	0	n.a.	1,999	5,116	n.a.
OPERATING REVENUES	**138,824**	**150,207**	**8.2%**	**136,825**	**145,091**	**6.0%**	**1,999**	**5,116**	**n.a.**
COST OF SALE AND OTHER COSTS	**(2,189)**	**(5,258)**	**n.a.**	**0**	**0**	**n.a.**	**(2,189)**	**(5,258)**	**n.a.**
Rents and payable leases	(10,145)	(10,218)	0.7%	(10,145)	(10,218)	0.7%	0	0	n.a.
Direct personnel	(3,914)	(4,333)	10.7%	(3,914)	(4,333)	10.7%	0	0	n.a.
Direct costs	(17,307)	(18,544)	7.1%	(17,032)	(18,289)	7.4%	(275)	(255)	-7.2%
DIRECT COSTS	**(31,366)**	**(33,095)**	**5.5%**	**(31,091)**	**(32,840)**	**5.6%**	**(275)**	**(255)**	**-7.2%**
GROSS MARGIN	**105,269**	**111,854**	**6.3%**	**105,734**	**112,251**	**6.2%**	**(465)**	**(397)**	**-14.6%**
HQ personnel	(6,473)	(6,715)	3.7%	(6,402)	(6,642)	3.7%	(71)	(73)	2.9%
G&A expenses	(4,813)	(4,677)	-2.8%	(4,477)	(4,422)	-1.2%	(336)	(255)	-24.2%
G&A EXPENSES	**(11,286)**	**(11,392)**	**0.9%**	**(10,879)**	**(11,064)**	**1.7%**	**(407)**	**(328)**	**-19.5%**
EBITDA	**93,983**	**100,462**	**6.9%**	**94,855**	**101,187**	**6.7%**	**(872)**	**(725)**	**-16.8%**
Ebitda Margin	***67.7%***	***66.9%***		***69.3%***	***69.7%***				
Other provisions	(154)	(153)	-0.7%						
Impairment and Fair Value adjustments	19,582	23,886	22.0%						
Depreciations	(1,119)	(1,027)	-8.2%						
DEPRECIATIONS AND IMPAIRMENT	**18,309**	**22,706**	**24.0%**						
EBIT	**112,292**	**123,168**	**9.7%**						
FINANCIAL MANAGEMENT	**(42,008)**	**(34,343)**	**-18.2%**						
EXTRAORDINARY MANAGEMENT	**(336)**	**(95)**	**-71.7%**						
PRE-TAX PROFIT	**69,948**	**88,730**	**26.9%**						
Taxes	(1,116)	(1,356)	21.5%						
Other taxes	(1,928)	(920)	-52.3%						
NET PROFIT FOR THE PERIOD	**66,904**	**86,454**	**29.2%**						
(Profit)/Loss for the period related to third parties	1,425	0	n.a.						
GROUP NET PROFIT	**68,329**	**86,454**	**26.5%**						

Certain cost and revenue items have been reclassified or offset which explains the difference with respect to the financial statements (please refer to operating segment information). Payroll costs include ancillary expenses.

→ Revenue

Consolidated operating revenue amounted to €150,207 thousand, an increase of 8.2% against the same period of the prior year.
The core business revenue reached €145,091 thousand, an increase of 8.2% compared to the same period of the prior year; the Porta a Mare project generated €5,116 thousand in trading revenue.

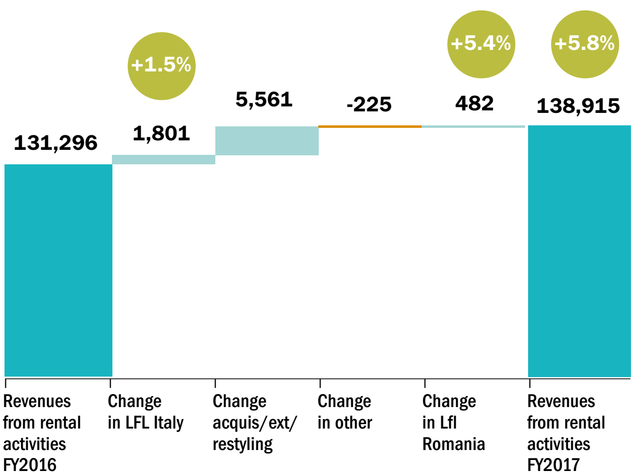
TOTAL REVENUES



The breakdown of revenue is described below:

The revenue from the rental business rose 5.80% to €138,915 thousand.

GROWTH OF RENTAL INCOME



The net increase of €7,619 thousand is explained:

- for €1,801 thousand, by like-for-like growth in Italy (+1.5%). Malls were up (+2.0% as a result of the pre-letting completed during the year, as well as lower discounts) and hypermarkets were unchanged compared to the prior year. 194 new leases were signed in the period with an average upside of +4.9%;
- for around €5,561 thousand, by the expanded perimeter which comprises the Maremà shopping center in Grosseto opened in October 2016 and the Esp extension which was inaugurated in June 2017;
- for -€225 thousand, by non-recurring revenue generated in 2016;
- for around €482 thousand, by higher like-for-like revenue in Romania (+5.4%) linked also to pre-letting and renegotiations. In the period 459 leases were signed (195 turnover and 264 renewals) with an average upside of 2.1%.

Revenue from services was higher than in 2016 (+11.7%). Most of this revenue comes from the facility management business (86.2% of the total or €5,324 thousand), an increase against 2016 of +8.4% attributable to new management mandates. Revenue from pilotage also rose (+€62 thousand against 2016) attributable mainly to the ESP extension and the remodeling of Città delle Stelle, as well as marketing revenue from the Poseidon shopping center in Carini (PA) and new fees for services rendered in outsourcing.

Revenue from trading generated by the Porta a Mare project amounted to €5,116 thousand and reflects the sale of 18 residential units and appurtenances. At the approval date of this annual report preliminary agreements for an additional 15 residential units had been signed; the total of the units sold or bound by preliminary agreements has, therefore, reached 90.7% of the total saleable area.

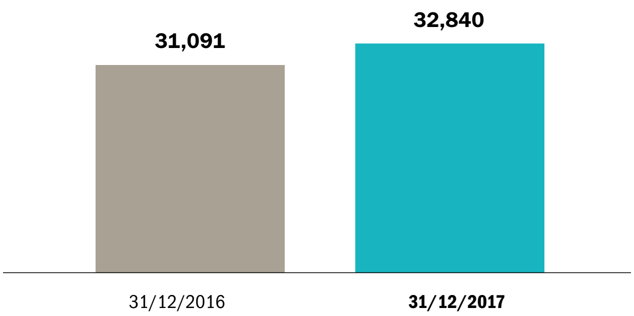
→ Cost of goods sold and other expenses

"Cost of goods sold and other expenses", which amounted to €5,258 thousand, refers for €5,224 thousand to the cost of the units sold and for €34 thousand to the ancillary sales costs.

→ Direct costs

Direct costs, pertaining to the **core business** and including payroll costs, amounted to €32,840 thousand, an increase of 5.6% with respect to the same period of the prior year.
This increase is linked to the expanded freehold and leasehold perimeter which resulted in an increase in direct personnel costs (in order to strengthen resources), IMU property tax, commercial contributions, condominium fees and pilotage costs (explained by the activities which also generated revenue).
The costs pertaining to the core business fell slightly as a percentage of revenue from the 22.7% recorded in the prior year to 22.6%.

CORE BUSINESS DIRECT COSTS



The direct costs for the Porta a Mare project, which amounted to €225 thousand, consist primarily in the IMU property tax (€186 thousand) and condominium fees.

→ Review of margins by business unit

The divisional gross margin rose by 6.3% from the €105,269 thousand posted at 31 December 2016 to €111,854 thousand at 31 December 2017. The table below shows the trend in divisional gross margins by business unit:

SBU 1 - Property leasing - margin from freehold properties: this margin amounted to €109,668 thousand, versus €102,999 thousand in the prior year (+6.5%). In percentage terms, this activity continues to feature a significant margin of 86.8% which is also higher than the prior year (increase in revenue and largely stable costs).

SBU 1 - Property leasing - margin on leasehold properties: this margin reached €2,219 thousand. This margin was up slightly as a percentage of revenue, rising from the 17.5% recorded in 2016 to 17.6% in 2016 due mainly to higher revenue and largely stable costs.

SBU 2 - Services - margin from service businesses: the margin from services amounted to €364 thousand. As a percentage of revenue the margin fell from the 10.2% posted in 2016 to 5.9%. The decline is attributable to the smaller margin on pilotage and a more than proportional increase in costs with respect to revenue.

SBU 3 - Development and trading - margin from trading: the margin from the "Porta a Mare" project in Livorno reached a negative €143 thousand. Overall the margin for this project, including direct costs (linked largely to the property taxes (IMU) on the undeveloped properties), reached a negative €397 thousand.

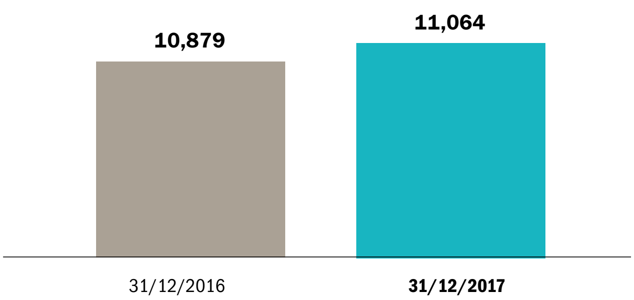
GROSS MARGIN €/000	CONSOLIDATED			CORE BUSINESS			PORTA A MARE PROJECT		
	31/12/16	31/12/17	%	31/12/16	31/12/17	%	31/12/16	31/12/17	%
Margin from freehold properties	102,999	109,668	6.5%	102,999	109,668	6.5%	0	(0)	n.a.
Margin from leasehold properties	2,171	2,219	2.2%	2,171	2,219	2.2%	0	0	n.a.
Margin from services	564	364	(35.5)%	564	364	(35.5)%	(0)	0	n.a.
Margin from trading	(465)	(397)	(14.6)%	0	0	n.a.	(465)	(397)	54.3%
Gross margin	**105,268**	**111,854**	**6.3%**	**105,733**	**112,251**	**6.2%**	**(465)**	**(397)**	**(14.6)%**

→ General expenses

General expenses for the core business, including payroll costs at headquarters, came to €11,064 thousand, an increase (+1.7%) against the €10,879 thousand posted in the prior year due mainly to an increase in payroll costs (as a result also of the introduction of in-house welfare benefits and higher variable compensation), business projects and corporate costs, while other operating costs, like consultancies and communication, were down. General expenses fell as a percentage of revenue from the 8.0% recorded in the prior year to 7.6% in 2017.

General expenses for the Porta a Mare project amounted to €328 thousand (including payroll costs), a decrease of 19.5% with respect to the prior year.

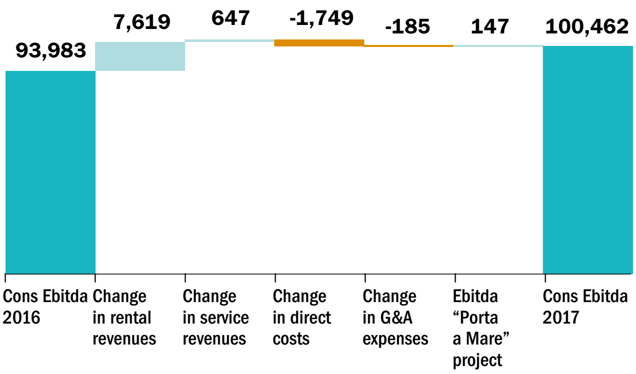
CORE BUSINESS G&A EXPENSES



→ EBITDA

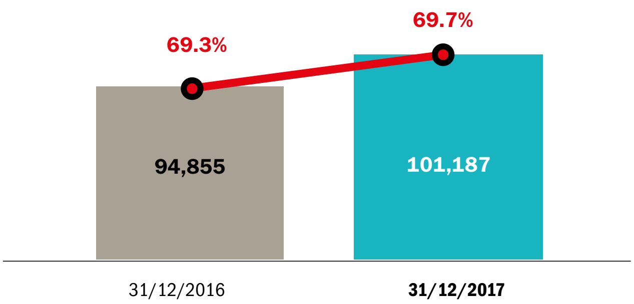
Core business **EBITDA** amounted to €101,187 thousand in 2017, an increase of 6.7% with respect to the same period of the prior year, while total EBITDA rose by 6.9% to €100,462 thousand. The changes in the components of total EBITDA in 2017 are shown below.

EBITDA



As mentioned above, the total EBITDA margin was impacted substantially by the increase in core business revenue (as a result also of the expanded perimeter), offset by the less than proportional increase in direct costs and general expenses.
The core business **EBITDA MARGIN** came in at 69.7%, an increase of around 0.4 percentage points with respect to the same period of the prior year.

CORE BUSINESS EBITDA AND EBITDA MARGIN

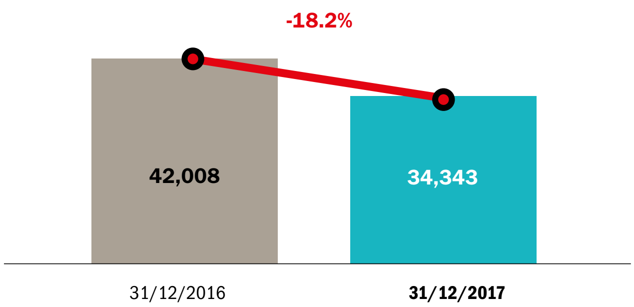


→ EBIT

EBIT amounted to €123,168 thousand, an increase of 9.7% against 2016.
In addition to the above mentioned rise in EBITDA, the result also reflects the positive balance of write-downs and fair value adjustments (+€23,886 thousand versus +€19,582 thousand in the prior year).

→ Net financial income

FINANCIAL MANAGEMENT



Financial charges fell from the €42,008 thousand recorded at 31 December 2016 to €34,343 thousand at 31 December 2017, a noticeable improvement despite the increase in average debt recorded in 2017. The decrease, of around €7,665 thousand, is attributable mainly to lower interest expense due to the early repayment of loans from BNP and Banco Popolare di Verona the previous year and the termination of a mortgage loan at its natural maturity in December 2016, as well as a decrease in the use of short-term credit facilities and a decline in interest rates. Costs for interest rate swaps (IRS) also decreased, including as a result of the expiration of one IRS in April 2017.
The drop in financial charges was partially offset by the costs associated with the €300 million bond issued on 31 May 2016 and the €100 million bond issued on 11 January 2017, as well as the rating costs and the fees for expiring Committed Revolving Credit Facilities.
The average cost of debt (without considering recurring and non-recurring transaction costs) at 31 December 2017 was 2.82%, down from 3.30% the previous year, while the weighted average effective cost of debt went from 3.86% at 31 December 2016 to 3.13%.
The interest cover ratio (ICR) came to 2.93x, higher than the 2.24x recorded in the prior year.

→ Equity investments/non-recurring transactions

The result at 31 December 2017, -€95 thousand, is attributable mainly to: *(i)* the results posted by equity investments accounted for using the equity method; *(ii)* the writedown of an investment recognized at cost, *and (iii)* the writedown of a financial receivable held by Iniziative Bologna Nord s.r.l., in liquidation.

→ Income taxes

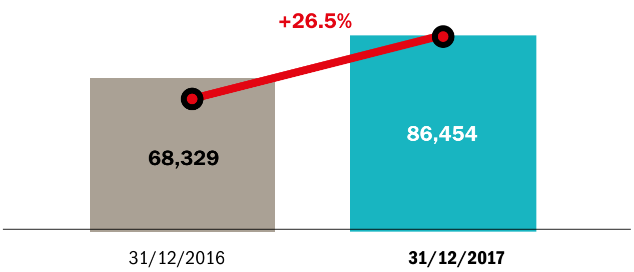
INCOME TAXES	31/12/2017	31/12/2016	CHANGE
Current taxes	1,356	1,117	239
IRAp tax credit	0	(326)	326
Deferred tax liabilities	900	2,276	(1,376)
Deferred tax assets	30	(111)	141
Out-of-period incom/charges - Provisions	(10)	88	(98)
Total income taxes for the period	**2,276**	**3,044**	**(768)**

The tax burden, current and deferred, reached €2,276 thousand at 31 December 2017, a decrease of €768 thousand against 31 December 2016.
Current taxes increased, due mainly to higher income in Romania compared to the prior year.
The amount due for IRAP, in line with the previous year, did not allow for the additional conversion of the unused ACE benefit into a tax credit to be taken against IRAP.
The change in deferred tax assets and deferred tax liabilities is mostly due to their adjustment to reflect the disparity between market value and the amount valid for tax purposes, caused by fair value adjustments on certain investment properties held by subsidiaries without SIIQ status.

→ Group net profit

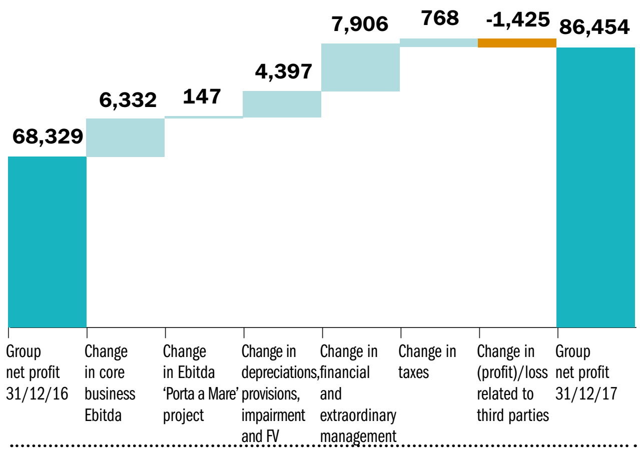
As a result of the above the Group's net profit came to €86,454 thousand, an increase of 26.5% against the €68,329 thousand recorded in 2016.

GROUP NET PROFIT



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

CHANGE IN NET PROFIT BETWEEN 2016 AND 2017

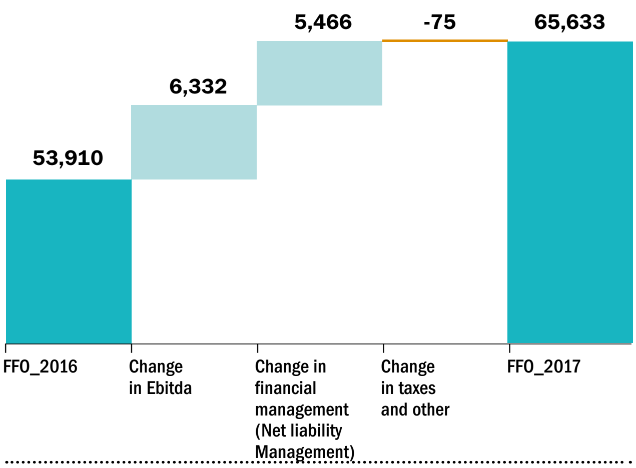


→ Core business FFO

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, was €11,723 thousand or 21.7% higher at 31 December 2017 compared to the prior year. The change is explained by the higher core business Ebitda and the drop in financial charges described above.

FUNDS FROM OPERATIONS	FY 2016	FY 2017	Δ VS FY 2016	Δ %
Core business Ebitda	**94,855**	**101,187**	**6,332**	**6.7%**
Adj financial management	-39,817	-34,350	5,466	-13.7%
Adj extraordinary management	-125	0	125	n.a.
Adj current taxes for the period	-1,004	-1,204	-200	19.9%
FFO	**53,910**	**65,633**	**11,723**	**21.7%**

CORE BUSINESS FFO



2.2.2. **Statement of financial position and financial review**

The IGD Group's statement of financial position at 31 December 2017 can be summarized as follows:

SOURCES-FUNDS	31/12/2017	31/12/2016	Δ	%
Fixed assets	2,157,176	2,050,728	106,448	5.19%
Assets under construction and advance	40,466	75,004	(34,538)	(46.05%)
Intangible assets	12,697	12,720	(23)	(0.18%)
Other tangible assets	10,204	11,049	(845)	(7.65%)
Sundry receivables and other non current assets	90	89	1	1.12%
Equity investments	254	1,685	(1,431)	(84.93%)
NWC	28,768	56,378	(27,610)	(48.97%)
Funds	(7,900)	(7,494)	(406)	5.42%
Sundry payables and other non current liabilities	(21,182)	(24,656)	3,474	(14.09%)
Net deferred tax (assets)/liabilities	(24,777)	(21,901)	(2,876)	13.13%
Total use of funds	**2,195,796**	**2,153,602**	**42,194**	**1.96%**
Shareholders' equity	1,115,753	1,060,701	55,052	5.19%
Non-controlling interest in capital and reserves	0	8,725	(8,725)	(100.00%)
Net (assets) and liabilities for derivative instruments	20,397	28,748	(8,351)	(29.05%)
Net debt	1,059,646	1,055,428	4,218	0.40%
Total sources	**2,195,796**	**2,153,602**	**42,194**	**1.96%**

The principal changes in 2017, compared to 31 December 2016, are described below:

- **Investment property,** which rose €106,448 thousand, attributable mainly to:
  - for €63,765 thousand, the reclassification as investment property rather than assets under construction of the ESP extension (€55,161 thousand); the remodeling of the shopping center Città delle Stelle (€1,238 thousand); work on the multi-level parking garage next to the shopping center Gran Rondò (€2,426 thousand); earthquake proofing at Centro d'Abruzzo, Porto Grande, and Città delle Stelle (€532 thousand, €524 thousand and €349 thousand, respectively);
  - for €11,850 thousand, the reclassification from Inventory of Palazzo Orlando;
  - fair value adjustments, investment property was revalued in the amount of €42,359 thousand and written down by €13,906 thousand, for a net positive impact of €28,453 thousand;
  - for around €2,533 thousand, to work carried out and completed linked to fit-out work and extraordinary maintenance at a few shopping centers, namely Città delle Stelle in Ascoli, Centro d'Abruzzo, Conè, Clodì, Centro Borgo and Le Maioliche.

- **Assets under construction,** the change of €34,538 thousand is explained primarily by:
  - for €5,685 thousand, investments including the following that are still underway: *(i)* expansion of the Gran Rondò shopping mall in Crema (around €1,638 thousand); *(ii)* ongoing work at Officine Storiche (around €2,035 thousand); *(iii)* construction work on Arco Campus (€770 thousand); *(iv)* roofing at Tiburtino and Centro Sarca shopping centers (around €542 thousand); *(v)* extraordinary maintenance and fit-out work at various malls in Romania (around €368 thousand) and other minor improvements (€332 thousand), mostly for earthquake proofing at Darsena, Casilino, Gran Rondò and Le Porte di Napoli;
  - for around €23,608 thousand, investments that were completed: *(i)* construction of a multi-level parking garage at Gran Rondò shopping center (around €2,203 thousand; *(ii)* remodeling of retail space at Città delle Stelle shopping center (around €1,180 thousand); *(iii)* finishing work on the Esp extension in Ravenna (€16,061 thousand); *(iv)* earthquake proofing at Centro d'Abruzzo, Porto Grande and Città delle Stelle (around €1,295 thousand); *(v)* extraordinary maintenance and fit-out work at various malls in Romania (around €1,791 thousand) and other minor improvements (around €1,078 thousand), mostly concerning Tiburtino and Porto Grande shopping centers;
  - for -€63,772 thousand, the reclassification of works finished during the year as Investment property, as described above;
  - for €920 thousand, the writedown of the Porto Grand extension, Arco Campus e Officine Storiche (Progetto Porta a Mare); for €23 thousand, the writedown of the Porto Grande extension, recognized using the adjusted cost method, in order to bring carrying amounts into line with the lower of cost and appraised market value; for €122 thousand and €775 thousand, the writedowns of Officine Storiche (Porta a Mare project) and the Arco Campus property, respectively, carried at fair value due to their advanced stage of construction.

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

- **Equity investments** were down by about €1,431 thousand due mainly to the consolidation on a line-by-line basis of Arco Campus S.r.l., rather than using the equity method as in the prior year.

- **Net working capital** showed a decrease of €27,610 thousand against 31 December 2016 explained primarily by:
  - for -€20,913 thousand, the change work in progress inventory attributable to *(i)* advancement of work in the period for around €591 thousand; *(ii)* the decrease stemming from the sale of 18 residential units, 18 enclosed garage units and 1 parking space, which closed in the year, for around €5,224 thousand; *(iii)* the reclassification from of Palazzo Orlando as investment property (6 out of 17 units were rented at 31 December 2017) for -€11,850 thousand; and *(iv)* a writedown to adjust carrying amount to the lower of cost and appraised market value for €3,647 thousand;
  - a decrease in other current assets of around €9,769 thousand due mainly to the use of the VAT credit from 2016 resulting from the purchase of the Maremà shopping mall;
  - an increase in other current liabilities stemming from the Urban Planning Agreement for the Esp extension and deposits received for residential units in Livorno.

- **Provisions** increased by €403 thousand as a result mainly of the adjustments made to provisions for severance, potential liabilities relating to litigation in course and bonus provisions made for the variable compensation to be paid employees in 2018 net of utilization during the year.

- **Payables and other non-current liabilities,** which increased by €3,474 thousand due mainly to the reclassification as current liabilities of the current portion (payable within one year) of the substitute tax accrued to Punta di Ferro when it obtained SIINQ status and the return of deposits made by Unicoop Tirreno and Distribuzione Lazio Umbria S.r.l. in exchange for guarantees.

- **Net deferred tax assets and liabilities,** went from -€21,901 thousand to -€24,777 thousand due primarily to tax misalignments relating to *(i)* adjustments to the fair value of investment properties and projects which are not included in the SIIQ perimeter; *(ii)* taxed provisions, and *(iii)* hedges (IRS).

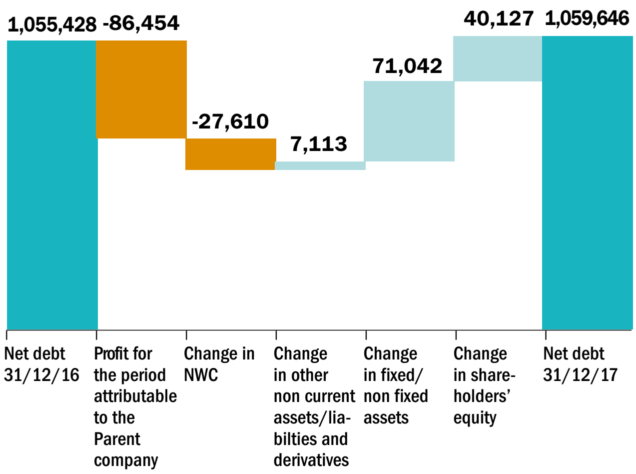
- The **Group's net equity** amounted to €1,115,753 thousand at 31 December 2017. The change of +€55,052 thousand is explained primarily by:
  - for €36,587 thousand, the distribution of the dividend for 2016;
  - adjustment of the CFH reserve linked to the derivatives accounted for using the cash flow hedge method which amounted to around +€5,316 thousand for the parent company and around +€762 thousand for a subsidiary;
  - the recognition of -€781 thousand under Group profit (loss) carried forward deriving from the excess price paid for the buy-back of 20% of Porta Medicea with respect to the value of the equity acquired.
  - for approximately -€181 thousand, movements in the translation reserve for the translation of foreign currency financial statements;
  - for +€228 thousand, the adjustment of the reserve for the redetermination of defined benefit plans;
  - for -€159 thousand, the recognition of treasury shares;
  - for €86,454 thousand, the profit for the period allocable to the Parent Company.

- **Non-controlling interests in capital and reserves.** The difference against the prior year is explained by the buy-back of the 20% interest in Porta Medicea S.r.l..

- **Net liabilities for derivatives** were down against the prior year due to the fair value measurement of hedging instruments at 31 December 2017 which decreased by €8,351 thousand.

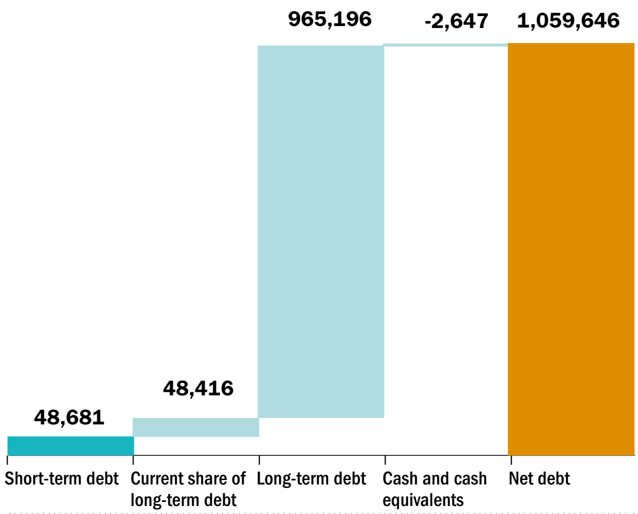
- The **net financial position** at 31 December 2017 was about €4,218 thousand higher with respect to the prior year. The changes are shown below:

RECONCILIATION OF THE NET FINANCIAL POSITION



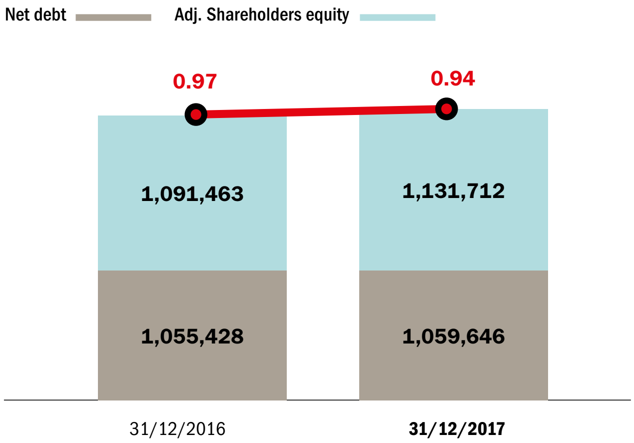
The breakdown of the net financial position is shown below:

BREAKDOWN OF THE NET FINANCIAL POSITION



The gearing ratio reflects the debt to equity ratio, but does not include the accounting (non-monetary) effects of the CFH reserves. The ratio came to 0.94 at 31 December 2017, down against the 0.97 recorded at 31 December 2016.

GEARING RATIO



2.3

EPRA PERFORMANCE INDICATORS

The IGD Group decided to report on a few of the EPRA performance indicators[9], in accordance with the recommendations found in *"EPRA Best Practices Recommendations"*[10].

EPRA Vacancy Rate: the portfolio's vacancy rate calculated as the ratio between the estimated market rental value (ERV) of the vacant premises and the ERV of for the whole portfolio. Given the different characteristics of the portfolio and the Italian market with respect to the Romanian one, the vacancy rate was calculated separately for each asset class and for the two countries.

EPRA Net Asset Value (NAV): is the fair value of the net assets calculated over the long term and on a going concern basis, based on the equity pertaining to the Group (as shown in the financial statements in accordance with IFRS standards) net of certain assets and liabilities that are not part of normal operations, like the fair value of hedges or the deferred taxes on market appraisals of the properties and hedging instruments.

EPRA Triple Net Asset Value (NNNAV): is the EPRA NAV adjusted to include the fair values 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 the underlying operating performance of an investment property company net of fair value gains, gains and losses from the sale of investment property and a limited number of other items that are not considered to be part of the company's core business.

EPRA Net Initial Yield (NIY): is a measure calculated as the annualized rental income (including variable and temporary revenue), less non-recoverable operating expenses, divided by the market value of the real estate assets, net of properties currently being developed.

EPRA "Topped-up" NIY: is a measure calculated by making an adjustment to EPRA NIY based on the annualized rental income (including variable and temporary revenue) excluding any other temporary incentives such as discounted rent free periods and step rents.

The results obtained by applying the EPRA Best Practices Recommendations are summarized below:

EPRA PERFORMANCE MEASURE	31/12/2016	31/12/2017
EPRA Earnings	52,864	61,900
EPRA Earnings per share	€ 0.65	€ 0.76
EPRA NAV	1,060,701	1,115,753
EPRA NAV per share	€ 13.69	€ 14.30
EPRA NNNAV	1,044,952	1,111,040
EPRA NNNAV per share	€ 12.85	€ 13.67
EPRA Net Initial Yield (NIY)	5.3%	5.4%
EPRA 'topped-up' NIY	5.5%	5.5%
EPRA Vacancy Rate Gallerie Italia	4.4%	4.6%
EPRA Vacancy Rate Iper Italia	0.0%	0.0%
EPRA Vacancy Rate Totale Italia	3.0%	3.2%
EPRA Vacancy Rate Romania	3.9%	3.6%
EPRA Cost Ratios (including direct vacancy costs)	21.0%	20.1%
EPRA Cost Ratios (excluding direct vacancy costs)	18.7%	18.0%

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

→ Other information on investment properties

The capital expenditures made over the last two years are shown below:

PROPERTY-RELATED CAPEX (Euro/thousand)	31/12/2017	31/12/2016
Acquisitions	-	46,584
Development	23,298	22,670
Like-for-like portfolio	9,118	10,743
Other	226	303
Capital Expenditure	**32,642**	**80,300**

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

→ 2.2.2 Statement of financial position and financial review
→ 2.5 Signficiant events – Investments

And the Explanatory Notes (Chapter 4.6) Note 12), 13), 14), 15), 16), 17).

For the accounting standards used for the various asset classes please refer to the Explanatory Notes, section 2.5 Investment property and assets under construction and section 2.10 Inventory and the financial statements (Chapter 4.6).

With regard to the appraisal of the real estate portfolio, the independent experts selected and the appraisal criteria used, please refer to section 2.6 The real estate portfolio of the Report on Operations and section 3 Use of estimates of the Explanatory Notes (Chapter 4.6).

The reports issued by the each independent expert on the appraisals made at 31 December 2017 are in section 2.7 Appraisals of the independent experts.

The reconciliation of the fair value shown in the independent experts' appraisals and the book value of the real estate portfolio, along with any changes in the classification of real estate assets are reported in 2.6 The real estate portfolio in the Report on Operations.

The Epra Earnings per share calculation is shown below:

EARNINGS & EARNINGS PER SHARE	31/12/2016	31/12/2017
Earnings per IFRS income statement	**68,329**	**86,454**
EPRA Earnings Adjustments:		
(i) Changes in value of investment properties, development properties held for investment and other interests	-19,582	-23,886
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	211	95
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	190	143
(iv) Tax on profits or losses on disposals	-60	-45
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	2,095	0
(vii) Acquisition costs on share deals and non-controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	334	-861
(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	1,348	0
EPRA EARNINGS	**52,864**	**61,900**
Company specific adjustments:		
(a) General provisions and depreciations	1,273	1,179
(b) Non-controlling interests in respect of the above	-2,772	0
(c) Tax on profits or losses on disposals	60	45
(d) Contingent tax	-245	-10
(e) Other deferred tax	1,838	1,791
(f) Capitalized interests	0	0
(G) Current Tax	308	302
(H) Other Adjstument for no core activities	585	426
COMPANY SPECIFIC ADJUSTED EARNINGS	**53,910**	**65,633**
Earnings Per Share (New number of shares)		
Number of shares*	81,304,563	81,304,563
EARNINGS PER SHARE	**€ 0.65**	**€ 0.76**

(*) The number of shares reflects the reverse stock split of IGD's ordinary shares at a ratio of 1 new ordinary share for every 10 ordinary shares held.

The EPRA Earnings indicator is calculated by excluding non-monetary items (write-downs, fair value gains and losses on properties and financial instruments recognized in the income statement, any impairment or revaluations of goodwill), as well as non-recurring items (gains or losses from the disposal of investment properties, profits generated by trading along with current tax, costs relating to the advance repayment of any loans), deferred tax relating to the fair value of properties and financial instruments recognized in the income statement, as well as the portion of these items that pertains to non-controlling interests. The main differences with respect to FFO relate to generic amortization, depreciation and provisions, as well as the above EPRA adjustments, the non-recurring tax recognized in the income statement and the deferred tax that does not relate to the fair value of properties and financial instruments recognized in the income statement. The figure posted at 31 December 2017 shows a significant increase of €9,036 thousand or +17.1% against the same period of the prior year. This increase is lower than the increase in FFO due, in particular, to the impact of the deferred tax relating to the fair value of properties which amounted to a positive €861 thousand, versus a negative €334 thousand in the prior year.
The NAV and NNNAV per share calculations are shown below:

The NAV was up against the figure posted at 31 December 2016 (+4.5%) due primarily to the change in net equity (see section 2.2.2.).
The NNNAV was also up against the prior year (+6.3%). The increase is attributable primarily to; (i) the rise in FFO; (ii) the increase in the fair value of the properties; (iii) the positive change in the fair value of debt, calculated by discounting cash flows at a risk free rate plus a market spread; this change is explained by the use of the risk free rate and a spread which were updated to reflect market conditions at 31 December 2017, as well as by a change in the composition, duration and cost of debt; (iv) the positive change in the cash flow hedge reserve, and other minor changes. The increases were offset by the payment of dividends during the year.

EPRA NNNAV CALCULATION	31/12/2016		31/12/2017		Δ%
	€'000	€ P.S.	€'000	€ P.S.	
Number of total shares*	81,304,563		81,304,563		
1) Group shareholders' equity	**1,060,701**	**13.05**	**1,115,753**	**13.72**	**5.2%**
Excludes:					
Fair Value of financial instruments	28,748		20,397		-29.0%
Deferred taxes	23,633		26,517		12.2%
Goodwill as a result of deferred taxes					
2) EPRA NAV	**1,113,083**	**13.69**	**1,162,667**	**14.30**	**4.5%**
Includes:					
Fair Value of financial instruments	(28,748)		(20,397)		-29.0%
Fair Value of debt	(15,749)		(4,713)		-70.1%
Deferred taxes	(23,633)		(26,517)		12.2%
3) EPRA NNNAV	**1,044,952**	**12.85**	**1,111,040**	**13.67**	**6.3%**

(*) The number of shares reflects the reverse stock split of IGD's ordinary shares at a ratio of 1 new ordinary share for every 10 ordinary shares held.

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

NIY AND "TOPPED-UP" NIY DISCLOSURE €'000		FULL YEAR 31/12/2016			FULL YEAR 31/12/2017		
		ITALY	ROMANIA	TOTAL	ITALY	ROMANIA	TOTAL
Investment property – wholly owned		1,962,125	164,910	2,127,035	2,037,669	159,530	2,197,199
Investment property – share of JVs/Funds		0	0	0	0	0	0
Trading property (including share of JVs)		50,740	0	50,740	31,030	0	31,030
Less developments		-113,666	0	-113,666	-71,053	0	-71,053
Completed property portfolio		1,899,198	164,910	2,064,108	1,997,646	159,530	2,157,176
Allowance for estimated purchasers' costs		0	0	0	0	0	0
Gross up completed property portfolio valuation	**B**	**1,899,198**	**164,910**	**2,064,108**	**1,997,646**	**159,530**	**2,157,176**
Annualised cash passing rental income		114,902	9,622	124,523	121,031	9,707	130,739
Property outgoings		-12,703	-917	-13,620	-13,260	-955	-14,215
Annualised net rents	**A**	**102,198**	**8,705**	**110,903**	**107,772**	**8,752**	**116,524**
Add: notional rent expiration of rent free periods or other lease incentives		2,330	281	2,611	2,189	297	2,486
Topped-up net annualised	C	104,529	8,986	113,514	109,961	9,049	119,009
EPRA NIY	**A/B**	**5.4%**	**5.3%**	**5.4%**	**5.4%**	**5.5%**	**5.4%**
EPRA "topped-up" NIY	**C/B**	**5.5%**	**5.4%**	**5.5%**	**5.5%**	**5.7%**	**5.5%**

EPRA net initial yield is the annualized rents generated by the portfolio (including variable and temporary revenue), net of irrecoverable operating costs expressed as a percentage of the real estate portfolio's fair value, excluding development properties. Rental income includes all the adjustments the companies is allowed to take under the leases at the end of each year (indexing and other changes).
The real estate assets considered for the purposes of NIY (the completed portfolio) include: (i) the properties held 100% by the Issuer; (ii) any properties held in joint venture and (iii) assets held for trading. Plots of land and properties under development are not included.
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 other temporary incentives such as discounted rent free periods and step rents.

The calculations used to determine the Epra Cost Ratios are shown below:

COST RATIOS	31/12/2016	31/12/2017
Includes:		
(i) Administrative/operating expense line per IFRS income statement	-42,652	-44,486
(ii) Net service charge costs/fees	2,593	3,204
(iii) Management fees less actual/estimated profit element	4762	5,441
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits	203	369
(v) Share of Joint Ventures expenses		
Exclude (if part of the above):		
(vi) Investment Property depreciation		
(vii) Ground rent costs	10,145	10,218
(viii) Service charge costs recovered through rents but not separately invoiced		
EPRA Costs (including direct vacancy costs) (A)	**-24,950**	**-25,254**
(ix) Direct vacancy costs	-2,735	-2,677
EPRA Costs (excluding direct vacancy costs) (B)	**-22,214**	**-22,577**
(x) Gross Rental Income less ground rent costs - per IFRS	121,151	128,696
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant) (x)	-2,593	-3,204
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		
Gross Rental Income (C)	**118,559**	**125,493**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**21.0%**	**20.1%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**18.7%**	**18.0%**

The decrease in the EPRA cost ratios is linked to the drop in direct costs and general expenses as a percentage of gross rental income. Typically the company does not capitalize operating costs, with the exception of project management costs relating to Porta a Mare.

2.4

THE STOCK

IGD's shares are traded on the Mercato Telematico Azionario (MTA - screen-based stock market) managed by Borsa Italiana as part of the 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 its specialist is Banca IMI.

IGD's stock symbols:

→ **RIC: IGD.MI**
→ **BLOOM: IGD IM**
→ **ISIN: IT0003745889**

IGD SIIQ SpA 's share capital subscribed and paid-in at 31 December 2016 amounted to €599,760,278.16, broken down into 813,045,631 ordinary shares without a stated par value. Following the reverse stock split approved by shareholders during the Annual General Meeting held on 12 February 2018, as of 19 February 2018 share capital comprises 81,304,563 shares.
There were no changes in the amount of share capital in 2017.

Indices in which IGD's stock is included:

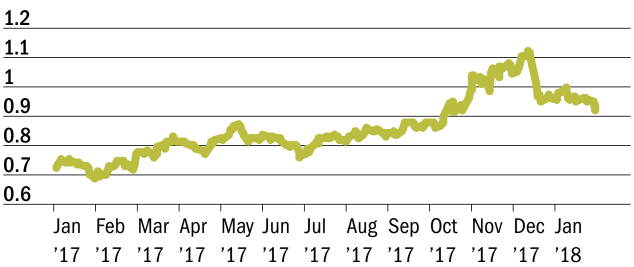
→ **FTSE All-Share Capped, FTSE Italia All-Share, FTSE Italia STAR, FTSE Italia Mid Cap, FTSE Italia Finanza, FTSE Italia Beni Immobili**

→ **FTSE EPRA/NAREIT Global Real Estate Index**
EPRA: European Public Real Estate Association

→ **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**

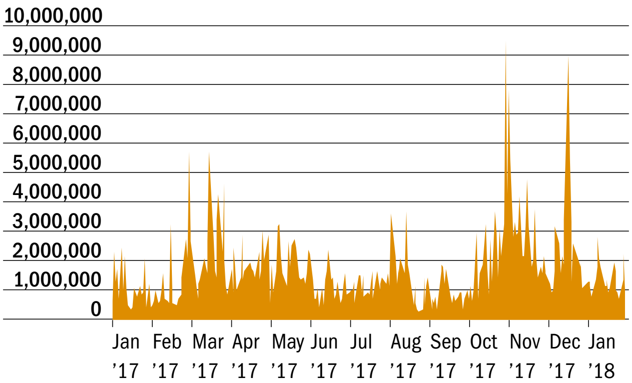
IGD'S STOCK PRICE SINCE 2 JANUARY 2017



Source: Italian Stock Exchange data compiled by IGD

In 2017, IGD's stock price rose 33.1% from the €0.724 reported at 30 December 2016 to €0.964 at 29 December 2017. The price reached the low for the year of €0.6905 on 30 January and then continued to rise hitting the high for the year of €1.130 on 12 and 13 December: a level that had not been reached since June 2014. There was a wide gap between the high and low for year of 63.6%.

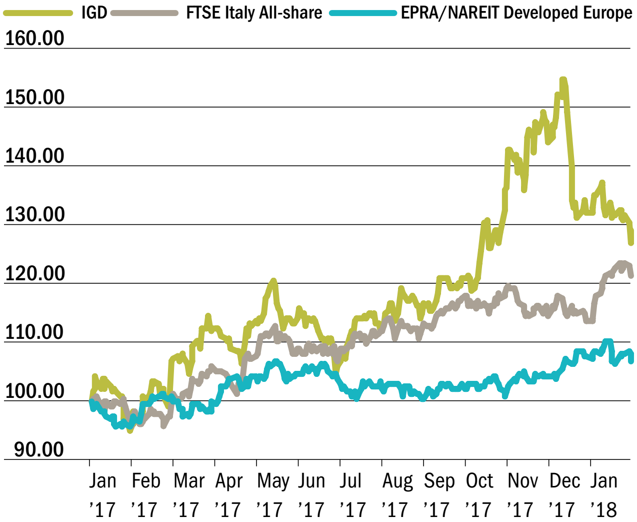
VOLUMES OF IGD STOCK TRADED SINCE 2 JANUARY 2017



Source: Italian Stock Exchange data compiled by IGD before the reverse stock split

In 2017 an average of approximately 1,747,933 IGD shares were traded each day, 42.8% higher than the average of 1,223,756 shares per day in 2016. The volumes in 2017 were line with the average of 1,726,572 shares recorded in 2015.
Volumes intensified in the latter part of the year, reaching an average of 1,891,952 shares in the second half of 2017 versus 1,603,913 in the first half of 2017.
The Company launched a program aimed at enhancing the liquidity to IGD's shares effective 4 September 2017 in order to support regular trading and avoid price fluctuations not in line with market trends. This program will be in effect for 12 months and is being executed by an independent broker chosen specifically for this purpose.

IGD'S STOCK VS. THE ITALIAN STOCK MARKET INDEX FTSE ITALIA ALL-SHARE (BASE 2.1.2017 = 100)



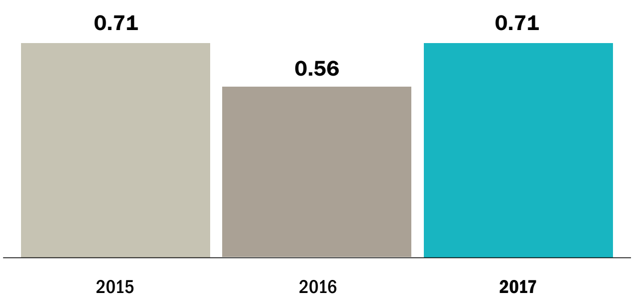
Source: Italian Stock Exchange data compiled by IGD before the reverse stock split

The comparison of IGD's stock price with the Italian stock exchange index and the European real estate index shows that IGD significantly outperformed both indices.
Both benchmarks posted positive performances between year-end 2016 and the last day of trading in 2017: the FTSE Italy All-Share Index was up by 15.5%, while the EPRA NAREIT Europe index rose 9.3% in the year.
After a 2016 dominated by events which fueled concerns about political instability– Brexit and Donald Trump's victory of US presidential election, as well as Italy's unsuccessful constitutional referendum – in 2017 conditions were good for equity markets. The stock performances were driven by low interest rates, thanks to the accommodative policies of the central banks, and the boost expected to be generated by US tax reform. In Europe, while the "hard Brexit" scenario lost ground, in 2017 listed companies continued to report convincing growth in profits attributable to economic expansion in an environment of limited inflation. Consequently, the focus of investors pivoted from concerns relating to political uncertainty and the various populist movements to the search for quality, undervalued companies.
As for the European Retail Real Estate sector, the stock market rewarded a specific type of company: those capable of fueling organic growth by adapting assets and shaping policies consistent with the new models of consumption, new purchase channels and the arrival of new brands, in an environment of improved consumer confidence. Institutional investors, therefore, focused on finding equities capable of growing like-for-like rental income at a rate higher than inflation, as well as posting visible growth in FFO, creating the premise for dividend payments which are sustainable over time. Stock markets also appreciated the companies capable of making the most of development opportunities through M&A, at a time when yields on assets were significantly higher than the cost of debt.
In 2017 the results published each quarter by IGD confirmed the strong fundamentals and the growth in profitability called for in the Business Plan (as shown in the KPI): the stock was, therefore, able to outperform the Italian stock market overall and the average of European sector equities.
Beginning in October, the rise in IGD's stock price accelerated as it began to seem more likely that the investment universe of the *Piani Individuali di Risparmio* or PIR would be expanded to include the Italian real estate sector. Originally investments in real estate stocks was excluded from Law 232/2016, which instituted the PIRs, consistent with the French legislation. In light of the impetus to support the creation of new SIIQs and the considerable inflows to the PIRS – around €11 billion in 2017 - driven by the tax incentives, this exclusion was re-examined.
In 2017 both Assoimmobiliare and EPRA (the Chief Executive Officer Claudio Albertini is a member of the Advisory Board) lobbied to expand the investment universe of the PIR to include the rea estate sector. The proposed amendment to the law was then included in the 2018 Budget Act, namely the government's Stability Act, after being presented to the Senate on 30 October 2017. The expectation that the amendment would be ratified had an immediate positive impact on IGD's stock in light of the expected increase in demand and improved liquidity.
In the second half of December there was a brusque correction in IGD's stock price which offset a little more than one third of the increase reached beginning at the end of June 2017 to then trade in a range of between €0.95-1.00 in the following weeks. The announcement of the acquisition of a strategic portfolio and the relative capital increase of up to a maximum of €150 million triggered a sell off which was, in part, physiological after an intense rally in the second part of the year. The results for the last quarter of 2017 and more in depth analysis of the opportunities that this acquisition promises could provide investors with new elements to reconsider the valuation of IGD's stock.

→ P/EPRA NNNAV

The chart below shows the gradual improvement of the stock price (at the last day of the year) versus the EPRA NNNAV over the last three years.

SHARE PRICE/EPRA NNNAV

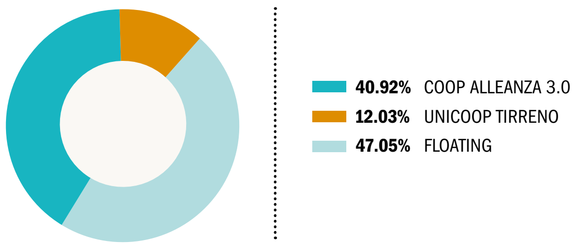


→ Dividend

The dividend for 2016

During the Annual General Meeting held on 12 April 2017 IGD's shareholders approved a dividend for 2016 of €0.045 per share, 12.5% higher than the dividend of €0.40 paid in 2015.
Shares went ex-div on 22 May 2017 (detachment of coupon 17) and the dividend was payable as from 24 May 2017. The shareholders of IGD at the record date (23 May 2017) were entitled to receive the dividend.
The €36.6 million paid as dividends corresponds to 67.9% of the FFO recorded in 2016, consistent with the payout policy referred to in the Business Plan 2016-2018.

MAIN SHAREHOLDERS



Source: IGD SIIQ SPA's shareholder register

There are no shareholder pacts between the Company's largest shareholders: the free float, therefore, accounts for the largest portion of the capital or 47.05%.
As a result of the sale by Soros Fund Management LLC of its interest of 5.37% in March 2017 (after having been a shareholder for three years), IGD no longer has institutional shareholders with interests of more than 5% of the capital.

→ Investor relations and financial communication

Analyst coverage

At year-end 2017 IGD was covered by seven brokers, four domestic and three international.
There were no changes in coverage during the year.
The consensus target price, monitored by the Company and calculated as the average target price of the brokers covering the stock, improved constantly in 2017. The target price was €1.12 at year-end 2017.

Presentations and meetings with investors

In 2017 IGD organized five conference calls:

- 28 February, to discuss the FY 2016 results;
- 9 May, to discuss the results for first quarter 2017;
- 4 August, to discuss results for first half 2017;
- 9 November, to discuss the results for the first nine months of 2017;
- 15 December, to announce an €200 million acquisition and the relative increase in capital by up to a maximum of €150 million.

More than 134 investors participated in the conference calls.
Thanks to the collaboration of seven different brokers, in 2017 IGD participated in conferences and completed roadshows in nine European financial centers (London, Copenhagen, Helsinki, Stockholm, Milan, Luxembourg, Brussels, Paris and Amsterdam).
The Company also met in reverse roadshow with different investors at its headquarters in Bologna and organized field trips to a few of its shopping centers in Emilia Romagna and Centro Sarca in Milan. On 15 June 2017 IGD held the first Investor Day in the Company's history which was well attended by a group of investors and broker analysts.
In 2017 IGD took part for the first time in the Italian Sustainability Day organized by Borsa Italiana in Milan, and also participated in the two STAR Conferences held every year in Milan in March and London in October.
Lastly, an appointment which provides great visibility, namely the EPRA Conference held in London on 6-7 September during which IGD was part of the panel of Italian companies and presented its business model, as well as the Company's Business Plan.

In 2017 management met with more than 100 institutional investors.

Online communication

Given that a large majority of the institutional shareholders are international, for some time IGD has been working on making sure that its website www.gruppoigd.it is the channel of choice for keeping all stakeholders up to date. The traffic generated by non-Italian users increased in 2017 for all of the main geographical areas with a particularly strong increase in US users, which more than tripled with respect to 2016.
In the 2017 Italian Webranking, which Comprend developed in partnership with Lundquist, IGD was ranked 13th versus 15th in the prior year. The score awarded IGD's website www.gruppoigd.it improved, rising from 58 to 65 points, above the average for both Italian companies (39.1 points) and ranked European companies (45.7 points). In the Italian Webranking only companies with higher capitalizations and, in most cases, blue chips with greater resources for investing in communication were ranked higher.
In 2017 IGD also made greater use of social media in order to increase the dialogue with its stakeholders. IGD's preferred shareholders include: LinkedIn, Wikipedia, YouTube, Facebook, SlideShare, flickr and twitter.
In spring 2018 the new corporate website is expected to be launched which will feature a completely reorganized structure, a profound rethinking of the content and language, as well as a more advanced technological platform.

Information produced by the IR team

2017 was the tenth consecutive year in which the investor newsletter was made available on the website in Italian and English each quarter. The news was completely digitalized in 2017 in order to meet the needs of users who increasingly use mobile devices and to publish content as quickly as possible.
The Investor Relations department also continued with the Peer Analysis of a group of European retail real estate companies in order to provide management with a summary of

the operating results and trading multiples of its peers.
Thanks to the IR Board Report prepared every quarter, the Board of Directors can monitor the most significant changes in the institutional shareholder base, changes in brokers' estimates and target prices, as well as IGD's stock valuations in comparison with its peers.

Awards received for corporate reporting

IGD's commitment to rendering its economic/financial and sustainability performances even more transparent and comparable resulted in receiving prestigious recognition for the quality of its reporting, both on a domestic and international level.
In September 2017 EPRA (the European Public Real Estate Association), for the third year in a row, gave IGD's Corporate Sustainability Report the highest award possible, the sBPR (sustainability Best Practice Recommendations) Gold Award, after careful analysis of the reports of 134 real estate companies in Europe.
For the second year in a row IGD also received the EPRA BPR Silver Award (Best Practice Recommendations), for its 2016 Consolidated Annual Report. This award was also made after having evaluated the annual reports of 142 European sector companies.
For investors the fact that the Company satisfied the Association's recommendations so brilliantly means they will find ample disclosure with respect to the metrics that are important to them and can use the same standards to compare IGD with other European listed companies.
Thanks once again to the quality, depth and scope of the information provided in the Annual Report, in November 2017 IGD, for the second consecutive year, was a finalist in the Small – Medium Sized Enterprises section of the *Oscar di Bilancio*, a competition organized by the Italian Public Relations Federation.

→ Financial calendar 2018

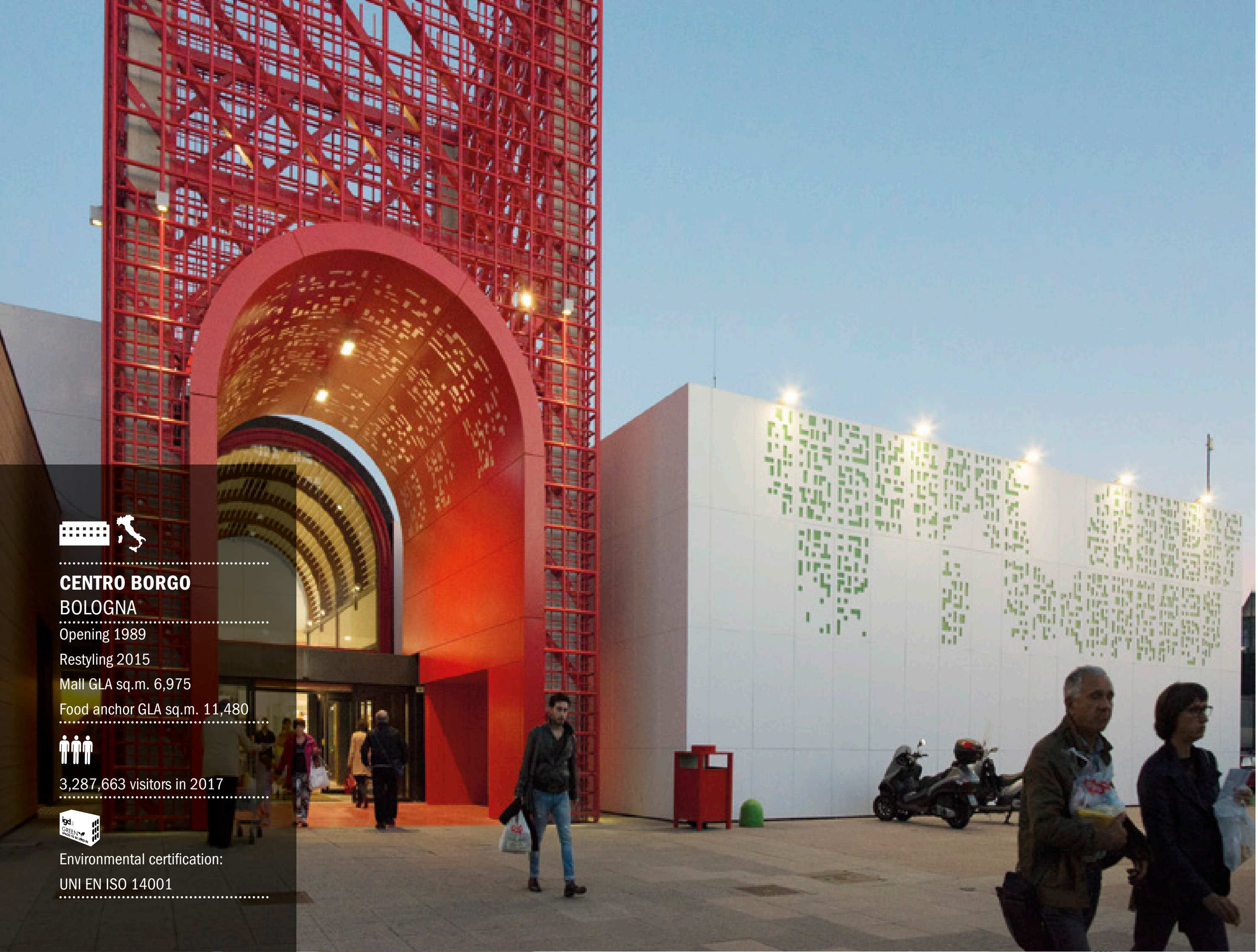
22 February
Board of Directors' meeting to approve the draft separate and consolidated financial statements at 31 December 2017.

9 May
Board of Directors' meeting to approve the Interim Financial Report at 31 March 2018.

1 June
Annual General Meeting convened to approve the financial statements for the year ending 31 December 2017 in first call (second call 4 June 2018).

3 August
Board of Directors' meeting to approve the Half-Year Financial Report at 30 June 2018.

7 November
Board of Directors' meeting to approve the Interim Financial Report at 30 September 2018.



CENTRO BORGO
BOLOGNA

Opening 1989
Restyling 2015
Mall GLA sq.m. 6,975
Food anchor GLA sq.m. 11,480

3,287,663 visitors in 2017

Environmental certification:
UNI EN ISO 14001

CONÈ
CONEGLIANO (TREVISO)

Opening 2010
Mall GLA sq.m. 12,211
Food anchor GLA sq.m. 9,500

3,228,699 visitors in 2017

Environmental certification:
UNI EN ISO 14001

2.5
SIGNIFICANT EVENTS

The main events for the year are described below.

→ Corporate events

On 19 January 2017 the Igd Siiq S.p.A.'s Board of Directors resolved – pursuant to art. 2505, second paragraph of the Italian Civil Code and art. 22 of the corporate by-laws – to approve the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. On the same date, the merger was approved by the shareholders of the respective incorporated companies meeting in extraordinary session.
On 28 February 2017 the Board of Directors approved the draft separate and consolidated financial statements for FY 2016 and resolved to submit a proposed dividend of €0.045 per outstanding share to the AGM for approval; for the first time the Board also approved the 2016 Corporate Sustainability Report at the same as the separate financial statements for FY 2016.
IGD's Board of Directors also approved the Annual Report on Corporate Governance and Ownership Structure, included in the annual report, as well as the Board of Director's Compensation Report.
On 27 March 2017 the merger deed relative to the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. was signed and recorded in the relative company registry effective 1 April 2017; for accounting and tax purposes the merger took effect as of 1 January 2017.
During the Annual General Meeting held on 12 April 2017 IGD's shareholders approved the 2016 Annual Report, as presented during the Board of Directors' meeting of 28 February 2017, and resolved to pay a dividend of €0.045 per share. The dividend was payable as from 24 May 2017 (record date 23 May 2017) with shares going ex-div on 22 May 2017 (detachment of coupon n. 17).
The total dividend paid of €0.045 per share (for a total of €36,587,053.40) comprises:

- for €0.026882 per share: income and retained earnings generated by exempt operations, subject to the rules for income generated by these operations found in Law n. 296/2006;
- for €0.018118 per share: capital reserves.

Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 28 February 2017, pursuant to Art. 123-ter of Legislative Decree. 58/98, and renewed the authorization granted to the Board of Directors to buy and sell treasury shares, on one or more occasions for up to the maximum allowed under the law.
At the end of the Annual General Meeting the Chairman Gilberto Coffari tendered his resignation as Chairman of the Board of Directors, though he will continue to act as a Company director.
On 19 April 2017 the Board of Directors appointed Elio Gasperoni, already a director of IGD SIIQ and Vice Chairman of Coop Alleanza 3.0, to act as the new Chairman of the Board of Directors.
On 15 June 2017 John Matthew Lentz tendered his resignation as an independent director of IGD.
On 26 June the framework agreement entered into with the CMB Group relating to the Porta a Mare Project was dissolved. The transaction resulted in the buy-back of 20% of Porta Medicea's share capital for around €9.5 million and the sale of 14 residential units and 14 garages for around €4 million.
On 4 August the Board of Directors resolved to launch a program aimed at enhancing the liquidity of IGD's shares effective for one year as of 4 September 2017. At 31 December 2017 a total of 170,471 (before the reverse stock split transaction) treasury shares had been purchased recognized as a €158,567 reduction in net equity.
During the same Board of Directors' meeting Matteo Cidonio was coopted as an independent director.
On 15 December 2017, the Board of Directors approved the acquisition of a portfolio of 4 shopping malls and a retail park in northern Italy from the Eurocommercial Properties Group ("**ECP**"), for a total of €187 million, in addition to ancillary costs and transfer taxes. The definitive purchase price will be determined based on the consideration of €187 million, increased or decreased by the assets/liabilities related to the going concerns to be transferred to the Company, including the mortgages on the Portfolio which, at the date the acquisition was formalized, amounted to around €88.5 million. The acquisition of the Portfolio is expected to generate a gross yield of 6.8%, including transfer costs.
The Board of Directors also resolved to submit to the shareholders, meeting in extraordinary session, the proposal to increase share capital via a pre-emptive rights issue offered to existing shareholders for an amount of up to €150 million. The proceeds from the capital increase will be used to partially finance the acquisition of the Portfolio, while any remaining amount will be used to reduce the Group's debt and, consequently, strengthen the Company's capital and financial structure.

Investments

During 2017 the IGD Group continued with development activities, as well as restyling and extraordinary maintenance, described below:

INVESTMENTS Euro/mln	31/12/2017
DEVELOPMENT PROJECT:	
ESP EXTENSION (COMPLETED)	16.06
GRAN RONDÒ EXTENSION (MEDIUM SURFACES UNDER CONSTRUCTION)	1.64
GRAN RONDÒ EXTENSION (PARKING COMPLETED)	2.20
ARCO CAMPUS	0.77
PORTA A MARE PROJECT SUB AREA OFFICINE STORICHE RETAIL (IN PROGRESS)	2.04
PORTA A MARE PROJECT (TRADING) (IN PROGRESS)	0.59
EXTRAORDINARY MAINTENANCE:	
RESTYLING AND EXTRAORDINARY MAINTENANCE IN PROGRESS ON LIKE-FOR-LIKE PORTFOLIO	1.24
RESTYLING AND EXTRAORDINARY MAINTENANCE COMPLETED ON LIKE-FOR-LIKE PORTFOLIO	7.88
OTHER	0.23
Total investments	**€32.64 million**

→ Development projects

ESP EXTENSION

The extension of the ESP Shopping Center in Ravenna was inaugurated on 1 June 2017. The occupancy of the extension reached 97% (100% in the pre-existing area).
Around €16,061 thousand was invested in the year on construction work and systems. A total of around €51 million, including about €5.7 million on primary and secondary urbanization works, was invested in the mall extension.
During the construction phase choices were made in line with IGD's commitment to environmental sustainability: LED lighting was used, and a system for harvesting rainwater, for uses other than drinking, was installed. Solar panels were also installed on the roof of the new building which will generate enough clean energy to satisfy part of the new mall's needs.

GRAN RONDÒ EXTENSION

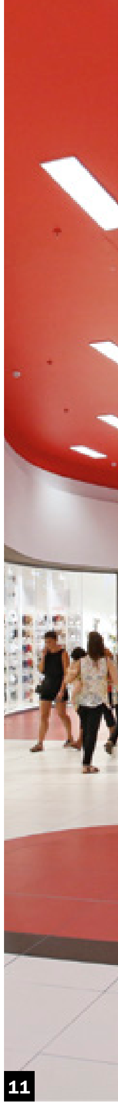
Work was started in the year on the multi-level garage next to the Gran Rondò shopping center in Crema, which was completed at 31 December 2017, and on a midsize store which is expected to open in the first half of 2018.

"PORTA A MARE" PROJECT

Work on the Officine Storiche area (residential portion) continued in the year for a total of around €2,035 thousand, while work on the retail portion amounted to approximately €692 thousand. The work is expected to be completed by first half 2018.
Work on the Officine Storiche area continued in the year for a total of around €2,035 thousand, which calls for the requalification of the Orlando shipyards and the creation of a modern concept retail space providing personal services dedicated to fitness, leisure time and restaurants. As for the residential portion, where 43 units are to be built, work amounting to around €591 thousand was completed. Work on the Officine Storiche section is expected to be completed by the second half of 2019.

ARCO CAMPUS

The development project calls for the construction of a building to be used for housing and offices for athletes and sports organizations which is expected to be completed by the second half of 2018.

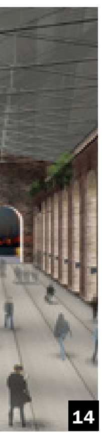


11

13

11/12 Extension of ESP shopping center, Ravenna
13 Extension of Gran Rondò shopping center, Crema (Cremona)
14/15 Officine Storiche, Porta a Mare, Livorno

12



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RESTYLING AND EXTRAORDINARY MAINTENANCE UNDERWAY ON THE LIKE-FOR-LIKE PORTFOLIO

At 31 December 2017 extraordinary maintenance and restyling begun and still underway amounted to around €1,242 thousand. These include:

- waterproofing at the Sarca and Tiburtino shopping centers for a total of approximately €542 thousand;
- work at a few Romanian centers for a total of approximately €368 thousand;
- other minor improvements, relating mainly to earthquake proofing at Darsena, Casilino, Gran Rondò and Le Porte di Napoli amounting to around €332 thousand.

RESTYLING AND EXTRAORDINARY MAINTENANCE COMPLETED ON THE LIKE-FOR-LIKE PORTFOLIO

In 2017 extraordinary maintenance and restyling continued and was completed for a total of around € 7,876 thousand. These include:

- reconfiguration of the space at the Città delle Stelle mall. Subsequent to the downsizing and restyling of the hypermarket inside the Città delle Stelle shopping center, work was begun and completed on the reconfiguration of the space which will increase the GLA by around 4,150 m^2 for a total investment of around €1,180 thousand;
- earthquake proofing at Centro d'Abruzzo, Porto Grande and Città delle Stelle for around €1,295 thousand;
- fit outs and extraordinary maintenance at a few Romanian malls for around €1,791 thousand;
- construction and waterproofing of roofs, fit outs (joining/separating stores), work on fire alarm and electrical systems for around €2,533 thousand.

18

19

Loans

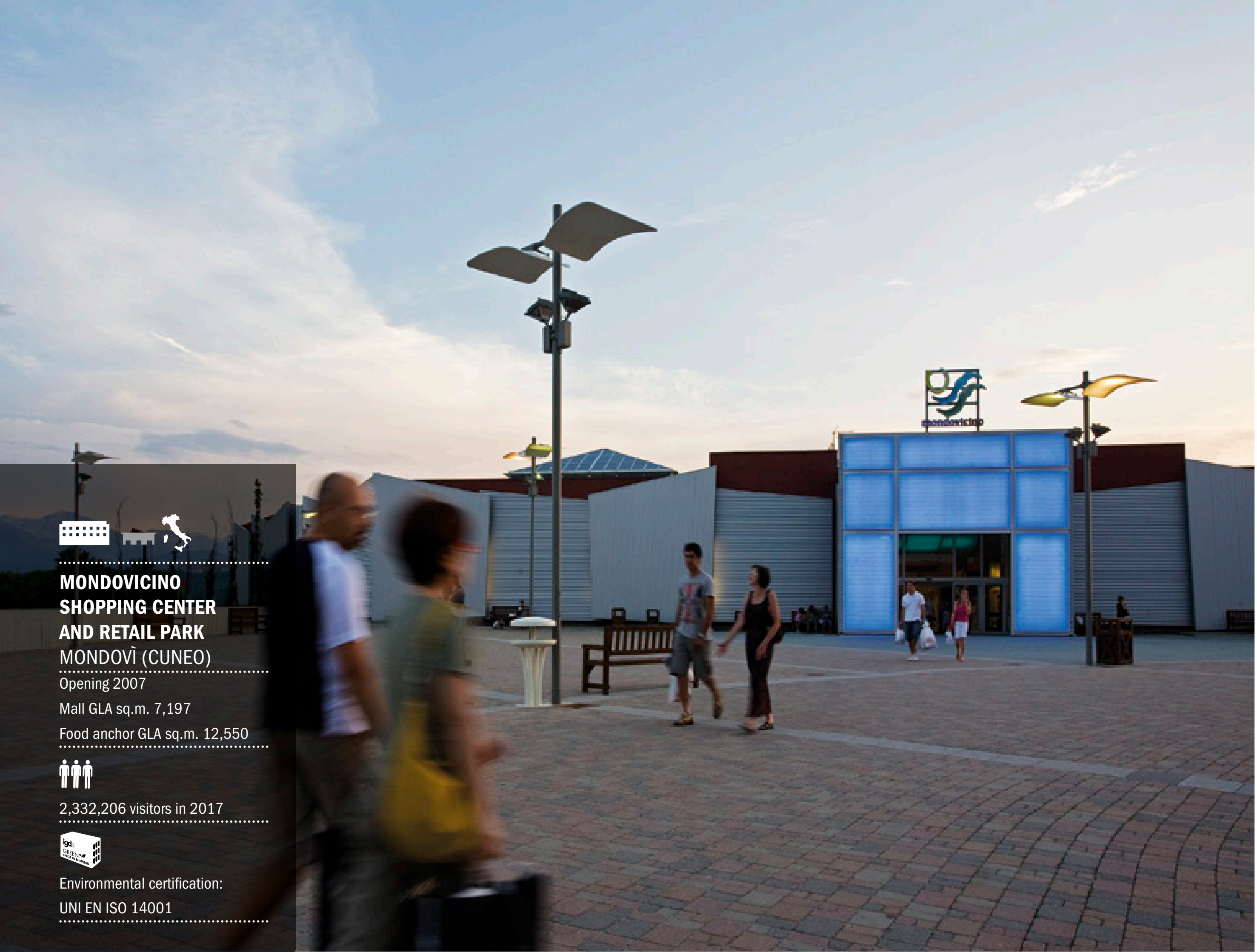
The EUR 100,000,000.00 seven-year unsecured, non-convertible bond with a gross coupon of 2.25% reserved exclusively for qualified investors was repaid on 11 January 2017.

On 6 April 2017 the interest rate swap stipulated with BNP Paribas to hedge the mortgage on the Centro Sarca Shopping Center – Sesto San Giovanni expired, and was substituted with an IRS agreement stipulated with Unipol Banca on the remaining notional amount at 30 June 2017 of €69.25 million which expires on 6 April 2027.
On 8 June 2017 the company contracted two new Interest Rate Swap agreements with Banca Intesa and BNL for a notional amount of €34.625 million each, with a start date of 6 July 2017 and expiring on 6 April 2027, at a fixed rate of 0.5925% with the variable rate pegged to the 3 month LIBOR.

On 31 July 2017 an unsecured syndicated loan was stipulated with Iccrea Banca Impresa S.p.A. and Emilbanca Credito Cooperativo Società Cooperativa which was disbursed on 14 December 2017. This €5 million loan matures on 30 June 2021 and charges fixed, 1.85% annual interest payable at the end of each quarter; the principal will be paid back in a lump sum at maturity.

On 21 December 2017 Moody's updated the credit opinion issued for the first time on 17 May 2016. The agency confirmed our debt's rating, Baa3, and maintained the stable outlook.

16 Centro d'Abruzzo shopping center, Chieti
17 Tiburtino Shopping Center, Rome
18 Centro Sarca shopping center, Milan
19 Winmarkt Ramnicu Valcea, Ramnicu Valcea (Romania)



MONDOVICINO SHOPPING CENTER AND RETAIL PARK

MONDOVÌ (CUNEO)

Opening 2007

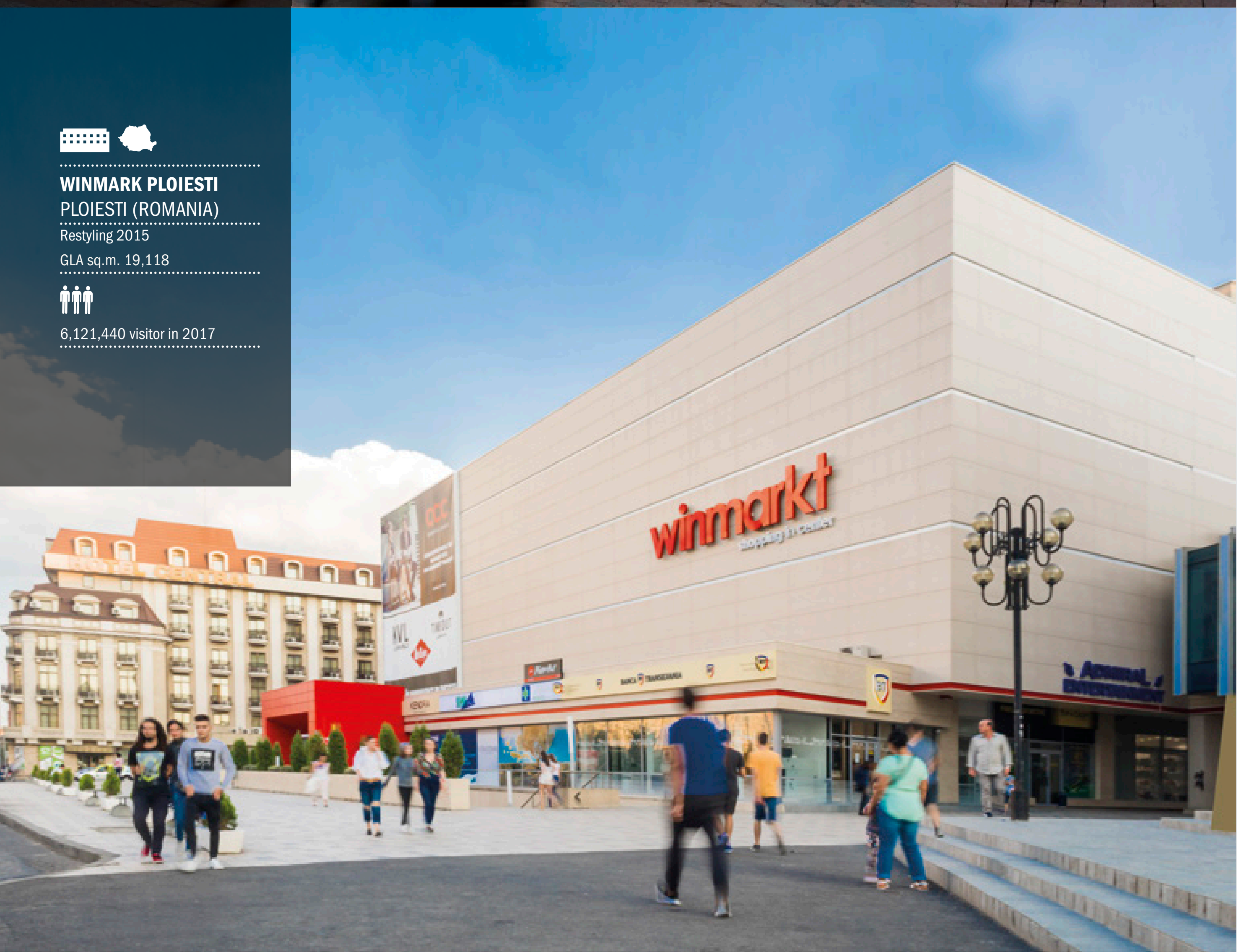
Mall GLA sq.m. 7,197

Food anchor GLA sq.m. 12,550

2,332,206 visitors in 2017

Environmental certification:

UNI EN ISO 14001



WINMARK PLOIESTI

PLOIESTI (ROMANIA)

Restyling 2015

GLA sq.m. 19,118

6,121,440 visitor in 2017

2.6 THE REAL ESTATE PORTFOLIO

For a better understanding of IGD SIIQ SPA Group's real estate portfolio, below is a brief description of how the Italian and Romanian real estate markets performed in 2017.

→ The Italian retail real estate market

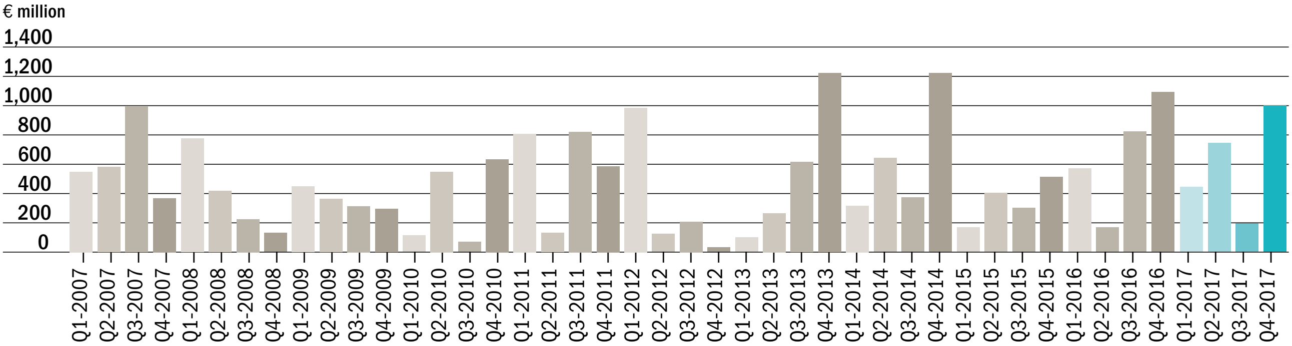
2017 was a positive year for the retail real estate market. Investments amounted to around €2.4 billion, a slight decline compared to the prior year due to the postponement of two large transactions until first half 2018 and the comparison with 2016 during which a lot of activity was recorded in the second half.
In 2017 more than 50% of the retail transactions involved High street properties, while the shopping center segment was less active; the prospects for this segment in 2018 are, however, positive and were confirmed during the first few months of the new year when the two important transactions mentioned above were closed.

The most important retail real estate investments made in Italy in 2017 are shown below:

MAIN RETAIL INVESTMENTS IN ITALY IN 2017	TYPE	BUYER	VALUE (€)
Upim	High Street	Meyer Bergman	55ML
Feltrinelli Portfolio	High Street	Coima Sgr	50ML
F.do Estense (2^fase)	Centri Commerciali	Serenissima Sgr	61.5ML
Via Verri 4	High Street	Amundi	92ML
Le Befane	Centri Commerciali	Union Invest	n.a.
Zara Bari	High Street	Bel Real Estate	30ML
Area 12	Centri Commerciali	Tikeau	65ML
San Babila 1	High Street	Gruppo Statuto	n.a.
Zara Venezia	High Street	Axa IM	45.7ML
Parco Fiore	Retail Park	Kryalos	n.a.

Source: CBRE

RETAIL INVESTMENTS IN ITALY 2007-2017



Source: CBRE

As for yields, the increase in high street transactions caused further contraction in segment yields, while yields for shopping centers and retail parks, both prime and secondary, were unchanged.

NET YIELDS IN ITALY, RETAIL (%)	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
High Street Prime	3.50	3.25	3.15	3.15	3.15	3.00
High Street Secondary	5.00	4.75	4.75	4.75	4.75	4.50
Shopping Centre Prime	5.00	5.00	4.90	4.90	4.90	4.90
S.C. Good Secondary	6.00	5.90	5.90	5.90	5.90	5.90
Retail Park Prime	5.90	5.90	5.90	5.90	5.90	5.90
Retail Park Good Secondary	7.00	7.00	6.50	6.50	6.50	6.50

Source: CBRE Research, Q4 2017

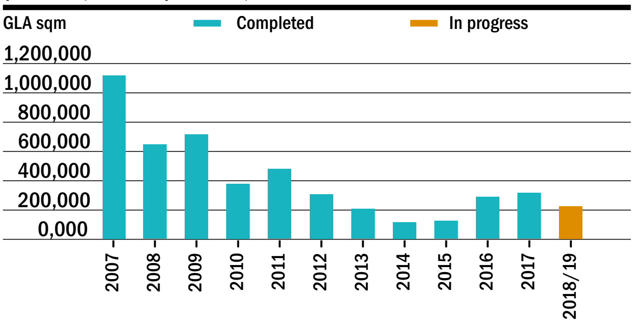
→ The stock and the retail sector pipeline

In 2017 245 thousand m² new GLA were completed, along with 70 thousand m² in extensions of pre-existing shopping centers.

The most important openings in the first half of 2017 were the "Adigeo" Shopping Center in Verona with a GLA of approximately 42 thousand m²; the Brinpark Shopping Center (near Brescia) with a GLA of approximately 17 thousand m² and the Delta PO Outlet in Rovigo with a GLA of approximately 20 thousand m², as well as the extensions of the OrioCenter Shopping Center in Bergamo, the ESP Shopping Center in Ravenna and the Veneto Design Outlet in Noventa Piave.
The most anticipated opening in the second half was City-Life in Milan (GLA of 32 thousand m²) followed by I Viali retail

park in Turin (GLA of 22.5 thousand m²) and Mondo Juve in Nichelino (GLA of around 27 thousand m²).
Construction volume for 2018-19 is in line with the two previous years.
Retailers continued to show significant interest in Italy and 2017 saw the arrival of new brands like Wagamama, Under Armour, Asics and, as a result of the opening of City- Life, Habitat, Huawai and DM Drogeria.

VOLUME OF NEW RETAIL DEVELOPMENT COMPLETED AND IN PROGRESS (GLA >10,000SQM) IN ITALY, DECEMBER 2017



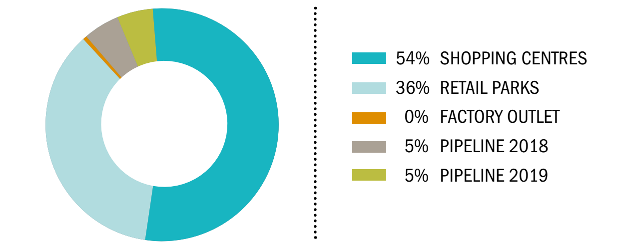
→ The Romanian retail real estate market

The Romanian retail real estate market was very active in 2017 with investments reaching €930 million, around 40% of which in retail, 20% in manufacturing, 20% in hotels, 18% in offices and 2% in residential (Source: Cbre Research 4Q)

With regard to the entry of new international brands, there was a slowdown compared to 2016 and 2015 and the interest was almost exclusively in "prime" shopping centers.

Yields for prime shopping centers were down 50 bp compared to 2016, coming in at 6.75% while prime rents were unchanged at €60 m²/month.
Total retail (malls + retail parks) stock in Romania reached 3.48 million m² GLA in 2017 and the average density of retail space reached 160 m²/1,000 inhabitants.
Development of new shopping centers continued in 2017 with openings of more than 110 thousand m² including, in the first half, Centro Platinia in Cluji Napoca (GLA of 11,000 m²) and the remaining GLA of 90,000 m² in the second half of 2017 in the small cities of Ramnicu Vulcea, Bistrita and Galati.
In 2018 140,000 m² of new GLA is expected to be completed with an additional 180,000 m² in 2019.
Over the past few years extensions of existing shopping centers have increased. In 2017 around 48,000 m² in extensions were completed and more than 80,000 m² are forecast for 2018.

MODERN STOCK PER RETAIL FORMAT AT THE END OF 2017, INCLUDING PIPELINE 2018-2019

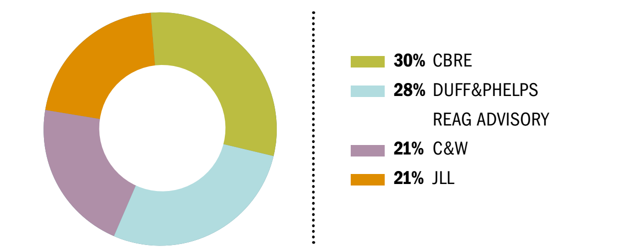


Source: CBRE Research, Q4 2017

Freehold assets

Based on the appraisals at 31 December 2017, the fair value of the IGD SIIQ SPA Group's real estate portfolio came to around €2,228.23 million
The IGD SIIQ SPA Group's real estate portfolio is comprised of commercial retail properties, of which 96.8% is already generating revenue, while the remainder is explained by assets under construction.
The assets generating revenue streams are found in Italy and Romania, while at 31 December 2017 the development projects were solely in Italy.
The Group's real estate portfolio at 31 December 2017 was appraised by CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A based on the following percentages of FV:

BREAKDOWN OF PORTFOLIO APPRAISERS AT 31/12/2017



The breakdown of fair value by appraiser in Italy and Romania is shown below:

FAIR VALUE AT 31/12/2017 Amount in million of Euro	TOTAL	ITALY	ROMANIA
CBRE	677.94	601.31	76.63
Duff&Phelps	618.38	535.48	82.90
JLL	461.49	461.49	0.00
C&W	470.42	470.42	0.00
Total IGD Portfolio	**2,228.23**	**2,068.70**	**159.53**

The fees paid at 31 December 2017 to the independent appraisers are shown below:

FEES AT 31/12/2017 Amount in thousands of Euro	APPRAISALS FEES	OTHER FEES	FEES FOR DUE DILIGENCE AND APPRAISALS*	TOTAL FEES 31/12/2017
CBRE	131		70	201
Duff&Phelps	173	16	22	211
JLL	50			50
C&W	79		51	130
Total IGD Portfolio	**433**	**16**	**143**	**592**

* Costs linked to the future acquisition of 4 going concerns.

The asset classes comprising the Group's real estate portfolio at 31 December 2017 are described below:

- **"Hyper and super":** 25 properties with a total GLA of about 265,000 m^2, found in 8 regions in Italy. In the first half of 2017 the hypermarket Miralfiore in Pesaro absorbed an adjacent store which had been classified through the prior half as "Other", and reached a GLA of 10,400 m^2. In the second half of 2017 the Lame hypermarket was reduced by a GLA of about 580 m^2 to build two stores which were reclassified as "Other"; the GLA of the Città delle stelle hypermarket was reduced by about 4,800 m^2 in order to increase the size of the mall as part of the remodeling of the shopping center.

- **"Malls and retail parks"[11]:** 23 properties with a total GLA of about 362,000 m^2, found in 11 regions in Italy. In the first half of 2017 the GLA of this asset class increased as a result of the completion of the ESP mall extension in Ravenna inaugurated on 1 June. The increase in square meters continued in the second half of 2017 with the extension of the mall in the Città delle Stelle Shopping Center following downsizing of the hypermarket. Lastly, the asset class City Center, comprised of a sole property, Piazza Mazzini, was eliminated and the mall was added to the Malls and retail parks category.

- **"Other":** six mixed use properties which are part of freehold shopping centers or office units with a total GLA of about 6,200 m^2. In the first half of 2017, the store which housed a Robintur travel agency in Pesaro was reclassified as a Hyper/super as it was absorbed by the Miralfiore hypermarket. In the second half of 2017 the two stores created a result of the downsizing of the Lame hypermarket in Bologna (GLA of around 580 m^2) and Palazzo Orlando in Livorno, which in the previous half was included in the asset class Porta a Mare project, were added to this asset class.

- **"Progetto Porta a Mare":** a mixed use real estate complex under construction with a GLA of approximately 53,680 m^2 located near Livorno's waterfront. The office building Palazzo Orlando which was completed and is partially rented was reclassified as "Other" as of the second half of 2017.

- **"Development projects"**, as the ESP mall extension was completed in the first half of 2017, this asset class now comprises a single property located near the Porto Grande Shopping Center which will be used to expand the center by around 14,345 m^2 GLA. In the second half the new Arco Campus project, housing and offices for athletes and sports organizations which will cover an area of around 1,400 m^2, was added to this asset class.

- **"Winmarkt"** a portfolio of 14 properties used primarily for retail purposes, and an office building, found throughout Romania covering a total area of approximately 92,000 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.

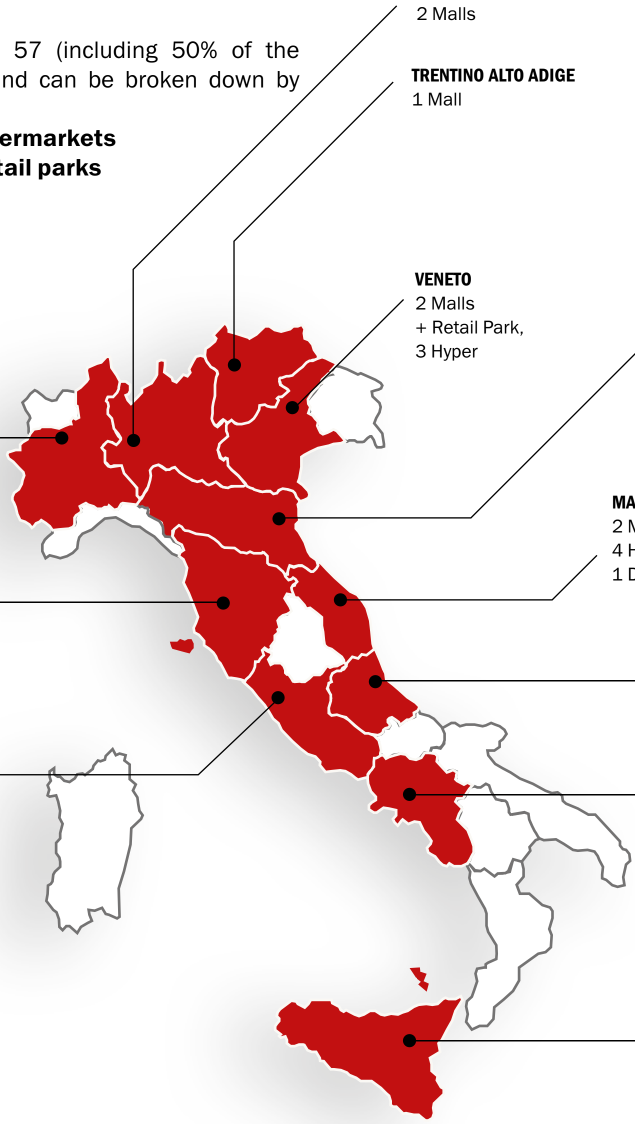
11 Shopping malls Italy include the asset class City Center comprised of a sole asset, Piazza Mazzini

Analysis of the freehold assets

→ Geographical breakdown and composition of the portfolio

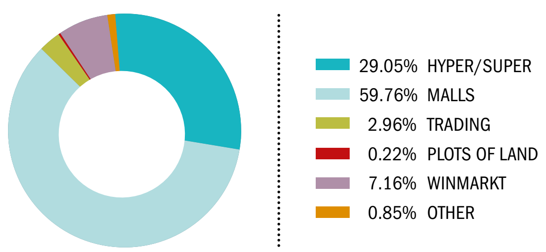
IGD's properties in Italy total 57 (including 50% of the "Darsena" Shopping Center) and can be broken down by asset class as follows:

- → **25 hypermarkets and supermarkets**
- → **23 shopping malls and retail parks**
- → **2 development projects**
- → **1 asset held for trading**
- → **6 other**

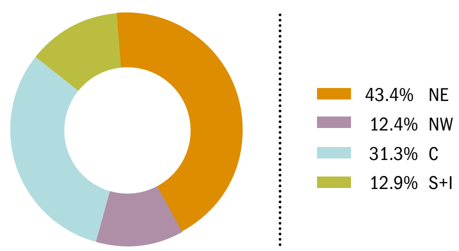


The fair value of the IGD SIIQ Group's Italian real estate portfolio can be broken down by asset class and geographic area as follows:

PORTOFOLIO BREAKDOWN AT 31/12/2017



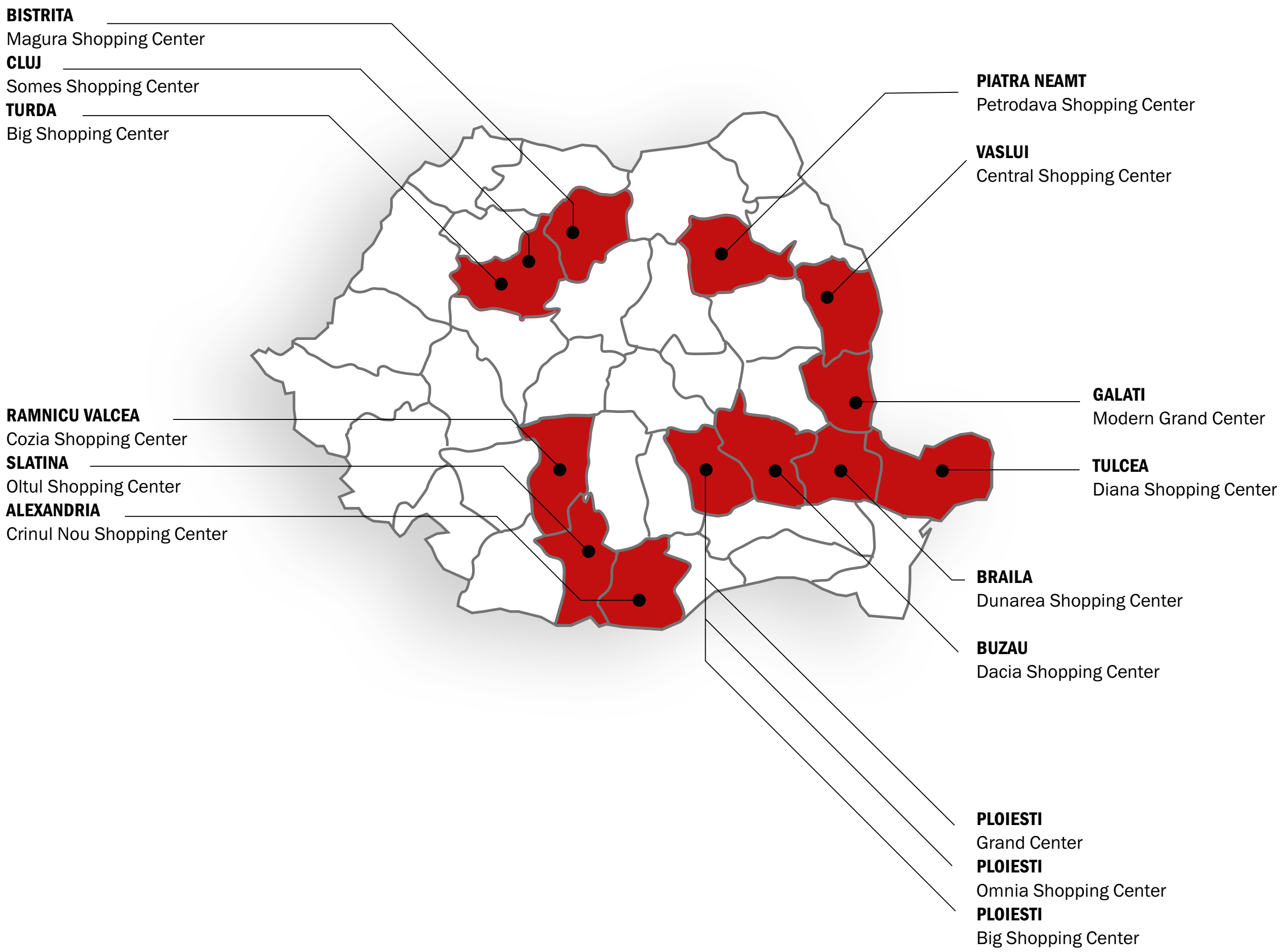
ITALIAN PORTFOLIO GEOGRAPHICAL DISTRIBUTION AT 31/12/2017



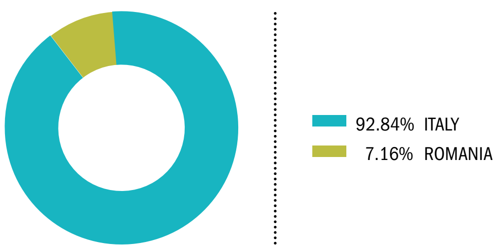
Note: **NE:** Trentino Alto Adige, Veneto, Emilia-Romagna; **NW:** Piedmont, Lombardy; **C:** Tuscany, Marche, Lazio, Abruzzo; **S+I:** Sicilia, Campania

IGD's real estate assets in **Romania** total 15, broken down as follows:

→ **14 shopping centers**
→ **1 office building**



PORTFOLIO BREAKDOWN ITALY AND ROMANIA AT 31/12/2017



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

ITALY

ASSET	LOCATION	MALLS AND RETAIL PARKS GLA	OTHER/ EXTERNAL OWNERSHIP AREAS (SQM)	OWNERSHIP	OPENING DATE	LAST EXTENSION/ RESTYLING/ REMODELING DATE	% OWNED
Centro Commerciale Porto Grande	Porto d'Ascoli (AP)	7,555	543	IGD SIIQ SPA	2001	//	100
Centro Commerciale Le Maioliche	Faenza (RA)	22,313	//	IGD SIIQ SPA	2009	//	100
Centro Commerciale Lungo Savio	Cesena FC)	2,928	//	IGD SIIQ SPA	2002	//	100
Ipermercato CC Globo	Lugo di Romagna (RA)	//	//	IGD SIIQ SPA	1997	2005	100
Ipermercato CC I Malatesta	Rimini (RN)	//	882	IGD SIIQ SPA	2005	//	100
Ipermercato CC Miralfiore	Pesaro (PU)	//	//	IGD SIIQ SPA	1992	//	100
Ipermercato Schio	Schio (VI)	//		IGD SIIQ SPA	2008	//	100
Centro Commerciale Borgo	Bologna (BO)	6,975	//	IGD SIIQ SPA	1989	2015	100
Centro Commerciale d'Abruzzo	San Giovanni Teatino (CH)	12,571	3,610	IGD SIIQ SPA	2001	2014	100
Galleria Commerciale Millennium	Rovereto (TN)	7,683	//	MILLENNIUM GALLERY SRL	2004	//	100
Centro Commerciale ESP	Ravenna (RA)	30,072	3,200	IGD SIIQ SPA	1998	2017	100
Centro Commerciale Città delle Stelle	Ascoli Piceno (AP)	21,021	1,850	IGD SIIQ SPA	2002	2017	100
Centro Commerciale La Torre	Palermo (PA)	15,250	//	IGD SIIQ SPA	2010	//	100
Centro Commerciale Tiburtino	Guidonia Montecelio (RM)	33,494	//	IGD SIIQ SPA	2009	//	100
Piastra Commerciale Mazzini	Livorno (LI)	6,097	//	IGD SIIQ SPA	2014	//	100
Centro Commerciale Casilino	Roma (RM)	4,768	760	IGD SIIQ SPA	2002	//	100
Centro Commerciale e Retail Park Conè	Conegliano (TV)	18,162	//	IGD SIIQ SPA	2010	//	100
Ipermercato CC Il Maestrale	Cesano di Senigallia (AN)	//	//	IGD SIIQ SPA	1999	//	100
Supermercato Civita Castellana	Civita Castellana (VT)	//	//	IGD SIIQ SPA	2010	//	100
Ipermercato CC Lame	Bologna (BO)	582	//	IGD SIIQ SPA	1996	//	100
Galleria Commerciale Maremà	Grosseto (GR)	17,109	//	IGD SIIQ SPA	2016	//	100
Ipermercato CC Fonti del Corallo	Livorno (LI)	//	//	IGD SIIQ SPA	2003	//	100
Ipermercato CC Leonardo	Imola (BO)	//	//	IGD SIIQ SPA	1992	//	100
Supermercato Cecina	Cecina (LI)	//	//	IGD SIIQ SPA	1994	//	100
Galleria Commerciale Punta di Ferro	Forlì (FC)	21,223	//	IGD SIIQ SPA	2011	//	100
Galleria Commerciale Gran Rondò	Crema (CR)	11,696	//	IGD SIIQ SPA	1994	2006	100
Centro Commerciale Darsena City	Ferrara (FE)	12,552	//	IGD SIIQ SPA	2009	//	50
Centro Commerciale Katanè	Gravina di Catania (CT)	14,912	//	IGD SIIQ SPA	2009	//	100
Centro Commerciale Le Porte di Napoli	Afragola (NA)	16,983	//	IGD SIIQ SPA	1999	2014	100
Galleria Commerciale e Retail Park Mondovicino	Mondovì (CN)	17,197	//	IGD SIIQ SPA	2007	//	100
Galleria Commerciale I Bricchi	Isola d'Asti (AT)	15,994	245	IGD SIIQ SPA	2009	//	100
Galleria Commerciale Sarca	Sesto S, Giovanni (MI)	23,773	//	IGD MANAGEMENT SRL	2003	2015	100
Retail Park Clodì	Chioggia (VE)	9,329	//	IGD SIIQ SPA	2015		100
Supermercato Aquileia	Ravenna (RA)	//	//	IGD SIIQ SPA		//	100
Centro Piave	San Donà di Piave (VE)	11,618	//	CSII SPA	1995	2003	//
Centro Nova	Villanova di Castenaso (BO)	12,740	//	CSII SPA e COPAIN HOLDING SPA	1995	2008	//
Galleria CC Fonti del Corallo	Livorno (LI)	7,313	//	Fondo Mario Negri	2003	//	//

FORM OF OWNERSHIP	No, OF SHOPS	No, OF MEDIUM SURFACES	No, OF OTHER /EXTERNAL AREAS	PARKING PLACES	MAIN BRANDS	FOOD ANCHOR	FOOD ANCHOR GLA
Freehold property	36	2	1	1,730	Decathlon, Deichmann	Ipercoop	15,290
Freehold property	41	8		2,400	Deichmann, H&M, Trony, C&A, Decathlon, Bricofer	Ipercoop	9,277
Freehold property	23	1		850	Librerie Coop, Motivi, Primigi, Kiko	Ipercoop	7,476
Freehold property (hypermarket)					//	Ipercoop	7,937
Freehold property (Hypermarket + Wholesale area + fitness area)					//	Ipercoop	10,435
Freehold property (hypermarket)					//	Ipercoop	10,412
Freehold property (only hypermarket)					//	Ipercoop	8,176
Freehold property	32	4		1,450	Librerie Coop, Unieuro, Scarpe&Scarpe	Ipercoop	11,480
Freehold property	43	7	3	1,730	Decathlon, Euronics, Librerie Coop, Piazza Italia, Terranova, Intersport; Scarpamondo	Ipercoop	14,127
Freehold property (excluding hypermarket and a portin of the mall)	28	4		900	Game 7 Athletics, Oviesse, Trony, Bata	Superstore Coop (non di proprietà)	//
Freehold property	82	16	1	3,304	Deichmann, Game 7 Athletics, Unieuro, H&M, Piazza Italia, Bershka, Pull & Bear, OVS, Kiabi, Casa, Maisons du Monde, Scarpe & Scarpe	Ipercoop	16,536
Freehold property	40	8	1	2,200	Piazza Italia, Unieuro, H&M, Multiplex Stelle, Kiabi, Casa, Clayton, Dverso	Ipercoop	9,614
Freehold property	43	6		1,700	Expert, Scarpe&Scarpe, Piazza Italia, H&M, McDonald	Ipercoop	11,217
Freehold property	99	13		3,800	Desigual, Azzurra Sport, Piazza Italia, Obi, Scarpamondo, NewYorker, Euronics	Ipercoop	7,663
Freehold property	30	1			Unieuro/Coop	Coop	1,440
Freehold property	22	3	1	1,260	Euronics, Piazza Italia, Satur	Ipercoop	14,544
Freehold property	56	9		1,550	Maison du Monde, Conbipel, H&M, Librerie Coop, Euronics, Scarpe&Scarpe, Stradivarius	Ipercoop	9,498
Freehold property (hypermarket)					//	Ipercoop	12,501
Freehold proerty (only supermarket)					//	Coop	3,020
Freehold property (hypermarket + shops)					//	Ipercoop	15,201
Freehold property (excluding hypermarket)	45	6		3,000	Piazza Italia, Decathlon, Zara, Bershka, Stradivarius, Pull & Bear	Ipercoop (non di proprietà)	//
Freehold property (only hypermarket)					//	Ipercoop	15,371
Freehold property (hypermarket)					//	Ipercoop	15,862
Freehold property (only supermarket)					//	Coop	5,749
Freehold property (excluding hypermarket)	94	3		2,854	H&M, Unieuro, Toys, McDonald, Deichmann, Benetton	Conad (non di proprietà)	//
Freehold property (excluding hypermarket)	38	3		1,280	Oviesse, Promenade calzature	Ipercoop (non di proprietà)	//
50% freehold property of mall and hypermarket	31	2		1,320	Pittarosso, Euronics	Despar	3,715
Freehold property	64	6		1,320	Adidas, Euronics, H&M, Conbipel, Piazza Italia,	Ipercoop	13,663
Freehold property	66	8		2,650	Desigual, Euronics, H&M, Piazza Italia, Rosso Pomodoro	Ipercoop	9,570
Freehold property (excluding hypermarket)	42	8		4,500	Jysk, OVS, Librerie,Coop, Brico IO, Foot Loker	Ipercoop (non di proprietà)	//
Freehold property (excluding hypermarket)	24	7		1,450	Deichmann	Il Gigante (non di proprietà)	//
Freehold property (excluding hypermarket)	72	8		2,500	OVS, H&M, Piazza Italia, Skyline cinema, Roadhouse, Scarpe&Scarpe , Rosso Pomodoro	Ipercoop (non di proprietà)	//
Freehold property	9	6			OVS, Scarpe&Scarpe, Piazza Italia, Dechatlon	Ipercoop	7,490
Freehold property (supermarket)					//	Coop	2,250
Master Leasing	48	5		1,500	Cisalfa, Librerie Coop, Oviesse, Piazza Italia, Scarpe&Scarpe, McDonald	Ipercoop	15,826
Master Leasing	55	7		2,400	H&M, Librerie Coop, Bershka, Pittarosso, Benetton, McDonald	Ipercoop	18,188
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 WARE-HOUSE/OFFICE	OWNERSHIP	OPENING DATE	DATE OF EXTENSION/ RESTYLING
Winmarkt Grand Omnia Center	Ploiesti	18,308	16,870	309	1,129	Win Magazin SA	1986	2015
Winmarkt Big	Ploiesti	4,233	2,776	442	1,016	Win Magazin SA	1976	2013
Winmarkt	Galati	8,146	6,758	106	367	Win Magazin SA	1973	2005
Winmarkt	Ramnicu Valcea	7,902	7,684	51	166	Win Magazin SA	1973	2004
Winmarkt	Piatra Neamt	6,012	4,516	337	839	Win Magazin SA	1985	2014
Winmarkt	Braila	7,360	6,197	93	821	Win Magazin SA	1978	2004
Winmarkt	Buzau	5,359	4,837	32	314	Win Magazin SA	1975	2013
Winmarkt	Tulcea	3,962	3,316	5	182	Win Magazin SA	1972	2002
Winmarkt	Cluj Napoca	7,770	5,292	85	1,510	Win Magazin SA	1983	2011
Winmarkt	Bistrita	5,204	4,284	61	392	Win Magazin SA	1984	2005
Winmarkt	Alexandria	3,410	3,302	33	74	Win Magazin SA	1978	2013
Winmarkt	Slatina	5,965	4,833	29	1,102	Win Magazin SA	1975	2005
Winmarkt	Vaslui	3,828	3,676	23	192	Win Magazin SA	1973	2006
Winmarkt	Turda	2,365	2,415	-	284	Win Magazin SA	1981	2007
Total malls		**89,824**	**76,757**	**1,607**	**8,388**			
Winmarkt Junior	Ploiesti	3,012	2,137	544	331	Win Magazin SA		
Total		**92,836**	**78,894**	**2,151**	**8,719**			

EXTEN-SION AREA	% OWNED	FORM OF OWNERSHIP	No. OF SHOPS	No. OF MEDIUM SURFACES	PARKING PLACES	MAIN BRANDS	FOOD ANCHOR	FOOD ANCHOR GLA	FOOD ANCHOR SALES AREA
	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
	100	Freehold property	82	//		Banca Transilvania, Carrefour Market	Carrefour	882	700
	100	Freehold property	36	//		H&M, B&B, Sevda, Jolidon, Bigotti, Massini, Pepco, CGS	Billa	827	569
	100	Freehold property	35	//		H&M, Carrefour Market, Eponge, Leonardo, Jolidon, dm drogerie Markt, Domo	Carrefour	900	900
	100	Freehold property	67	//		H&M, Sevda, B&B Collection, Billa, Leonardo, Eponge, Pepco, Reshoes	Billa	878	520
	100	Freehold property	45	//		Carrefour Market, Leonardo, Jolidon, Altex, Vodafone, Sevda, Pepco	Carrefour	673	550
	100	Freehold property	29	//		H&M, Carrefour Market, Leonardo, Pepco	Carrefour	800	650
	100	Freehold property	27	//		H&M, B&B Collection, Leonardo, Altex, Fraher, Vodafone	Fraher	405	405
	100	Freehold property	36	//		Carrefour Market, dm drogerie, Leonardo, Big Fitness	Carrefour	1,338	1,188
	100	Freehold property	33	//		Altex, Leonardo, dm drogerie, fast-food Pizzamania, Pepco			
	100	Freehold property	31	//		Carrefour Market, Pepco, Eponge, Leonardo, Jolidon, Vodafone	Carrefour	680	680
	100	Freehold property	22	//		Altex, Telekom, B&B	Carrefour	553	505
	100	Freehold property	26	//		Carrefour, Reshoes, Jolidon	Carrefour	527	527
	100	Freehold property	9	//		Pepco			
	100	Freehold property	2						

Italy

→ Analysis by asset class

2017 was a positive year for the valuation of the IGD Group's real estate portfolio as the fair value increased both overall and like-for-like; the discount rates and cap rates held well. The main changes for each asset class in the year are described below.
Changes in property use in the year ended 31 December 2017 are summarized in the following table:

	IGD GROUP INVESTMENT PROPERTY									
Amounts in million of Euro	HYPERMARKETS AND SUPERMARKETS	SHOPPING MALLS ITALY	CITY CENTER	OTHER	ITALY TOTAL	ROMANIA TOTAL	TOTAL IGD GROUP	DIRECT DEVELOPMENT INITIATIVES	PORTA A MARE PROJECT	TOTAL INVESTMENT PROPERTY, LAND AND DEVELOPMENT INITIATIVES, ASSETS HELD FOR TRADING
Book value 31.12.2016	**646.09**	**1,211.60**	**23.50**	**4.63**	**1,885.82**	**164.91**	**2,050.73**	**42.12**	**84.93**	**2,177.77**
Increase due to additional costs	0.20	2.27		0.06	2.53	0.00	2.53	16.83	2.63	21.99
Increase due to acquisition/ new openings	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change in consolidation area	0.00	0.00		0.00	0.00	0.00	0.00	1.35	0.00	1.35
Disposal	(0.15)	0.00		0.00	(0.15)	0.00	(0.15)	0.00	(5.22)	(5.38)
Reclassification	(5.60)	89.08	(23.50)	13.58	73.56	2.05	75.61	(55.16)	(11.85)	8.60
Net revaluation/write-downs	6.65	28.66		0.57	35.89	(7.43)	28.45	(0.15)	(4.42)	23.89
Book value 31.12.2017	**647.20**	**1,331.60**	**0.00**	**18.85**	**1,997.65**	**159.53**	**2,157.18**	**4.99**	**66.06**	**2,228.23**

1) The asset class City Center was reclassified under Malls – Italy for €23.5 million.
2) Palazzo Orlando was reclassified under Other for €11.85 million.
3) The balance of €8.6 million shown under Reclassifications refers to extraordinary maintenance begun in prior years but completed in 2017.

→ Hypermarkets and supermarkets

IGD's freehold 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, with the exception of the supermarket on via Aquileia in Ravenna.
The hypermarkets and supermarkets were valued at 31 December 2017 by the appraisers CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A. based on the following percentages of FV:

HYPER/SUPER	31/12/ 2017
CBRE Valuation S.p.A.	22%
Duff&Phelps Reag S.p.A.	11%
Cushman & Wakefield LLP	37%
Jones Lang LaSalle S.p.A.	30%
TOTAL	**100%**

The DCF method was used by all the appraisers for this asset class. CBRE Valuation S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A. used a standard duration of 10 years for all the assets; Duff&Phelps Reag S.p.A. 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.
In 2017 the GLA of this asset class changed: in first half 2017 the perimeter increased as a result of the absorption by the Miralfiore hypermarket in Pesaro of the store used for a Robintur travel agency which was previously classified as Other; in the second half of 2017 the area of the Lame hypermarket was reduced by around 580 m^2 in order to build two new stores which were reclassified as "Other" while the GLA of the hypermarket in the Città delle Stelle Shopping Center was decreased in order to expand the mall.
The fair value of this class of property reached €647.20 million at 31 December 2017, an increase of 0.14% (+€0.89 million) against 31 December 2016. Like-for-like, namely excluding the Miralfiore, Lame and Città delle stelle hypermarkets, the increase reached +1.34% against the prior year (+7.3 million) due to the growth in step up revenue and the

lower discount rate applied in the first half of the year.
Like-for-like, the discount rate fell 19 bps against 31 December 2016; the gross initial yield rose 0.05% against 31 December 2016 to 6.25%. The average gross cap out rate rose slightly by 0.02% to 6.30%.
The occupancy rate of the hyper/supermarkets was unchanged at 100%.

→ Shopping malls and retail parks

The IGD Group's shopping malls and retail parks are leased on average for five years to businesses. Rent is indexed to 100% of the ISTAT index.
Leases of six + six years, with rent indexed to 75% of the ISTAT index, are reserved for services like newsstands, tobacco shops, dental studios, hair salons and beauty centers.
Shopping malls and retail parks were valued at 31 December 2017 by the appraisers CBRE Valuation S.p.A., Duff&Phelps Reag S.p.A., Cushman & Wakefield LLP and Jones Lang LaSalle S.p.A. based on the following percentages of FV:

MALLS/RP	31/12/2017
CBRE Valuation S.p.A.	29%
Duff&Phelps Reag S.p.A.	34%
Cushman & Wakefield LLP	17%
Jones Lang LaSalle S.p.A.	20%
TOTAL	**100%**

The DCF method was used by all the appraisers for this asset class.
In CBRE Valuation S.p.A.'s, C&W's and JLL's DCF model a standard duration of 10 years was used for all assets; Duff&Phelps Reag S.p.A. used a standard duration of 15 years for this asset class, with the exception of the Darsena Shopping Center for which a standard duration of 18 years was used.
The GLA of this asset class also changed in 2017. In the first half, as a result of the opening of the ESP extension (GLA of more than 18,000 m²), the extension, previously classified under "Development projects," was grouped together with the ESP mall. In the second half the expansion of the parking lot was completed and work on a new midsize store continued at the Gran Rondò Shopping Center, the GLA of the mall in the Città delle Stelle Shopping Center increased as a result of the downsizing of the hypermarket, and the Piazza Mazzini mall in Livorno, previously classified under City Center, was added to this asset class. As a result of the reclassification of Piazza Mazzini the asset class city center was eliminated.
The fair value of this asset class reached €1,331.60 million at 31 December 2017, net of the reclassification of the different real estate investments, an increase of +4.51% (+57.4 million) with respect to 31 December 2016.
Like-for-like, namely excluding the ESP, Piazza Mazzini, Gran Rondò and Città delle stelle mall, the increase comes to +1.33 % against the prior year (+€14.32 million).
The gross initial yield for this asset class (like-for-like) came to 6.22%, an increase of 2 bps against 31 December 2016; the average discount rate (like-for-like) dropped 19 bps against the prior year to 7.01%; the average gross cap out rate (like-for-like) reached 6.71%, up 5 bps against the prior half. The increase is attributable to the drop in rates recorded in the first half and the improved outlook for the performance over the next ten years.
The financial occupancy rate came to 95.38% at 31 December 2017, a decrease of 25 bps against 31 December 2016.

→ Development projects

As a result of the reclassification of the ESP extension under Malls and Retail Parks, at 31 December 2017 this asset class comprised two assets which are being used for the following initiatives:

- Extension of the Porto Grande Shopping Center in Porto d'Ascoli (AP) which calls for the construction of two midsize stores for a total GLA of 5,000 m². Planning has been completed for this project and all the permits obtained.
- Arco campus: building of housing and offices for athletes and sports organizations in Bologna which will have a GLA of around 1,400 m². This is the first time this project is included in the IGD Group's real estate portfolio.

"Development projects" were valued at 31 December 2017 by CBRE Valuation S.p.A. and Cushman & Wakefield LLP based on the following percentages of fair value:

DEVELOPMENT PROJECTS	31/12/2017
Duff&Phelps Reag S.p.A.	60%
Cushman & Wakefield LLP	40%
TOTAL	**100%**

The independent appraisers used the conversion method and the residual method to value these assets.
After the changes, the fair value of this asset class reached €4.99 million at 31 December 2017.

→ Porta a Mare Project

The assets of Porta Medicea, owner of the Porta a Mare Project, were valued at 31 December 2017 entirely by the independent appraiser CBRE Valuation S.p.A. using the conversion method.
The project can be broken down into the following areas:

- Mazzini (residential, offices, parking and public parking) which has a total GLA of 8,036 m². Sales of residential units began in 2013. In the second half of 2017 Palazzo Orlando, a partially rented office building with a GLA of 5,276 m² was reclassified under Other;
- Officine Storiche (retail, residential, parking and public parking) which has a total GLA of 20,321 m². Work began in first half 2015 and is expected to be completed in 2019;
- Lips (retail, tourist services, accommodations and temporary residences) which has a total GLA of 15,867 m². Work is expected to begin in 2019;
- Molo Mediceo (retail, services and temporary residences) which has a total GLA of 7,350 m². Work is expected to begin in 2019.

- Arsenale (retail, temporary residences and parking) which has a total GLA of 7,771 m^2. Work is expected to begin in 2019.

The fair value of this asset class reached €66.06 million at 31 December 2017.
Excluding Palazzo Orlando, the fair value of this asset class was €7 million lower as a result of the sale of 18 residential units and relative appurtenances at Mazzini, the progress made on the work at Officine and the write-downs made primarily of the non-retail sections. The fair value of the Porta a Mare Project at 31 December 2017 includes the retail properties not destined for sale which will continue to be owned by the IGD Group.

→ Other

The perimeter of this asset class, which comprises all the IGD Group's other assets, changed in the first half of 2017 as a result of the exit of the store used as a Robintur travel agency which was absorbed by the Miralfiore hypermarket in Pesaro and in the second half as a result of the inclusion of Palazzo Orlando, previously classified under Assets held for trading/Porta a Mare, and stores 1-2 at Lame linked to the decreased GLA dedicated to the Lame hypermarket in Bologna.

This asset class comprises one store near the supermarket on via Aquileia in Ravenna, a fitness area pertaining to the Malatesta Shopping Center in Rimini, the offices located on the second floor of the Centro Direzionale Bologna Business Park office building where the IGD Group's headquarters are located, which is leased to Adriatica Luce&Gas SPA, as well as the offices located on the third and last floors of the same building which are leased to Librerie Coop.
This asset class was valued at 31 December 2017 by the appraisers Duff&Phelps Reag S.p.A. and Cushman & Wakefield LLP based on the following percentages of FV:

OTHER	31/12/2017
CBRE Valuation S.p.A.	65%
Duff&Phelps Reag S.p.A.	22%
Cushman & Wakefield LLP	2%
Jones Lang LaSalle S.p.A.	11%
TOTAL	**100%**

All three appraisers used the DCF method to value this asset class.
The fair value of this class of property amounted to €18.85 million at 31 December 2017, an increase of 5.37% like-for-like (+€0.24 million) against 31 December 2016.

Romania

The Winmarkt properties were valued at 31 December 2017 by the appraisers CBRE Valuation S.p.A. and Duff&Phelps Reag S.p.A. based on the following percentages of FV:

WINMARKT	31/12/2017
CBRE Valuation S.p.A.	48%
Duff&Phelps ReagS.p.A.	52%
TOTAL	**100%**

The DCF method was used by both independent experts. Duff&Phelps Reag S.p.A. applied a standard duration of 15 years and CBRE Valuation S.p.A. of between 5 and 10 years.

The market value of this asset class at 31 December 2017 was €159.53 million, a decrease of 3.26% (-€5.58 million) compared to 31 December 2016 attributable almost entirely to shopping malls.
The gross initial yield of the Winmarkt malls rose 4 bps compared to the prior year to 6.52%. The discount rate was lower at 8.37% (-9 bps compared to 31 December 2016), while the gross cap out rate fell slightly by 5 bps compared to 31 December 2016 to 7.91%.
The financial occupancy rate for the Winmarkt malls came to 96.39%, an improvement of 32 bps with respect to the prior year.

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

DATA SUMMARY AT 31/12/2017	N° OF ASSET	GROSS LEASABLE AREA GLA (SQM)	GROSS INITIAL YIELD	GROSS CAP OUT	WEIGHTED AVERAGE DISCOUNT RATE	FINANCIAL OCCUPANCY	ANNUAL RENT/SQM	ERV/SQM
Hypermarkets and supermarkets	25	264,179	6.22%	6.30%	6.75%	100%	150	144
Shopping malls Italy*	23	361,451	6.28%	6.74%	7.03%	95.38%	223	236
Total Italy	54	633,942	n.a.	n.a.	n.a	n.a	n.a	n.a
Total Romania	15	92,628	6.54%	7.92%	8.36%	96.39%	93	126
Total IGD Group	**69**	**726,570**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**

*including Piazza Mazzini

DATA SUMMARY AT 31/12/2016	N° OF ASSET	GROSS LEASABLE AREA GLA (SQM)	GROSS INITIAL YIELD	GROSS CAP OUT	WEIGHTED AVERAGE DISCOUNT RATE	FINANCIAL OCCUPANCY	ANNUAL RENT/SQM	ERV/SQM
Hypermarkets and supermarkets	25	269,176	6.17%	6.28%	6.97%	100%	147	142
Shopping malls Italy*	23	341,552	6.21%	6.71%	7.20%	95.63%	226	241
Total Italy	53	613,837	n.a.	n.a.	n.a	n.a	n.a	n.a
Total Romania	15	92,628	6.51%	7.97%	8.46%	96.97%	103	132
Total IGD Group	**68**	**706,465**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**

*Including Piazza Mazzini

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

REAL ESTATE INVESTMENT IGD GROUP	BOOK VALUE AT 31/12/2017	ACCOUNTING METHOD	MARKET VALUE AT 31/12/2017	MARKET VALUE AT 31/12/2016	CHANGE
Hypermarkets and supermarkets	647.20	fair value	647.20	646.09	1.10
Shopping malls Italy	1,331.60	fair value	1,331.60	1,211.60	120.00
City Center	0.00	fair value	0.00	23.50	-23.50
Other	18.85	fair value	18.85	4.63	14.22
Total Italy	**1,997.65**		**1,997.65**	**1,885.82**	**111.83**
Shopping malls Romania	156.83	fair value	156.83	162.31	-5.48
Other Romania	2.70	fair value	2.70	2.60	0.10
Total Romania	**159.53**		**159.53**	**164.91**	**-5.38**
TOTAL IGD GROUP	**2,157.18**		**2,157.18**	**2,050.73**	**106.45**

DIRECT DEVELOPMENT INITIATIVES	BOOK VALUE AT 31/12/2017	ACCOUNTING METHOD	MARKET VALUE AT 31/12/2017	MARKET VALUE AT 31/12/2016	CHANGE
Projects in advanced contruction phase	2.00	Fair value	2.00		2.00
Plot of land and ancillary costs	2.99	Adjusted cost	2.99	42.12	-39.12
Direct development initiatives	**4.99**	**Adjusted cost /Fair value**	**4.99**	**42.12**	**-37.12**

PORTA A MARE PROJECT	BOOK VALUE AT 31/12/2017	ACCOUNTING METHOD	MARKET VALUE AT 31/12/2017	MARKET VALUE AT 31/12/2016	CHANGE
Porta a Mare project*	**66.06**	**Adjusted cost /Fair Value**	**66.06**	**84.93**	**-18.87**

TOTAL	INVESTMENT PROPERTIES, PLOTS OF LAND, DEVELOPMENT INITIATIVES, ASSET HELD FOR TRADING		MARKET VALUE AT 31/12/2017	MARKET VALUE AT 31/12/2016	CHANGE
Total**	**2,228.23**		**2,228.23**	**2,177.77**	**50.45**

* The figure includes the portion of the retail units included in preliminary sales agreements with IGD SIIQ S.p.A. classified in the financial statements as work in progress and down payments.
** The fair value of freehold assets, plots of land and development projects free of liens amounts to around €1,475.4 million.

The details of main development projects are shown below:

PROJECT	TYPE	LOCATION	GLA	COMPLETION DATE	ESTIMATED INVESTMENT	BOOK VALUE AT 31/12/2017 (€/MN)	% HELD	STATUS
ARCO CAMPUS	Immobile uso foresteria	Bologna	1,400 sqm	II° half 2018	Approx. 5 Mln/€	2.00	100%	In progress
PORTO GRANDE	Extension	Porto d'Ascoli (AP)	5,000 sqm	II° half 2019	Approx. 9.9 Mln/€	2.99	100%	Planning stage completed. All the construction permits and authorisation have been issued.
					Total	**4.99**		

2.7 APPRAISALS OF THE INDEPENDENT EXPERTS

Milan, 19/12/2017

IGD SiiQ S.p.A.
Via Trattati Comunitari Europei 1957-2007, n.13
40127, Bologna
Italy

For the attention of Mr. R. Zoia

Subject: Valuation as at 31st December 2017 of a Retail Portfolio held by IGD SiiQ S.p.A. comprising five Hypermarkets (one of which including two retail units), two Supermarkets, three Retail Galleries and one Retail Park

Dear Mr. Zoia,

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 use, 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 the each individual Valuation Report.

1. Subject properties

The retail portfolio under-analysis consists of five Hypermarkets, two Supermarkets, three Retail Galleries and one Retail Park mainly located in the North and Centre of Italy. The main details of these assets are identified in the table below:

Asset	Address	Use	GLA m²
Lame	Via Marco Polo, 3 Bologna (BO)	Hypermarket	15,201
Lame	Via Marco Polo, 3 Bologna (BO)	Two Retail Units	582
Centro Leonardo	Viale Amendola, 129 Imola (BO)	Hypermarket	15,862
Conè	Via S. Giuseppe, 25 Conegliano (TV)	Hypermarket	9,498
Fonti Del Corallo	Via Graziani, 6 Loc. Porta a Terra (LI)	Hypermarket	15,371
Il Maestrale	Strada Statale Adriatica Nord, Senigallia (AN)	Hypermarket	12,501
Super Cecina	Via Pasubio, 33 Cecina (LI)	Supermarket	5,749
Super Civita Castellana	Piazza Marcantoni, Civita Castellana (VT)	Supermarket	3,020
Punta di Ferro	Piazzale della Cooperazione, 2 Forlì (FC)	Retail Gallery	21,222
Maremà	Via Ecuador, snc Loc. Commendone – Grosseto (GR)	Retail Gallery	17,120
Conè	Via S. Giuseppe, 25 Conegliano (TV)	Retail Gallery	12,212
Conè	Via S. Giuseppe, 25 Conegliano (TV)	Retail Park	5,950

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, 31th of December 2017:

- Market Value of each property in its current state of repairs and use, subject to the existing property/business lease agreements and with the benefit of vacant possession for the portions that are not income producing at the valuation date;
- Market Rent of each property in its current state of repairs and use as at the valuation date.

As previously mentioned, the present Valuation Certificate reports the results of our analysis, the supplied information, which have been considered to be accurate and correct, and the general assumptions upon which our valuations have been based.

3. Basis of Valuation

Our analysis are carried out in accordance with the principles, guidelines and definitions contained in the RICS Professional Standards Global – RICS Valuation Professional Standards January 2014 Edition incorporating the IVSC International Valuation Standards. The subject valuation is carried out in accordance with the following definition of Market Value and Market Rent settled by the International Valuation Standards Committee and referred to in the Red Book under section VPS4 paragraph No. 1.2. and 1.3:

Market Value

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"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market Rent

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

4. General Principles

Please note that the "Genaral Principles" on which our Valuation are based, are detailed in the single Valuation Reports; those principles are to be considered valid and applicable to the present the all valuation unless differently stated.

Every required Special Assumption will be detailed in the single Valuation Report of each property in order to guarantee a correct interpretation of the valuation results.

We would bring to your attention that, in the present Valuation Certificate, we refer to IGD SiiQ S.p.A. as the Client.

5. Source of Information

As per our agreement, we have carried out our analysis on the basis of the documentation and data provided by the Client and/or its appointed representatives. For the purposes of this valuation, we have assumed that the information provided to us are accurate and correct.

For completeness of information we report below the list of the documentation provided to us by the Client for the purposes of this valuation:

- Tenancy Schedules;
- Turnover figures (net of VAT) of each retail unit divided per year and per months for the years of 2014, 2015, 2016 and for the first 6 months of 2017 (Retail Gallery and Retail Park);
- Turnover figures (net VAT) of the Supermarket and Hypermarket divided per year for the years: 2015, 2016 and the first eight months of 2017;
- Non recoverable Landlord costs;
- Summary schedule of all additional income;
- Forecast turnover rent generated in 2017;
- Asset summary identification schedules.

We would like to bring to your attention that we have assumed that we are entitled to use and to elaborate the information and details provided to us for the purposes of the subject valuation exercise and to report them in the subject valuation report[1].

[1] We have assumed that the Client has obtained the necessary authorisations and has provided the third parties involved with the appropriate written communications in compliance with Privacy Law regulations.

6. Valuation method

We have analysed the subject property using an income based approach to value in form of the Discounted Cash Flow Method (DCF), The choice of methodology represents the likely basis of analysis to be used by a potential purchaser for this type of investment. The DCF method identifies the value of the asset by discounting the cash flows generated by the property in the holding period.

We have also based our analysis on a direct capitalisation model where the lease based incomes have been capitalised with an all risk yield in perpetuity. The choice of methodology represents the likely basis of analysis to be used by a potential purchaser for this type of investment. A ten year cash flow period has been adopted with the assumption that all payments are made monthly in advance whereas the terminal value at the end of the assumed ten year holding period is due annually in arrears. The Market Value was estimated on the basis of the analysis we conducted and the documentation provided.

7. Valuation

Please note that the sum of the Net Market Values of each subject property, listed in Section 1 ("Subject Properties"), is in the amount of €447,420,000, which corresponds to a total Gross Market Values of €461,489,700.

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

The subject report has been drawn up in good faith and at best of our knowledge on the basis of information made available to us and market conditions available at the valuation date.

Yours sincerely,

Pierre Marin MRICS
CEO Jones Lang LaSalle Spa

CBRE

CBRE VALUATION S.P.A.
Via del Lauro 5/7
20121 Milano
Tel +39 02 655 670 1
Fax +39 02 655 670 50

Milan, January, the 29th 2018

I.G.D.
Immobiliare Grande Distribuzione S.p.A.
Via Trattati Comunitari Europei 1957-2007, n.13
40127 Bologna (BO)

VALUATION CERTIFICATE

INTRODUCTION

Instruction

In accordance with our proposals 89/17 and 90/17 dated 4th May 2017 countersigned on 9th May 2017, we have determined the Market Value of operating Shopping Galleries, Hypermarkets office portions and plots of land owned by IGD SIIQ SpA as at 31th December 2017. The scope of work is to value on the basis of the Market Value the freehold interest in the Properties of the Portfolio for balance sheet purposes. The Portfolio is composed as follows:

Italian Portfolio:

ASSET CLASS	NAME	CITY
Shopping Gallery	ESP	Ravenna
Hypermarket	ESP	Ravenna
Shopping Gallery	CASILINO	Roma
Hypermarket	CASILINO	Roma
Shopping Gallery	CITTA' DELLE STELLE	Ascoli Piceno
Hypermarket	CITTA' DELLE STELLE	Ascoli Piceno
Shopping Gallery	LA TORRE	Palermo
Hypermarket	LA TORRE	Palermo
Shopping Gallery	TIBURTINO	Guidonia Montecelio
Hypermarket	TIBURTINO	Guidonia Montecelio
Shopping Gallery	PIAZZA MAZZINI	Livorno
Other	PALAZZO ORLANDO	Livorno
Trading	Porte a Mare	Livorno

Winmarkt Portfolio:

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

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

I. Addressees of the Report; or

RICS
CBRE VALUATION S.p.A. via del Lauro 5/7 20121 Milano
C.F./P. I.V.A. n. 04319600153 - cap. soc. € 500.000 i.v.
Società soggetta all'attività di direzione e coordinamento da parte della Società CBRE Ltd
Regulated by RICS
RICS

II. Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 6. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

Compliance with Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017 ("the Red Book").

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Moreover, our valuations are carried out in accordance with Title V, Chapter IV, Section II, Paragraph 2.5 criteria, included with the Bank of Italy Regulation dated January, 19th 2015 (Regolamento Banca d'Italia).

The property details on which each valuation is based are as set out in the valuation report of which this document is an extract.

Assumptions

We have carried out our work based upon information supplied to us by IGD SIIQ, which we have assumed to be correct and comprehensive. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. No special assumptions have been made for this Valuation.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. (or other companies forming part of the same group of companies within Italy from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Italian revenues.

Conflicts of Interest

We confirm that we have had no previous material involvement with the property, and that copies of our conflict of interest checks have been retained within the working papers.

Reliance and publication

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Sources of Information

We have carried out our work based upon information supplied to us by the Client, which we have assumed to be correct and comprehensive. Specifically, we have been provided with the details regarding:

- the leasing status of each unit at the date of valuation;
- the related turnover data and variable rent received;
- other eventual income related to temporary lettings;
- sales area and gross area, both related to existing assets or buildings under construction;
- property tax, insurance, service charges of each asset.

Inspections

As instructed, we have not re-inspected all the properties for the purpose of this valuation. For the purpose of this valuation exercise, we have inspected the following properties: Centro Esp, Casilino, Piazza Mazzini and Porta a Mare and all of the Winmarkt Portfolio.

With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their location, since the last inspection. We have assumed this advice to be correct.

Areas

We have not measured the property nor we have made check measurements, but as instructed, we have relied upon floor areas provided to us by di IGD SIIQ SpA, which we assume to be correct and comprehensive and which we understand have been calculated in accordance to best Italian market practices using the Gross Leasable Area (GLA).

The Gross Leasable Area (GLA) is defined as the amount of floor space available to be rented in a commercial property. It does not include portions which do not produce income for the property owner such us vertical connections (stairwells, lifts and landings), technical spaces, shafts, common spaces (lobby, meeting rooms).

Environmental Matters

We have not undertaken any environmental audit or other environmental investigation or soil survey.

We have not carried out any investigation into the past or present uses of the Property, nor of any neighboring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property.

We are unable, therefore, to give any assurance that the Property is free from defect.

Town Planning, Titles, Tenures and Lettings

We have not undertaken planning enquiries but have relied on information provided by the Owner.

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents.

We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

All Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions and comply with national regulations and have the benefit of permanent planning consents or existing use rights for their current use.

LIMITATIONS AND ASSUMPTIONS TO THE SUBJECT REPORT

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges. No legal, fiscal or financial aspects have been considered other than those explicitly quoted below.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

All measurements, areas and ages quoted in our report are approximate.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with RICS's definition of Market Rent.

Environmental Matters

In the absence of any information to the contrary, we have assumed that the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law; that any processes which are carried out on the Properties which are regulated by environmental legislation are

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properly licensed by the appropriate authorities; that the Properties possess current energy performance certificates as required under government directives.

VALUATION CRITERIA

The valuation of the assets in question has been performed on the basis of commonly used and accepted valuation criteria. Specifically, the criteria we applied to the different asset types are the following:

Shopping galleries and Hypermarkets:

- Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (typically 10 years), that refers to the lease contracts duration. At the end of this period, we assume that the property will be sold at a value obtained by capitalising the final year net income at a right market capitalisation rate relating to investments similar to that in question.

Land sites for new constructions or enlargement of the existing assets:

- Conversion/Transformation method, based on the discount, at the date of valuation, of the cash flows (deriving from rental incomes after completion of works) calculated over a period corresponding to the completion of works on the site in order to be fully operating, (cash flows are the results of the difference between incomes and costs) so the market value is the difference between the market value of the transformed area and the costs of development. At the end of this period, we assume that the property will be sold at a value obtained by capitalising the final year net income at an appropriate market capitalisation rate relating to investments similar to that in question, deducting costs required to the enlargement at valuation date.

Valuation Methodology

We have adopted the Discounted Cash Flow (DCF) method in preparing our valuation of the Market Value of the subject Property. The valuation has been based on a site inspection and our valuation inputs are based on local market evidence and practice (rent and current costs, demand and supply level, operators' expectations), which has been adjusted to relate to the specific characteristics of the Property.

Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 31th December 2017 is:

Euro 677,939,500
(Six Hundred Seventy-Seven Million, Nine Hundred Thirty-Nine Thousand, Five Hundred Euro/00)

exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.
Ref. 17-64VAL-0123, 17-64VAL-0166,

Davide Cattarin
(Managing Director)

For and on behalf of
CBRE Valuation Spa

Elena Gramaglia MRICS
(Director)
RICS Registered Valuer
For and on behalf of
CBRE Valuation Spa

LEGAL NOTICE

This Valuation Report (the "**Report**") has been prepared by CBRE Valuation S.p.A. ("**CBRE**") exclusively for IGD SIIQ S.p.A. (the "**Client**") in accordance with the terms of engagement entered into between CBRE and the addressee no. 89/2017 and 90/2017 dated 4th May 2017 countersigned on the 9th May 2017 ("the **Instruction**"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

i. 25% of the value of the property to which the Instruction relates on the date of the Instruction; or

ii. €10 million (Ten Million Euro); and

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

CBRE

CBRE

CBRE VALUATION S.P.A.
Via del Lauro 5/7
20121 Milano
Tel +39 02 655 670 1
Fax +39 02 655 670 50

Milan, January, the 29th 2018

I.G.D.

Immobiliare Grande Distribuzione S.p.A.
Via Trattati Comunitari Europei 1957-2007, n.13
40127 Bologna (BO)

VALUATION CERTIFICATE

INTRODUCTION

Instruction

In accordance with our proposals 89/17 and 90/17 dated 4th May 2017 countersigned on 9th May 2017, we have determined the Market Value of operating Shopping Galleries, Hypermarkets office portions and plots of land owned by IGD SIIQ SpA as at 31th December 2017.

The scope of work is to value on the basis of the Market Value the freehold interest in the Properties of the Portfolio for balance sheet purposes. The Portfolio is composed as follows:

Italian Portfolio:

ASSET CLASS	NAME	CITY
Shopping Gallery	ESP	Ravenna
Hypermarket	ESP	Ravenna
Shopping Gallery	CASILINO	Roma
Hypermarket	CASILINO	Roma
Shopping Gallery	CITTA' DELLE STELLE	Ascoli Piceno
Hypermarket	CITTA' DELLE STELLE	Ascoli Piceno
Shopping Gallery	LA TORRE	Palermo
Hypermarket	LA TORRE	Palermo
Shopping Gallery	TIBURTINO	Guidonia Montecelio
Hypermarket	TIBURTINO	Guidonia Montecelio
Shopping Gallery	PIAZZA MAZZINI	Livorno
Other	PALAZZO ORLANDO	Livorno

Winmarkt Portfolio:

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

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

I. Addressees of the Report; or

II. Parties who have received prior written consent from CBRE in the form of a reliance letter.

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 5. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

Compliance with Valuation Standards

The valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017 ("the Red Book").

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently.

Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Moreover, our valuations are carried out in accordance with Title V, Chapter IV, Section II, Paragraph 2.5 criteria, included with the Bank of Italy Regulation dated January, 19th 2015 (Regolamento Banca d'Italia).

The property details on which each valuation is based are as set out in the valuation report of which this document is an extract.

Assumptions

We have carried out our work based upon information supplied to us by IGD SIIQ, which we have assumed to be correct and comprehensive.

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. No special assumptions have been made for this Valuation.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Market Conditions

The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE Valuation S.p.A. (or other companies forming part of the same group of companies within Italy from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Italian revenues.

Conflicts of Interest

We confirm that we have had no previous material involvement with the property, and that copies of our conflict of interest checks have been retained within the working papers.

Reliance and publication

This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Sources of Information

We have carried out our work based upon information supplied to us by the Client, which we have assumed to be correct and comprehensive. Specifically, we have been provided with the details regarding:

- the leasing status of each unit at the date of valuation;
- the related turnover data and variable rent received;
- other eventual income related to temporary lettings;
- sales area and gross area, both related to existing assets or buildings under construction;
- property tax, insurance, service charges of each asset.

Inspections

As instructed, we have not re-inspected all the properties for the purpose of this valuation. For the purpose of this valuation exercise, we have inspected the following properties: Casilino, CentroEsp and Piazza Mazzini and all of Winmarkt portfolio.

With regard to those properties which have not been subject to re-inspection, you have confirmed that you are not aware of any material changes to the physical attributes of the properties, or the nature of their location, since the last inspection. We have assumed this advice to be correct.

Areas

We have not measured the property nor we have made check measurements, but as instructed, we have relied upon floor areas provided to us by di IGD SIIQ SpA, which we assume to be correct and comprehensive and which we understand have been calculated in accordance to best Italian market practices using the Gross Leasable Area (GLA).

The Gross Leasable Area (GLA) is defined as the amount of floor space available to be rented in a commercial property. It does not include portions which do not produce income for the property owner such us vertical connections (stairwells, lifts and landings), technical spaces, shafts, common spaces (lobby, meeting rooms).

Environmental Matters

We have not undertaken any environmental audit or other environmental investigation or soil survey.

We have not carried out any investigation into the past or present uses of the Property, nor of any neighboring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Property.

We are unable, therefore, to give any assurance that the Property is free from defect.

Town Planning, Titles, Tenures and Lettings

We have not undertaken planning enquiries but have relied on information provided by the Owner.

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents.

We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

All Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions and comply with national regulations and have the benefit of permanent planning consents or existing use rights for their current use.

LIMITATIONS AND ASSUMPTIONS TO THE SUBJECT REPORT

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No legal, fiscal or financial aspects have been considered other than those explicitly quoted below.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

All measurements, areas and ages quoted in our report are approximate.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with RICS's definition of Market Rent.

Environmental Matters

In the absence of any information to the contrary, we have assumed that the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law; that any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities; that the Properties possess current energy performance certificates as required under government directives.

CBRE

VALUATION CRITERIA

The valuation of the assets in question has been performed on the basis of commonly used and accepted valuation criteria. Specifically, the criteria we applied to the different asset types are the following:

Shopping galleries and Hypermarkets:

- Discounted Cash Flow analysis: based on the discounting back of the future cash flows generated by the property over a fixed holding period (typically 10 years), that refers to the lease contracts duration. At the end of this period, we assume that the property will be sold at a value obtained by capitalising the final year net income at a right market capitalisation rate relating to investments similar to that in question.

Valuation Methodology

We have adopted the Discounted Cash Flow (DCF) method in preparing our valuation of the Market Value of the subject Property.

The valuation has been based on a site inspection and our valuation inputs are based on local market evidence and practice (rent and current costs, demand and supply level, operators' expectations), which has been adjusted to relate to the specific characteristics of the Property.

Market Value

Upon the assumption that there are no onerous restrictions or unusual outgoings of which we have no knowledge, and subject to the "General Principles" and the specific comments and assumptions which are set out here and in the full valuation report, of which the subject certificate is an extract, we are of the opinion that the market value of the properties owned by IGD SIIQ SpA as at 31th December 2017is:

Euro 611,880,000
(Six Hundred Eleven Million Eight Hundred Eighty Thousand Euro/00)
exclusive of transfer costs and VAT.

Yours faithfully

CBRE VALUATION S.p.A.

Rif. 17-64VAL-0123, 17-64VAL-0166

Davide Cattarin
(Managing Director)

For and on behalf of
CBRE Valuation Spa

Elena Gramaglia MRICS
(Director)
RICS Registered Valuer
For and on behalf of
CBRE Valuation Spa

CBRE

LEGAL NOTICE

This Valuation Report (the "**Report**") has been prepared by CBRE Valuation S.p.A. ("**CBRE**") exclusively for **IGD SIIQ S.p.A.** (the "**Client**") in accordance with the terms of engagement entered into between CBRE and the addressee no. 89/2017 and 90/2017 dated 4th May 2017 countersigned on the 9th May 2017 ("the **Instruction**"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

CBRE's maximum aggregate liability to all parties, howsoever arising under, in connection with or pursuant to reliance upon this Report, and whether in contract, tort, negligence or otherwise shall not exceed the lower of:

i. 25% of the value of the property to which the Instruction relates on the date of the Instruction; or

ii. €10 million (Ten Million Euro); and

CBRE shall not be liable for any indirect, special or consequential loss or damage howsoever caused, whether in contract, tort, negligence or otherwise, arising from or in connection with this Report. Nothing in this Report shall exclude liability which cannot be excluded by law.

CBRE

CUSHMAN & WAKEFIELD

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cushmanwakefield.it

For translation purposes only – Italian version legally binding

TO:	**GRUPPO IGD**
ATTENTION:	**MR. ROBERTO ZOIA**
PROPERTY:	**REAL ESTATE PORTFOLIO**
REPORT DATE:	**23 JANUARY 2018**
VALUATION DATE:	**31 DECEMBER 2017**

1. INSTRUCTIONS

1.1 THE PROPERTIES

We are instructed to provide our opinion of Market Value of the portfolio including the following Properties:

GRUPPO IGD PORTFOLIO			
#	Location	Province	Property
1	Bologna	BO	Il Borgo
2	San Giovanni Teatino	CH	Centro D'Abruzzo
3	Faenza	RA	Le Maioliche
4	Cesena	FC	Lungo Savio
5	San Benedetto del Tronto	AP	Porto Grande
6	Rovereto	TN	Millennium
7	Rimini	RI	Fitness Rimini (Fitness Centre)
8	San Benedetto del Tronto	AP	Porto Grande (Terreno - sviluppo)
9	Bologna	BO	Ipercoop Il Borgo
10	San Giovanni Teatino	CH	Ipercoop D'Abruzzo
11	Lugo di Romagna	RA	Ipercoop Lugo Romagna
12	Pesaro	PU	Ipercoop CC Miralfiore
13	Cesena	FC	Iper Cesena
14	San Benedetto del Tronto	AP	Ipercoop CC Porto Grande
15	Schio	VI	Iper Schio
16	Faenza	RA	Ipercoop Le Maioliche
17	Rimini	RI	Ipercoop + Magazzino Rimini

Detailed reports relating to the Properties are enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-171231-01-ITA*.

IGD-GRUPPOIGD-CERTVALPERBILANCIO-171231-01-ENG

For translation purposes only – Italian version legally binding

1.2 PURPOSE OF VALUATION

We have been instructed to prepare this valuation for accounting purposes.

The subject Valuations are not intended to be *due diligence*. Therefore, it is likely that a potential buyer before proceeding with the purchase of the Properties may require further advice or clarification on such issues that may affect the Market Values which we have estimated. We recommend you to draw particular attention on the assumptions on which our valuations have been prepared.

1.3 COMPLIANCE WITH RICS "RED BOOK"

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards current at the date of the report (the "Red Book") by valuers conforming to its requirements, acting as external valuer.

1.4 DISCLOSURE OF CONFLICT OF INTEREST

We confirm that we have no conflict of interest in carrying out this assignment.

1.5 BASIS OF VALUATION

As per instruction and according to the RICS Valuation – Professional Standards, the valuation has been prepared on the basis of Market Value and Market Rent and adopts the following definitions contained in the Red Book:

MARKET VALUE

VS 3.2 defines the Market Value as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

MARKET RENT

VS 3.3 defines the Market Rent as follows:

"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".

1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter Ref: VAL/CLI/IGD-Portfolio2017-ConfIncarico-170419-01-mcl dated 19 April 2017 and relevant Company's acceptance, are enclosed to this report under Attachment II.

1.7 THIRD PARTY LIABILITY

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

1.8 VALUERS

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

2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

This valuation report and its contents are subject to the general Assumptions contained in our 'General Valuation Principles and Principal Terms and Conditions of Appointment as Valuers' as listed under Attachment I of this report.

This valuation is not subject to any Special Assumptions.

3. DATE OF VALUATION

The date of valuation is 31 December 2017.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-171231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the previous valuation dated 30 June 2017.

Our comments on the state of repair are limited to the state of maintenance which is visible from a cursory visit and they are not intended to be technical due diligence.

In particular, we did not have access to non-public areas and the roof which are assumed in good state of repair.

We have not measured the Properties nor carried out check-measurements but have relied on the GLAs that have been supplied to us. We assume that these have been calculated on an appropriate basis.

5. INFORMATION SUPPLIED

The Valuations were prepared on the basis of information that has been supplied to us by Gruppo IGD, which we have assumed to be complete and correct for our purposes.

Details on the information supplied for each Property is provided within the Full Property Reports *Ref. IGD-GruppoIGD-CertVal-171231-01-ITA*.

We have relied on the information supplied to us as being complete, updated and correct as we have not been instructed to carry out any due diligence activity.

6. GENERAL PRINCIPLES

Our valuations and their contents are subject to the general Assumptions contained in our 'General Valuation Principles' enclosed in the body of this report and to the terms stated in our proposal. We report below the main terms.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-171231-01-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-171231-01-ITA*, our valuations are on the basis that the Properties have been erected in accordance with a valid planning permission and are being occupied and used without any contravention.

According to our proposal, we have not investigated the presence of harmful or hazardous substances in the Properties. In the absence of information to the contrary, we based our valuations on the assumption that there are no such substances and that each Property has been properly built.

According to our proposal, we have not carried out technical surveys of the Properties nor verified the maintenance conditions of plants and machinery. In any case, our valuations take into consideration the information supplied to us and any defect which we have noted during our cursory visits to the Properties. However, our valuations are on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuations.

Should you be aware of any information contrary to the content of the subject paragraph, we recommend that this is referred back to us to enable us to amend our valuation accordingly.

7. VALUATION METHODOLOGY

In the following paragraph we provide a brief description of the methodology used to arrive at the Market Value of the Properties. For further details, please refer to the Full Valuation Reports *Ref. IGD-GruppoIGD-CertVal-171231-01-ITA*.

7.1 DCF ANALYSIS (DISCOUNTED CASH FLOW ANALYSIS)

This methodology takes into account the income generated by the lease contract/s in place for the Property, the annual costs to be borne by the Landlord (e.g. management fees, IMU property tax, insurance costs), the expenses relating to the extraordinary maintenance, the void period before the re-letting of the asset at market rental levels and the sale of the asset once it will be fully let at market rent. The assumed holding period is 10 years. The exit value of the Property is obtained capitalizing the net income of the year following the last year of the cash flow at a net yield that takes into account the specific features of the asset in the market (location, material characteristics, state of repair and letting status). The exit value is then reduced by the sales costs. The net cash flows are discounted using an appropriate discount rate which reflects the specific risk relating to the specific real estate investment and takes into considerations all the variables that have been assumed in the cash flow. The algebraic sum of the discounted cash flows represents the gross value of the Property from which, once deducted the purchaser's costs, we obtain the Market Value.

We wish to point out that there are no comparables of Discount Rates (especially considering that the choice of the discount rate to be applied depends on further factors which are not available, as data relating to investment transactions). Once we have estimated Market Value on the basis of the DCF method, the result is compared to the rent to check whether the initial yield would be consistent with those expectations of return that investors require for similar type of investments. Therefore, to support the result of our valuations, we use the Direct Capitalization methodology.

8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio and split as per your request, as at 31 December 2017, may fairly be estimated as:

€463,560,000
(Fourhundredsixtythreemillionfivehundredsixtythousand Euros)

The Properties have been valued on an individual basis. The sum of the Market Values of the single Properties does not represent the Market Value of the portfolio in its entirety.

More details are included in the Full Valuation Reports *Ref: IGD-GruppoIGD-CertVal-171231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €470,419,448.

9. CONFIDENTIALITY

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the whole or any part of its contents.

IGD-GRUPPOIGD-CERTVALPERBILANCIO-171231-01-ENG

For translation purposes only – Italian version legally binding

10. DISCLOSURE AND PUBLICATION

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Attachments that form part of this report:

ATTACHMENT I GENERAL VALUATION PRINCIPLES AND PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

ATTACHMENT II INSTRUCTION AND CONFIRMATION LETTER

CUSHMAN & WAKEFIELD

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cushmanwakefield.it

For translation purposes only – Italian version legally binding

TO:	**GRUPPO IGD**
ATTENTION:	**MR. ROBERTO ZOIA**
PROPERTY:	**REAL ESTATE PORTFOLIO (excluding buildable land)**
REPORT DATE:	**23 JANUARY 2018**
VALUATION DATE:	**31 DECEMBER 2017**

1. INSTRUCTIONS

1.1 THE PROPERTIES

We are instructed to provide our opinion of Market Value of the portfolio including the following Properties:

GRUPPO IGD PORTFOLIO			
#	Location	Province	Property
1	Bologna	BO	Il Borgo
2	San Giovanni Teatino	CH	Centro D'Abruzzo
3	Faenza	RA	Le Maioliche
4	Cesena	FC	Lungo Savio
5	San Benedetto del Tronto	AP	Porto Grande
6	Rovereto	TN	Millennium
7	Rimini	RI	Fitness Rimini (Fitness Centre)
8	Bologna	BO	Ipercoop Il Borgo
9	San Giovanni Teatino	CH	Ipercoop D'Abruzzo
10	Lugo di Romagna	RA	Ipercoop Lugo Romagna
11	Pesaro	PU	Ipercoop CC Miralfiore
12	Cesena	FC	Iper Cesena
13	San Benedetto del Tronto	AP	Ipercoop CC Porto Grande
14	Schio	VI	Iper Schio
15	Faenza	RA	Ipercoop Le Maioliche
16	Rimini	RI	Ipercoop + Magazzino Rimini

More details relating to the Properties are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-171231-01-ITA*.

1.2 PURPOSE OF VALUATION

We have been instructed to prepare this valuation for accounting purposes.

The subject Valuations are not intended to be *due diligence*. Therefore, it is likely that a potential buyer before proceeding with the purchase of the Properties may require further advice or clarification on such issues that may affect the Market Values which we have estimated. We recommend you to draw particular attention on the assumptions on which our valuations have been prepared.

1.3 COMPLIANCE WITH RICS "RED BOOK"

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards current at the date of the report (the "Red Book") by valuers conforming to its requirements, acting as external valuer.

1.4 DISCLOSURE OF CONFLICT OF INTEREST

We confirm that we have no conflict of interest in carrying out this assignment.

1.5 BASIS OF VALUATION

As per instruction and according to the RICS Valuation – Professional Standards, the valuation has been prepared on the basis of Market Value and Market Rent and adopts the following definitions contained in the Red Book:

MARKET VALUE

VS 3.2 defines the Market Value as follows:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

MARKET RENT

VS 3.3 defines the Market Rent as follows:

"The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".

1.6 CONFIRMATION OF TERMS OF ENGAGEMENT

Our confirmation letter Ns Ref: VAL/CLI/IGD-Portfolio2017-ConfIncarico-170419-01-mcl dated 19 April 2017 and relevant Company's acceptance, are enclosed to this report under Attachment II.

IGD-GRUPPOIGDNOSVILUPPI-VALCERTPERBILANCIO-171231-01-ENG

For translation purposes only – Italian version legally binding

1.7 THIRD PARTY LIABILITY

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

1.8 VALUERS

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

2. ASSUMPTIONS & SPECIAL ASSUMPTIONS

This valuation report and its contents are subject to the general Assumptions contained in our 'General Valuation Principles and Principal Terms and Conditions of Appointment as Valuers' attached.

This valuation is not subject to any Special Assumptions.

3. DATE OF VALUATION

The date of valuation is 31 December 2017.

4. INSPECTIONS

As described in the relevant valuation reports enclosed under Attachment I of *Ref: IGD-GruppoIGD-CertVal-171231-01-ITA*, all Properties were inspected both internally and externally during the site visits carried out for the previous valuation dated 30 June 2017.

We inspected the Properties as stated in the relevant Full Property Reports. Our comments on the state of repair are limited to the state of maintenance which is visible from a cursory visit and they are not intended to be technical due diligence.

In particular, we did not have access to non-public areas and the roof which are assumed in good state of repair.

We have not measured the Properties nor carried out check-measurements but have relied on the GLAs that have been supplied to us. We assume that these have been calculated on an appropriate basis.

5. INFORMATION SUPPLIED

The Valuations were prepared on the basis of information that has been supplied to us by Gruppo IGD, which we have assumed to be complete and correct for our purposes.

Details on the information supplied for each Property is provided within the Full Property Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-171231-01-ITA*.

IGD-GRUPPOIGDNOSVILUPPI-VALCERTPERBILANCIO-171231-01-ENG

For translation purposes only – Italian version legally binding

We have relied on the information supplied to us as being complete, updated and correct as we have not been instructed to carry out any due diligence activity.

6. GENERAL PRINCIPLES

Our valuations and their contents are subject to the general Assumptions contained in our 'General Valuation Principles' enclosed in the body of this report and to the terms stated in our proposal. We report below the main terms.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-171231-01-ITA*, our valuations assume the Properties are effectively freehold. We have assumed that the Properties have a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances.

Should the lease contracts contemplate a pre-emption right in favor of the tenant, our valuations are based on the assumption that this right does not have any impact on our estimate of the Market Value of the Property.

Unless otherwise stated in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-171231-01-ITA*, our valuations are on the basis that the Properties have been erected in accordance with a valid planning permission and are being occupied and used without any contravention.

According to our proposal, we have not investigated the presence of harmful or hazardous substances in the Properties. In the absence of information to the contrary, we based our valuations on the assumption that there are no such substances and that each Property has been properly built.

According to our proposal, we have not carried out technical surveys of the Properties nor verified the maintenance conditions of plants and machinery. In any case, our valuations take into consideration the information supplied to us and any defect which we have noted during our cursory visits to the Properties. However, our valuations are on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuations.

Should you be aware of any information contrary to the content of the subject paragraph, we recommend that this is referred back to us to enable us to amend our valuation accordingly.

7. VALUATION METHODOLOGY

In the following paragraph we provide a brief description of the methodology used to arrive at the Market Value of the Properties. For further details, please refer to the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-171231-01-ITA*.

7.1 DCF ANALYSIS (DISCOUNTED CASH FLOW ANALYSIS)

This methodology takes into account the income generated by the lease contract/s in place for the Property, the annual costs to be borne by the Landlord (e.g. management fees, IMU property tax, insurance costs), the expenses relating to the extraordinary maintenance, the void period before the re-letting of the asset at market rental levels and the sale of the asset once it will be fully let at market rent. The assumed holding period is 10 years. The exit value of the Property is obtained capitalizing the net income of the year following the last year of the cash flow at a net yield that takes into account the specific features of the asset in the market (location, material characteristics, state of repair and letting status). The exit value is then reduced by the sales costs. The net cash flows are discounted using an appropriate discount rate which reflects the specific risk relating to the specific real estate investment and takes into considerations all the variables that have been assumed in the cash flow. The algebraic sum of the discounted cash flows represents the gross value of the Property from which, once deducted the purchaser's costs, we obtain the Market Value.

We wish to point out that there are no comparables of Discount Rates (especially considering that the choice of the discount rate to be applied depends on further factors which are not available, as data relating to investment transactions). Once we have estimated Market Value on the basis of the DCF method, the result is compared to the rent to check whether the initial yield would be consistent with those expectations of return that investors require for similar type of investments. Therefore, to support the result of our valuations, we use the Direct Capitalization methodology.

8. MARKET VALUE

Subject to the contents of this report we consider that the Market Value (net of purchaser's costs) of the Properties forming part of the portfolio (excluding buildable land and development project) and spilt as per your request, as at 31 December 2017, may fairly be estimated as:

€460,610,000
(Fourhundredsixtymillionsixhundredtenthousand Euros)

The Properties have been valued on an individual basis. The sum of the Market Values of the single Properties does not represent the Market Value of the portfolio in its entirety.

More details are included in the Full Valuation Reports *Ref. IGD-GruppoIGDNoSviluppi-CertVal-1701231-01-ITA*.

As per your request we report the Value gross of purchaser's costs, which is equal to €467,426,271.

9. CONFIDENTIALITY

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the whole or any part of its contents.

10. DISCLOSURE AND PUBLICATION

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Attachments that form part of this report:

ATTACHMENT I GENERAL VALUATION PRINCIPLES AND PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

ATTACHMENT II INSTRUCTION AND CONFIRMATION LETTER

DUFF & PHELPS
Real Estate Advisory Group

Agrate Brianza, 29 January 2018
Ref. n° 21222,01 – 21199,01

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 December 31st, 2017 of a real estate portfolio consisting of n. 11 real estate assets intended for commercial use and n.1 real estate asset under development, located on the Italian territory and n. 6 real estate assets located on the romanian territory, indicated as owned by GRUPPO IGD S.p.A.**

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 oder to determine the market value as of December 31st, 2017.

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.

Duff & Phelps REAG SpA a socio unico
Direzione Generale
Centro Direzionale Colleoni
Palazzo Cassiopea 3
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Tel. +39 039 6423.1
Fax +39 039 6058427

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Capitale Sociale € 1.000.000,00 i.v
R.E.A. Milano 1047058.
C.F. / Reg. Imprese / P. IVA 05881660152
REAGinfo@duffandphelps.com

DNV·GL
ISO 9001

DUFF & PHELPS
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 appropriate lease terms, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". (Valuation Standard RICS, January 2014).

Valuation criteria

Valuations Asset by Asset of the entire portfolio have been carried out considering the conditions set out in drafts of leases and rent of business unit and individual "rent roll" provided by the Ownership, reflecting the rental situation as of December 2017.

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;

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

REAG moreover:

- Carried out site inspections on the Properties of Bologna (real estate property under development), Gravina di Catania (Shopping Center "Katané") and Ferrara (Darsena City), 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 informations 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.

DUFF & PHELPS
Real Estate Advisory Group

Given the above considerations

It is our opinion that, as of December 31st, 2017, the **Market Value** of the subject Properties can reasonably be expressed as follows:

Euro 618.380.000,00
(Euro Six hundred eighteen million three hundred and eighty thousand/00)

Agrate Brianza, 29 January 2018
Ref. n° 21222,01 - 21199,01

Duff & Phelps REAG S.p.A.

Performed by:
Gianluca Molli
Project Manager

Supervised and coordinated by:
Savino Natalicchio
Director Real Advisory & Val. Dept

Simone Spreafico
Managing Director Advisory & Valuation Dept.

Work Team:

The performance of the valuation and drafting of the Report was managed by:
Simone Spreafico - Managing Director Advisory&Valuation Dept.

with the supervision of and control by:
Savino Natalicchio - Director Retail, Advisory & Valuation Dept

and collaboration of:
Gianluca Molli – Associate Director Retail Advisory & Valuation Dept,
Cinzia Previtali – Senior Associate Retail Advisory & Valuation Dept,
Camillo Bucciarelli – Senior Associate Retail Advisory & Valuation Dept,
Vittoria Rossi – Analyst Retail, Advisory & Valuation Dept,
Adele Lombardi – Senior Advisor,
Antonio Aledda – Senior Advisor

R&D Reag – Market Analisys

Micaela Beretta – Editing

Site inspections was carried out by Camillo Bucciarelli and Vittoria Rossi.

Duff & Phelps
Real Estate Advisory Group

Agrate Brianza, 29 January 2018
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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).

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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 of Gravina di Catania (Shopping Center "Katané") and Ferrara (Darsena City), 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 informations already known.

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- 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

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environmental contamination resulting from earthquakes or other causes;

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Report content

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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;
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- Performance of proper market researches;
- Technical-financial elaborations;

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

DUFF & PHELPS
Real Estate Advisory Group

Given the above considerations

It is our opinion that, as of December 31st, 2017, the **Market Value** of the subject Properties can reasonably be expressed as follows:

Euro 616.380.000,00

(Euro Six hundred six million three hundred and eighty thousand/00)

Duff & Phelps REAG S.p.A.

Performed by:
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2.8
THE SIIQ REGULATORY ENVIRONMENT

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.
Taking into account the amendments called for in the above mentioned law decree n. 133 dated 12 September 2014, the 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 by-laws 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 third of the years considered.

Ownership requirements
- 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 2% of the dividend rights, the so-called **"Float requisite"**

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 in the STAR segment.

Based on the parent company's financial statements at 31 December 2017, similar to year-end 2016, 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 by-laws 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 by-laws 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 by-laws that: *"the maximum permitted financial leverage, at a company or group level, is 85 percent of equity".*
Financial leverage, either at the group or single 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 2016, as resolved in previous years, during the AGM held on 12 April 2017 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 €36,587,053.40, stemming from: *(i)* for €21,856,292.65 exempt operations and *(ii)* for €14,730,760.75 capital reserves.
On 1 April 2017 the merger by incorporation of the wholly owned subsidiaries Igd Property SIINQ S.p.A. and Punta di Ferro SIINQ S.p.A. in IGD SIIQ S.p.A. was completed.
Igd Property SIINQ S.p.A. exercised the option to be treated under the special regime as of 1 January 2013.
On 23 March 2017 the sole shareholder resolved to distribute a total dividend of €8,339,400 for FY 2016 to be distributed entirely from the distributable income generated by exempt operations. The income distributed stems entirely from exempt operations and represents not less than 70% of the distributable income generated by exempt operations in accordance with the current law governing SIINQs.
Punta di Ferro SIINQ S.p.A exercised the option to be treated under the special regime as of 1 January 2016.
On 23 March 2017 the sole shareholder resolved to distribute a total dividend of €4,074,207.25 for FY 2016 to be distributed entirely from the distributable income generated by exempt operations. The income distributed stems entirely from exempt operations and represents not less than 70% of the distributable income generated by exempt operations in accordance with the current law governing SIINQs.

2.9

ORGANIZATION AND HUMAN RESOURCES

In 2017 the IGD Group increased the number of its employees from 123 to 130 as a result of network expansion (1 extension and a new mandate for shopping center management) and consolidation of corporate functions.
The workforce at Winmarkt was basically stable, without any significant changes in the year.

→ Organizational structure

in 2017, in addition to the extension of the ESP Shopping Center in Ravenna, the Italian commercial network also obtained a new mandate for the management of a new mall, namely the LeBolle Shopping Center in Eboli. At headquarters work was done to guarantee a stable organization and manage turnover.
There were no significant changes in the organizational structure at the Winmarkt Group.

→ Staff and turnover

The staff increased by 7 heads.
The importance attached to job security was demonstrated by the number of indefinite contracts which came to 95% of the total. The number of fixed term contracts increased (+2). As a result of the resignation of 3 employees (two linked to retirement) with indefinite contracts, the turnover rate was in line with last year (2.5%).

Welfare

With a view to providing helpful tools which can be used by all employees, in April 2017 IGD launched the Welfare Portal which gives employees access to a vast range of benefits and services as part of the Corporate Welfare Plan.
With the exception of executives, corporate welfare is provided to all permanent employees who receive in-house benefits (the same amount is provided to full and part time employees) which can be used during the year by using their personal password to access the portal. The benefits offered include:

Daycare	Sports and gyms
Summer camps and after school program	Travel
University tuition	Courses and training
Books and school materials	Health and wellbeing
Homecare	Cultural initiatives and shows
Preschool, primary and secondary schools	*Newspapers and magazines*
	Health insurance
Purchases and shopping	Medical expenses

In addition, the Portal also provides information about all the welfare initiatives instituted by IGD over time as per the National Labor Contract, the Supplementary Corporate Contracts and the Positive Actions Protocol.
By monitoring the Portal, it's possible to continuously assess the employees' level of satisfaction with the new tool and find ways to enhance or change the services offered, as well as improve access. Currently the services offered under the headings "Family" and "Health, Wellbeing and Culture" have been the most popular. Satisfying results were recorded at the end of the year: 99% of the employees completely or partially used their benefits and more than 98% of the budget was utilized.

IGD GROUP ITALY AT 31/12/2017	EXECUTIVES	MIDDLE MANAGERS	JUNIOR MANAGERS	CLERKS	OF WHICH FIXED TERM	TOTAL	PERCENTAGE
MEN	5	13	30	10	(2)	58	45%
WOMEN	1	7	27	37	(5)	72	55%
TOTAL	**6**	**20**	**57**	**47**	**(7)**	**130**	
Percentage	5%	15%	44%	36%		100%	100%
Percentage of total employees					(6%)		

TURNOVER ITALY 2017 (including fixed term resources)	HIRES	RESIGNATIONS	DIFFERENCE
Managers	1	0	0
Middle managers	0	0	0
Junior managers	5	-3	2
Clerks	6	-1	5
TOTAL	**11**	**-4**	**7**

CORPORATE WELFARE SERVICES USED

WINMARKT GROUP ROMANIA AT 31/12/2017	EXECUTIVES	MIDDLE MANAGERS	JUNIOR MANAGERS	CLERKS	OF WHICH FIXED TERM	TOTAL	PERCENTAGE
MEN	0	3	12	2		17	37%
WOMEN	0	2	6	21	(1)	29	63%
TOTAL	**0**	**5**	**18**	**23**		**46**	
Percentage	0%	11%	40%	49%		100%	100%
Percentage of total employees					(2%)		

TURNOVER ROMANIA 2017	HIRES	RESIGNATIONS	DIFFERENCE
Managers	0	0	0
Middle managers	0	0	0
Junior managers	0	2	-2
Clerks	2	1	1
TOTAL	**2**	**3**	**-1**

98% of the employees have indefinite contracts. The decrease compared to last year (100%) is attributable to the mandatory retirement of one employee.

→ Compensation policies and professional development

68 employees or 52% of the full-time staff were involved in the yearly personnel evaluations and 10 merit based pay raises were granted (15% of the employees considered). In addition to the 4 career paths which ended with employees being promoted effective January 2017, 9 career paths begun in 2016 and 2 begun in 2015 were terminated, while 3 new ones were begun, 2 of which ended with promotions, one in July and one in December 2017, effective January 2018.
In order to promote the growth and development of resources within the Winmarkt Group, in 2017 four merit based pay raises were granted (for having achieved targets/seniority) and 1 new position was created (new Asset Account).

→ Training

In 2017 the training offered by the IGD Group was focused on refresher courses and strengthening the specialized technical expertise in order to support specific company operations. The training provided during the year involved the following activities:

Marketing plan: program launched in 2016 and concluded in 2017 which aimed to structure a new method for preparing marketing plans for all shopping centers, with a particular focus on monitoring tools and the relative control;

English: courses were offered to a group comprised of an increasingly large number of people and not just to managers;
Refresher/advance courses in regulations – specializations for single divisions;
Safety:
- general training for new hires;
- periodic updates, in accordance with regulations, for the workers' safety representatives;
- specific fire safety and refresher courses for 25 network employees;

Welfare: training on the use of the portal for all employees.
In 2017 124 employees or 95% of the total were involved in at least one training course. A total of 1,861 hours of training was offered for a total cost of approximately €44,451.

Training within the Winmarkt Group focused on:
- 3 commercial/technical /administrative workshops;
- the real estate market: seminars on the latest international and local real estate market trends and developments, including relating specifically to the retail sector;
- professional refresher courses: training courses focused on individual professional development and growth for the members of the commercial/marketing and administrative departments;
- motivational/professional team building for the entire staff (network and headquarters);
- corporate social responsibility: Winmarkt's first sustainability report was presented during the annual convention; IGD's Sustainability Committee, assisted by local resources, examined these topics with all the Romanian employees in order to increase awareness.

In 2017 100% of the company employees participated in the training offered. A total of 982 hours of training was provided for a total cost of approximately €23,000.

2.10
OUTLOOK

In 2018 the Company expects to continue along its growth path with higher revenue driven by the like-for-like perimeter and the full year contribution of the ESP extension in Ravenna.
The Company foresees that the acquisition of the 4 businesses and the capital increase will be completed, as forecast, in the first half of 2018.
In this context, the Company estimates growth in FFO in a range of between + 18% to + 20%.

2.11
IGD SIIQ SPA'S AND THE GROUP'S PRIMARY RISKS AND UNCERTAINTIES

In the future the Group's earnings and financial situation could be influenced by a series of risk factors.
In order to systematically assess and monitor its risks, IGD SiiQ SpA implemented an Enterprise Risk Management (ERM) system which conforms to the highest international standards and the COSO framework (promoted by the Committee of Sponsoring Organizations of the Treadway Commission). This system provides a systematic approach to identifying the primary corporate risks, making it possible to assess the potential negative effects in advance and organize control mechanisms. The ERM model used also makes it possible to test different risk scenarios with a view to assessing the total risk appetite.
The Company monitors the different risks in light of the strategic, operational and financial goals, as well as compliance, using a model based on Key Risk Indicators, which assists management in assessing the level of exposure.
The primary risks that IGD faces and manages are listed below.

1. Strategic risks

→ 1.1 Risks associated with change in the macro and micro economic scenarios or consumer trends

Risk factors:
- change in growth rates;
- inflation;
- change in consumer volumes and trends;

which could negatively impact the Group's revenue and the value of its assets.

Risk management:
Periodically the Company monitors the Italian economic situation, particularly when defining or updating the Business plan or annual budget. The analyses include a study of Italy's principal macroeconomic indicators (GDP, consumption, family income, inflation, etc.).
While these studies are being conducted, the Company also carries out in depth analyses of the competition: the Company monitors the performance of the main competitors and peers as part of specific initiatives or when the Business Plan or the Budget are presented by examining the most important economic, financial and performance indicators.
When a new shopping center/location is opened the Company normally, including with the help of specialized professionals, completes economic and geomarketing studies of the catchment area involved in order to have a complete vision of the specific market that the Company will be entering and doing business in.
Great attention is also paid to the tenants' results. Management carefully monitors the sales statistics and the indicators that could point to any problems the tenants might be experiencing, paying particular attention to the impact that contract renegotiations could have on the clients: the steps taken to support the retailers and any operational changes are shared with the Commercial Division and are, at any rate, subject the budget approved by the Board of Directors.
The positioning with respect to the targets for each shopping center is monitored, as well as any changes that are made to the merchandising mix/tenant mix during the renewal phase, expansion and remodeling.
The Company also carefully analyses the merchandising mix in order to understand the relationship between services which cannot be replicated, like e-commerce, and the traditional retailers, like restaurants and personal services.
In the prior year controls for this type of risk were also subject to monitoring as part of the Group's enterprise risk management system based on which a sensitivity analysis was conducted relating to possible changes in the assumptions underlying the plan.
With regard to the Romanian market, over the years the Company has carried out extraordinary maintenance, in addition to work on revised layouts and fit outs in order to introduce new tenants (both national and international), increase the shopping centers' appeal, respond to the actions taken by competitors and meet customers' new needs.

→ 1.2 Loss of asset value

Risk factors:
- Exogenous factors
- Global economic crisis
- Changes in the domestic/international market which results in a significant devaluation of the asset portfolio

Risk management:
The shopping centers are located throughout the country which reduces the exposure to risks connected to regional phenomenon.
The analysis of sales figures, along with the monitoring of

commercial dynamics, receivables, renegotiations, traffic volume, support of the independent expert with the appraisal of the assets, help the management spot signs that changes are taking place in the retail real estate market.
Periodically the Company also runs sensitivity analyses involving the valuations of the portfolio assets in order to constantly monitor the effects that changes due to changes in the global economic environment on the discount or cap rate or revenue would have on the value of the assets. The controls for this type of risk were also monitored as part of the Group Enterprise Risk Management initiative.

→ 1.3 Country risk

Risk factors:
The risk pertains to investments made in the companies operating in Romania, in relation to the following events:
- changes in the Country's market conditions;
- geopolitical problems in the Country;
- change in the Country's growth rates;
- inflation within the Country;
- change in the Country's consumer trends and volumes;
- third party restitution claims requesting the return of real property;

which could have an impact on revenue and on the value of the Group's assets.

Risk management:
IGD's Romanian portfolio is spread out throughout the country; the 15 assets, an office building and 14 shopping centers, are found in 13 midsize cities. This makes it possible to diversify the risks linked to consumer volatility, while the fact that the centers are centrally located helps to minimize risk of decreased consumption which could affect the outlying shopping areas.
Top Management of the Romanian subsidiaries monitors the country's economic trends constantly, verifying that the principal indicators of economic and political stability (interest rates, the political scenario, implementation of EC subsidies and the local regulatory environment) are stable and that no problems for IGD's business have developed. The Company maintains relationships with the financial and business community, with institutional bodies, as well as local and international chambers of commerce and specialized external consultants, in order to increase the information it has access to and the understanding of the local market.
The management of WinMarkt also uses structured tools to monitor dynamics of the local competition.
The Company has also adopted a commercial strategy designed to improve the quality of the tenants by selecting high profile international partners. In 2017 the Company continued with its strategy to attract international tenants resulting in the introduction of new retailers and the opening of new retail spaces for retailers with whom the Company already has a contractual relationship.
As part of the Enterprise Risk Management project, the Company implemented a structured risk management program based on risk indicators relative to the local competitive environment.
With regard to third party restitution claims, please note that the statute of limitations for filing such claims has run. The Group, however, stipulated a "Title Insurance" policy to protect against risks linked to this type of claim in order to protect the value of the assets held in Romania.

→ 1.4 Risk – Return on the non-retail development projects fails to meet expectations (ex. "Porta a Mare" Project)

Risk factors:
The risk pertains to the non-retail development initiatives (ex. "Porta a Mare" Project) and relates to the following events:
- delay in/failure to sell non-retail sections;
- delays in starting work;
- possible writedown of the assets;

which could have an impact on revenue and on the value of the Group's assets.

Risk management:
The Company avails itself of independent experts who every six months appraise the fair value of the different "Porta a Mare" initiatives underway (retail, services, residential, temporary residences, parking and garages).
The risk associated with delays in the work scheduled for the Officine section is constantly monitored by the Director of Asset Management and Development, the director charged with managing relationships with public entities and the Chairman of Porta Medicea S.r.l. by way of the technical personnel on the field and contact with the construction companies and Livorno's municipal administration in order to have timely access to information that could affect the project's development.
As part of the Enterprise Risk Management project in 2017, and in the prior year, a scenario analysis was conducted in order monitor the impact of this risk on the Company's Business Plan.

2. Operational risks

→ 2.1 Risk – Inadequate planning and positioning/ merchandise/tenant mix which do not meet expectations

Risk factors:
- the shopping center fails to attract the target customers found in the catchment area;
- merchandising mix does not meet the needs of the customers in the catchment area;
- tenant mix does not meet the needs of the customers in the catchment area;

which could impact sales and the ability of the tenants to fulfill their contractual obligations with IGD.

Risk management:
The Company's commercial divisions and operational units evaluate the planned positioning in order to limit the risks connected to tenant and merchandising mixes which fail to meet the needs of each shopping center's potential customers.

The commercial planning is carried out by the Commercial Division based on the objectives shared with the Company and in accordance with internal procedures. The Company constantly monitors, including through the use of the updated internal sales data, the tenants' sales and the vacancy rates. All of the commercial choices made respect the policy defined by the Commercial Division and any atypical allocation of the space must be approved by the Commercial Division. Toward this end the Commercial Division meets periodically in order to coordinate and check the steps taken in the region.
A tenant mix that meets qualitative standards is defined based on an assessment of the shopping center's location and a survey conducted, including with the support of specialized professionals, of the center's intrinsic characteristics and an evaluation of the region.
The Company also strengthened its ability to process data by creating a specific position within the organization which guarantees a more detailed flow of information and allows for targeted commercial policies on different levels: shopping center, tenants, merchandise. Periodically the Company also conducts surveys of customers and tenants over the phone and in the centers in order to assess the level of customer satisfaction with the services offered and the events organized.

→ 2.2 Credit risk

Risk factors:
- client default;
- credit recovery problems.

Risk management:
The tenants are subject to pre-contractual selection based on parameters linked to the business's financial soundness and P&L forecasts.
The analyses of potential clients are done with the help of specialized consultants and focus on understanding potential risks for the Company. Monthly analyses are also done in order to assess the level of risk associated with each tenant and to monitor solvency.
All clients must guarantee their contractual obligations with sureties and/or security deposits. The Company constantly monitors the contractual relationship to ensure that the contractual obligations are being respected and in the event of default the company follows the internal procedures for credit management; in a few instances, involving well-known tenants, remedial measures may be taken. The credit positions of current and new tenants are constantly monitored through the use of a specific program which makes it possible to assess the credit history of each tenant, the level of risk associated with each tenant and the degree of solvency; this analysis is conducted each quarter, but monitored daily in order to constantly manage the measures taken or that need to be taken in terms of debt collection. The Commercial Division also prepares periodic reports on credit collection for the control bodies and processes statistics that are shared with the Legal and Corporate Affairs Division.
The ERM model used also calls periodic monitoring in order to assess the adequacy of the risk management measures in place with respect to the actual level of risk.

→ 2.3 Contract risk

Risk factors:
- problems managing the contractual relationship with tenants;
- Increased costs or loss of income.

Risk management:
The Company conducts preliminary evaluations of potential tenants, referring also to third party credit analyses through the Lince system.
Guarantees in the form of sureties and security deposits are also requested once the agreement has been finalized.
La Company constantly monitors the relationships with its tenants through constant control of any breaches or violations of the agreements by the retailers and the Commercial Division's regional supervision.
The Commercial Division is constantly in touch with the tenants by telephone, through meetings, including at headquarters, and any critical situations are analyzed to determine the steps that need to be taken. Each tenant is subject to selection based on parameters linked to financial solidity and the economic prospects of the business and credit history.
The Company, furthermore, uses standard rent/lease agreements that may be revised/amended based on the conditions agreed upon with the tenant; if need be the Company may avail itself of outside consultants or the internal legal department in order to define specific contractual clauses.

→ 2.4 Pre-letting risk

Risk factors:
- chance that the forecast level of vacancy at shopping centers is not reached,

which could impact both revenue and the value of the Group's assets.

Risk management:
The Company controls pre-letting risk through promotional activities and incentive schemes involving current and potential tenants.
Intense public relations activities are carried out with the tenants in order to ensure that the space is let and investments are made in promotional activities and launches.
The surface coverage ratios are constantly monitored throughout the management and life of a shopping center.
The commercial team is comprised of highly experienced sector professionals who work to reach the Group's objectives in terms of revenue and filling vacant space.
As part of its daily activities, the Commercial Division analyses the occupancy rates of the different shopping centers and determines any steps that need to be taken to reach a vacancy rate that is close to zero. The company invests constantly in capex with a view to increasing the quality and appeal of the properties (including by changing layouts), meeting the tenants needs, as well as any changes in market conditions.
The Business Plan 2015-2018 calls for investments in Restyling and extensions of the prime centers based on the commercial objectives to maintain maximum appeal and address the needs connected to new consumer trends.

The vacancy in shopping centers fell thanks also to the entertainment and activities offered in the centers in order to increase center traffic.

→ 2.5 Risks associated with natural disasters (i.e. earthquakes, floods, fires) or damages caused by third parties and third party liability

Risk factors:
- natural disasters (for example, floods, earthquakes, etc.);
- catastrophic events (for example, fires);
- damages caused by third parties;
- damages incurred by third parties in the course of business or related activities;

which could impact the value of the Group's assets or cash flow.

Risk management:
Given the type of business and its unique portfolio, the Company has taken out All Risk policies with a primary sector insurance company based on which each shopping center has annual coverage.
Based on the Group's risk management policy vis-à-vis damage to assets, each consortium of tenants and/or owners must stipulate its own All Risk policy with an insurance company.
With regard to third party liability, the insurance covers civil damages for which the Company may be liable in the event an accident should occur during the normal course of business and related activities, including ownership, rental and management of property and moveable assets. The consortia, the Sales & Marketing, Network Management and Asset Management and Development Divisions all constantly check the quality and maintenance of the properties in order to understand if further steps must be taken to limit risk.
The Company's policy is to invest significantly in the maintenance and quality of its properties. When renewing the insurance for its buildings, the Company added and/or changed coverage as needed. A dedicated appraiser once also assigned to monitor the appraisals of damages to buildings in order to ensure consistency in any investigations and faster settlement of any claims. The Company also developed a procedure for the updating and monitoring of outstanding claims on a quarterly basis.
In light of the growing attention paid to earthquakes as result of the recent natural disasters that occurred in Italy, the Country is carrying out further studies of the potential risk factors and assessing whether changes should be made to controls and insurance coverage.

3. **Compliance risk**

→ 3.1 Liability pursuant to Legislative Decree 231/01

Risk factors:
- sanctions associated with corporate liability for crimes committed pursuant to Legislative Decree 231/01.

Risk management:
The Company adopted the "Model for organization, management and control" pursuant to Legislative Decree. 231/01 which defines the guidelines, rules and conduct that should govern the company's activities and which must be complied with in order to minimize the risk that the crimes referred to in Legislative Decree. 231/01 are committed, and which ensures maximum transparency and fairness in the company's business dealings.
When Legislative Decree. 231/01 took effect, the Company also prepared a Code of Conduct applicable to all IGD employees, without exception, who must ensure that they perform their duties in accordance with the standards included in the Code.
Toward this end, pursuant to this decree the Supervisory Board verifies adoption of the protocols called for and avails itself of a specialized consultant to monitor compliance with the Model.
The Supervisory Board constantly updates and amends the Model to ensure that it complies with the law and that it adequately reflects the Group's organizational and business structure.
As of 2014, following the introduction of new offences relating to corruption, each year top management signs statements attesting to the lack of any conflicts of interest.
The Company updated the market procedures approved by the Board of Directors and shared with the Supervisory Board.
The Control and Risk Management Committee used the ERM system to monitor seismic risk constantly in 2017, including with regard to the impact this risk could have on safety and health related liabilities.

→ 3.2 Regulatory risk associated with being a listed company (Consob, Borsa)

Risk factors:
- Sanctions for violations of the regulations issued by the stock exchange and regulatory agencies relating to companies with financial instruments traded on a regulated market.

Risk management:
The Company pays great attention to the norms and regulations governing listed companies.
More in detail, Corporate & Legal Affairs and Investor Relations work to comply with the norms and regulations issued by the stock exchange and the regulatory agencies, while also organizing the disclosure of any information to the market. This process, which calls for the close collaboration of the internal divisions involved in compiling, checking and disclosing data and information regarding the company's administration, accounts and operations, is done in accordance with internal procedures and under the supervision of

the Chief Executive Officer and the Financial Reporting Officer.
The market rules and regulations are constantly monitored in order to understand the possible ramifications for the Company. Toward this end, the Company updated the market procedures in order to comply with the MAR (the Market Abuse Regulation).
The Legal and Corporate Affairs Division also avails itself of a timetable relative to financial reporting requirements which is shared with all the divisions involved in extraordinary transactions.

→ 3.3 Liability pursuant to Law 262/05

Risk factors:

- Sanctions associated with violations of the Financial Reporting Officer's responsibilities pursuant to Law 262/05.

Risk management:
The Company, in accordance with Legislative Decree n. 262 dated 28 December 2005, the Uniform Savings Act, adopted administrative and accounting control procedures related to financial disclosures in order to (I) ascertain whether or not the current Internal Control System provides reasonable certainty that the information represented in the financial statements is accurate and reliable; (ii) implement adequate administrative and accounting procedures to be used in drafting the separate and consolidated financial statements, as well as any other financial disclosures (in accordance with Law 262/2005); (iii) ensure that the administrative and accounting procedures are complied with during the period in which the above documents are being drawn up.
The implementation and verification of the Internal Control System pursuant to Legislative Decree 262/05 are carried out by internal resources as instructed by and under the supervision of the Financial Reporting Officer appointed by the Board of Directors in accordance with the law; verifications are carried out by the Internal Auditor.
The administrative-accounting system adopted pursuant to L.262/05 is monitored periodically in order to understand if the risk controls implemented as per risk assessments are effectively applied, as well update the same in light of activities carried out by the Administrative and Corporate and Legal Affairs Divisions.
The Company, therefore, has adopted a specific model to assess administrative – accounting risks associated with financial reporting and updates this model continuously. The Company tests the adequacy and effective application of the administrative – accounting processes each year. The manual for the Financial Reporting Officer was also revised and all the administrative-accounting procedures were updated. The observations that emerged during the Testing 262 activities are being analyzed and the Company will work to implement the suggested Remediation Plans in order to continuously improve the administrative – accounting activities.

→ 3.4 Tax risk – requirements under the SIIQ regime

Risk factors:

- application of sanctions linked to violations of tax regulations,
- failure to meet the profit and asset requisites necessary to be eligible for SIIQ status,

resulting in being ineligible for treatment under the SIIQ regime (in the event this situation should be prolonged for the period provided for at law).

Risk management:
The Company, which was awarded SIIQ status beginning in 2008, has since then carefully monitored the associated tax risks; the valuations made regarding the taxation models used are prepared with the assistance of carefully selected specialized professionals and the Head of Administration, Legal and Corporate Affairs constantly monitors any regulatory changes and the internal accounting procedures.
More in detail, the accounts for the taxable and exempt operations are maintained separately; the division also frequently conducts asset and profit tests in order to ensure compliance with the SIIQ regulations.
The results of the tests are shared with management.
As per the merger deed dated 27 March 2017, IGD SIIQ S.p.A. incorporated IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A.; for accounting and tax purposes the merger was effective as of 1 January 2017.

4. Financial risk

→ 4.1 Risks associated with funding and cash management

Risk factors:

- problems managing liquidity;
- financial resources fail to meet the company's needs;
- problems maintaining existing loans and in obtaining new ones.

Risk management:
Liquidity risk is managed through careful management of cash flow and is mitigated by the availability of substantial credit lines.
The Finance Division monitors cash flow through the use of quarterly financial forecasts (updated on a rolling basis) and ensures that available liquidity is sufficient to meet the company's business needs, and also establishes the correct ratio between bank borrowings and capital market funding.
With regard to medium/long term debt, each line of credit finances a project which minimizes the risk associated with refinancing. Medium/long term loans may contain covenants and the Finance Division monitors this aspect constantly including together with company management through the use of the Enterprise Risk Management system

in order to understand the impact that any breaches of these covenants could have on strategic, operational, compliance and financial risks.
Financial commitments are covered by funding made available by financial institutions and available credit lines.
This risk is managed on the basis of the principle of prudence in order to avoid, in the event unexpected events should occur, excessive expense which could have a further negative impact on the company's market reputation and financial-economic flexibility.
The Company implemented a tool which makes it possible to i) analyze and measure interest rate risk, ii) understand the methods used to gather data and information relative to executed contracts iii) develop a single model for risk assessment and management, iv) identify and measure financial risk taking into account:

a) fair value
b) cash flow sensitivity
c) stress tests
d) default risk of financial counterparties
e) VAR estimates.

All the information pertinent to cash management and funding are now managed by a single division and one IT system. The figures found in the Business Plan, relating specifically to Planning and Control, are also integrated with the economic – financial figures of the Finance and Treasury Division.
In the past few years the company, thanks also to favorable market conditions and the trends in interest rates, has benefitted from easier access to credit market. The Company also received an "Investment Grade" Baa3 rating from Moody's which confirms the Company's excellent credit profile.
The specific tools used as part of the ERM process to address this type of risk are monitored periodically.

→ 4.2 Interest rate risk

Risk factors:

- volatile interest rates which could impact the financing of operations as well as the use of available liquidity.

The Group's main sources of finance include mainly short term credit lines, floating rate medium/long term mortgages and fixed rate bond issues, therefore if interest rates are raised it is exposed to the risk that financial expense could increase and that any refinancing could be more costly.

Risk management:

Interest rate risk is monitored constantly by the Finance Division and Top Management, as well as through the assessment and analysis tools developed as part of the Group's Enterprise Risk Management initiative.
The Finance Division monitors any changes in the main financial-economic indicators that could possibly impact the company's performance. Reports are periodically presented to Top Management regarding the following indicators:

- Gearing Ratio
- Loan To Value
- Interest Cover Ratio
- Average Cost Of Debt
- Average Length Of Long Term Debt
- Mid/Long Term Debt
- Hedging on Long Term Debt plus Bond
- Banking Confidence Available (Committed/Un-committed)
- Market Value of Unencumbered Assets
- Net Financial Position

To manage this risk, the Group purchases interest rate swaps with which it is able to cover about 94.7% of its medium/long term interest rate risk.
The Finance Division analyzes and measures interest rate risk and liquidity constantly in order to understand possible risk management solutions; furthermore, scouting activities are carried out periodically in order to find way to reduce financing costs through bank borrowings and the debt capital markets.
The specific tools used as part of the ERM process to address this type of risk are monitored periodically.

→ 4.3 Foreign exchange risk

Risk factors:

- fluctuations in the Romanian currency, Leu;

which could result in the portfolio being written down and the default of Romanian retailers whose contracts are in Euro, but anchored to the Leu.

Risk management

The Romanian tenants' rents are in Euro but paid in Leu; therefore the company is exposed to the risk that changes in exchange rates could make it harder for retailers to meet their contractual obligations.
Currently IGD works to mitigate this risk by working constantly on the optimal merchandising and tenant mix, as well as on the management of the portfolio with a view to sustaining value, including through improvements. With a view to understanding the correct policies to adopt, the Company holds weekly meetings in order to monitor the credit profile of the different shopping centers and tenants and decide which steps should be taken in this regard. The Company monitors the rent as a percentage of the tenant's sales on a monthly basis. The commercial policies are carefully defined and based on in depth research as to the market needs and the habits of the local consumers.
Toward this end the Group is assisted by a group of specialized corporate and local resources in order to understand the correct trade-off between acquired know-how, corporate development and local needs.

2.12 INTERCOMPANY AND RELATED PARTY TRANSACTIONS

With regard to related party and intercompany transactions, there are no transactions which qualify as unusual or atypical, as they fall within the Group's ordinary sphere of operations and take place under arm's-length conditions.
With regard to the rules of corporate governance and the "Procedures for Related Party Transactions", please refer to Section 3.12, "Report on Corporate Governance and Ownership Structure".
Details of related party transactions carried out in 2017 are provided in a section of the notes to the financial statements.

2.13 TREASURY SHARES

At 31 December 2017 a total of 170,471 (before the reverse stock split transaction) treasury shares had been purchased recognized as a €158,567 reduction in net equity.

2.14 RESEARCH AND DEVELOPMENT

The IGD Group does not perform research and development activities.

2.15 SIGNIFICANT TRANSACTIONS

During the year ended 31 December 2017, 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 companies in the Group.

2.16 COMMENT ON THE PARENT COMPANY'S FINANCIAL AND ECONOMIC PERFORMANCE

The financial statements for the year ending 31 December 2017 were influenced substantially by the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. in IGD SIIQ S.p.A. effective for tax and accounting purposes as of 1 January 2017. The financial statements being submitted to the shareholders for approval show a net profit of €85,368,139. Total revenue and operating income amounted to €112.6 million, an increase of €35.7 million, or 46.4%, against the prior year, while operating costs, including general expenses, were higher than the previous year and lower as a percentage of revenue, going from 29% to 23.8%. The changes are mainly attributable to the above mentioned merger transactions. As a result of the mergers the following assets became part of IGD SIIQ S.p.A.'s real estate portfolio: mall of the Punta di Ferro shopping center, mall and hypermarket of the Esp, Borgo and Casilino shopping centers, mall of the Katanè shopping center, hypermarket of the Lame shopping center, as well as Aquileia and Miralfiore stores. The full year contribution of the Marema center, opened in October 2016, and the opening of the ESP extension on 1 June 2017 had a further positive impact on revenue and helped to boost rental income.

EBIT amounted to €118.4 million, a noticeable increase of €62.6 million against the prior year explained by (i) the above mentioned mergers, (ii) improved margins, and (iii) the increase in the fair value of the real estate portfolio.

Financial charges amounted to €32.9 million at 31 December 2017, an increase of €3.9 million compared to 2016 explained primarily by the financial charges for the full year linked to the bond loan issued on 31 May 2016 and the €100 million bond loan issued on 11 January 2017. This increase was partially offset by a drop in financial charges linked to IRS differentials, the termination of a mortgage loan at its natural maturity in December 2016 and a decrease in the use of short-term credit facilities.

The net financial position was higher as a result of the investments made in the year and the advance repayment in the prior year of the CMBS held by a subsidiary expiring in 2018.

KATANÈ
CATANIA

Opening 2009
Mall GLA sq.m. 14,912
Food anchor GLA sq.m. 13,663

4,180,954 visitors in 2017

Environmental certification:
UNI EN ISO 14001

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

03

Glossary

CODE/CORPORATE GOVERNANCE CODE:
the Corporate Governance Code for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
CIV. COD./C.C.:
the Italian Civil Code.
BOARD:
the Issuers' Board of Directors.
ISSUER OR THE COMPANY:
issuer of stock referred to in this Report.
YEAR:
financial year referred to in this Report.
CONSOB REGULATIONS FOR ISSUERS:
the regulations for issuers approved CONSOB in Resolution n. 11971 of 1999, as amended.
CONSOB MARKET REGULATIONS:
market regulations issued by CONSOB pursuant to Resolution n.16191 of 2007, as subsequently amended.
CONSOB REGULATIONS FOR RELATED PARTY TRANSACTIONS:
the Regulations issued by CONSOB pursuant to Resolution n. 17221 of 12 March 2010, as subsequently amended, for related party transactions.
REPORT:
the Report on Corporate Governance and Ownership Structure that companies are required to prepare pursuant to Art. 123-bis TUF.
TUF "*TESTO UNICO DELLE DISPOSIZIONI IN MATERIA DI INTERMEDIAZIONE FINANZIARIA*"
Legislative Decree n. 58 dated 24 February 1998 (as subsequently amended).

3.1
COMPANY PROFILE

The Company has a traditional system of management and control founded on the centrality of the Board of Directors. The financial audit is performed by external auditors, in accordance with the law.
The Company's Corporate Governance model is based on: *(i)* the guiding role of the Board of Directors in matters of corporate strategy, as a whole and through specifically appointed committees with advisory and consulting functions; *(ii)* the transparency of business decisions within the Company and vis-à-vis the market; *(iii)* the definition of a remuneration policy for the directors and the managers with strategic responsibilities which complies with the Code; *(iv)* the efficiency and efficacy of the internal control and risk management system; *(v)* the strict governance of potential conflicts of interest; and (vi) clear procedures for transactions with related parties and for the treatment of corporate information.
The Company's mission is to create value for all its stakeholders: shareholders, employees, clients and suppliers. The Company believes this is possible through sustainable growth. Again in 2017 the Company prepared a Corporate Sustainability Report which describes the characteristics of the IGD Group, its recent growth, the objectives for future development and the main results achieved in 2017 relating to economic, environmental and social sustainability.
Every year the Company makes the Corporate Sustainability Report, approved by IGD SIIQ Spa's Board of Directors, available to the public on its website at http://eng.gruppoigd.it/Sustainability/Sustainability-Report-and-Documents.

MAREMÀ
GROSSETO
Opening 2016
Mall GLA sq.m. 17,109
Food anchor GLA sq.m. 7,029

3,158,325 visitors in 2017

3.2

INFORMATION ON OWNERSHIP STRUCTURE

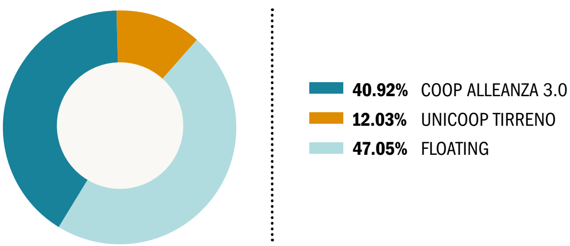
(pursuant to Art. 123-*bis*, par. 1, T.U.F) as at 22/02/2018

a) Share capital structure
(pursuant Art. 123-*bis,* par. 1, lett. a), TUF)
The share capital approved at the date of this Report totals €599,760,278.16 of which is fully paid-in and subscribed, divided in 81,304,563 ordinary shares without a stated par value (see Table 1).
On 19 February 2018 the reverse stock split of IGD ordinary shares at a ratio of 1 new ordinary share for every 10 ordinary shares held, approved during the Extraordinary Shareholders' Meeting held on 12 February 2018, was completed resulting in change in the number of outstanding shares which went from 813,045,631 to the current 81,304,563.

b) Share transfer restrictions
(pursuant to art. 123-*bis,* par. 1, letter b), TUF)
There are no restrictions and all shares are freely transferable.

Significant interests in share capital
(pursuant to Art. 123-*bis*, par. 1, lett. c), TUF)
The company qualifies as a "SME" as defined in Art. 1, paragraph 1, lett. W-1) of TUF, introduced in Legislative Decree n. 91 of 24 June 2014 and converted, with amendments, into Law n. 116 on 11 August 2014. The minimum holding in the Company, therefore, subject to disclosure under Art 120 of TUF is 5%
Based on the declarations received under art. 120 of TUF and other information available to the Company, the shareholders with voting rights holding more than 5% of the company's ordinary share capital are those indicated in Table 1 "Significant interests in share capital" attached to this report.

IGD'S SHAREHOLDERS



Coop Alleanza 3.0 soc. coop. is the company formed following the merger of Coop Adriatica s.c.a r.l., Coop Consumatori Nordest soc.coop and Coop Estense s.c. effective 1 January 2016.

c) Shares granting special rights
(pursuant to Art. 123-*bis,* para. 1, lett. d), TUF)
The shares issued all have the same rights.

d) Employee share ownership: exercise of voting rights
(pursuant to Art. 123-*bis*, par. 1, letter e), TUF)
There are no specific mechanisms which provide for employee share ownership.

e) Restrictions on voting rights
(pursuant to Art. 123-*bis,* par. 1, lett. f), TUF)
There are no restrictions on voting rights.

f) Shareholder Agreements
(pursuant to Art. 123-*bis,* par. 1, lett. g), TUF)
At 28 February 2017 the Company is not party to any shareholder agreements deemed relevant pursuant to Art. 122 of TUF.

g) Provisions relating to change of control clauses
(pursuant to Art. 123-*bis,* par.1, lett. h), TUF)
and takeover bids
(pursuant to Art. 104, par. 1-*ter,* and 104-*bis*, par. 1)
In the course of their normal business, the Company and group companies may stipulate agreements with financial partners which include clauses which grant each of the parties the right to rescind and/or amend said agreements and/or require repayment of the loan in the event the direct or indirect control of the company contracting party should change.
Without prejudice to the above, the Company:

(i) on 7 May 2013, issued senior fixed rate notes *"€144,900,000 4.335 per cent, notes due 7 May 2017"*, the regulations for which call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;
(ii) on 7 May 2014, completed a €150 million private placement of unsecured senior notes, due January 2019, the regulations for which call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change;
(iii) on 21 April 2015, made an offer to exchange outstanding bonds *"€144,900,000 4.335 per cent. Notes due 7 May 2017"* and *"€150,000,000 3.875 per cent. Notes due 7 January 2019"* with new senior notes *"€162,000,000 2.65 per cent. Notes due 21 April 2022"*. The regulations for the new notes *"162,000,000 2.65 per cent. Notes due 21 April 2022"* call for the issue of a put option that may be exercised by the note holders in the event control of the Company should change.
(iv) on 31 May 2016, issued senior fixed rate notes *"€300,000,000 2.500 per cent. Notes due 31 May 2021"* the regulations for which call for a put option that

may be exercised by the note holders in the event control of the Company should change;

(v) on 11 January 2017, completed the private placement and the issue of an unsecured non-convertible bond loan, for a nominal amount of €100 million, expiring January 2024, the regulations for which call for a put option that may be exercised by the note holders in the event control of the Company should change.

With regard to the provisions found in the company bylaws relating to takeover bids, there are no clauses which provide for exceptions to the passivity rule nor application of the neutrality rules.

h) Authority to increase share capital and authorizations to buy back shares (pursuant to Art. 123-*bis,* par. 1, lett. m), TUF)

The Board of Directors, pursuant to Art. 2443 of the Italian Civil Code has the right to, by 12 April 2022, increase share capital against payment, in one or more instalments, by up to 10% of the current share capital, to be subscribed by parties selected by the Board of Directors including qualified investors and/or business partners and/or financial partners in Italy and abroad or shareholders of the Company – excluding pre-emption rights pursuant to Art. 2441, paragraph 4 (2), as long as the issue price corresponds to the shares' market price which must be confirmed in a report issued by the external auditors.

During the Extraordinary Shareholders' Meeting held on 12 February 2018 shareholders approved the proposal to increase share capital, against payment, on one or more occasions, by up to a maximum of EUR 150,000,000.00, including any and all share premiums, through the issue of ordinary shares to be offered to shareholders in accordance with Art. 2441, first paragraph, of the Italian Civil Code, in proportion to the number of shares held. During the same meeting shareholders granted the Board of Directors the amplest of powers to: *(i)* define, on or around the launch date, the issue price of the new shares taking into account general market conditions, the stock market performance and volumes of the IGD's existing shares, as well as the Company's and/or Group's economic and financial performance and the standard market practices for similar transactions. Without prejudice to the above criteria, the issue price will be determined by applying, as per standard market practices, a discount on the Theoretical Ex-Rights Price (TERP) of the existing IGD shares, calculated using current methodologies; *(ii)* determine – as a result of sub (i) – the maximum number of shares to be issued, as well as the issue ratio, rounding the number of shares up or down as deemed opportune; and *(iii)* determine the timing for the execution of the approved capital increase, particularly with regard to the launch of the rights' issue as well as the subsequent listing of the unexercised rights on a stock exchange at the end of the subscription period, by the final deadline of 31 December 2018.

The shareholders, meeting in ordinary session on 12 April 2017, granted the Board of Directors the power to buy and sell treasury shares, in accordance with art. 2357, second paragraph, of the Italian Civil Code. For more information about the authorization granted please refer to the report prepared for the ordinary session of the Annual General Meeting held on 12 April 2017 available at http://www.gruppoigd.it/Governance/ShareholdersMeetings/(year)/2017.

The Company did not hold any treasury shares at the date of this report.

l) Management and coordination (pursuant to Art. 2497 et seq. Italian Civil Code)

The Company is subject to the management and coordination of shareholder Coop Alleanza 3.0 soc.coop. which controls 40.92% of the Company's share capital.

→ Other information

Indemnity of Directors (pursuant to art. 123-*bis,* para 1, letter i), TUF)

With regard to information relative to any agreements between the Company and the Directors in the event of resignation, dismissal or termination following a takeover bid, please refer to the information found in the Remuneration Report published pursuant to Art. 123-ter of TUF and available on the Company's website: http://eng.gruppoigd.it/Governance/Compensation.

Norms applicable to the appointment and replacement of directors, amendments to the corporate by-laws (pursuant to Art. 123-*bis,* par. 1, lett. l),TUF)

The appointment and replacement of the directors, as well as amendments to the corporate by-laws, are conducted and governed in accordance with Title V of the bylaws (Board of Directors) made available on the company's website (www.gruppoigd.it). Please refer to the section "Board of Directors" of this report for further information.

3.3 COMPLIANCE

(pursuant to Art. 123-*bis*, par. 2, lett. a), T.U.F)

Since its IPO, on 11 February 2005, the Company has adopted the Corporate Governance Code and has structured its corporate governance, the rules and standards of conduct, in a way that ensures efficient and transparent corporate bodies and control systems in line with the code guidelines.
The Code is available on Borsa Italiana's website at http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf.
In line with the best international practices relating to corporate governance and in light of the recommendations found in the Corporate Governance Code approved by Borsa Italiana's Corporate Governance Committee in July 2015, in 2016 the Company updated the Rules for Corporate Governance which, along with the other documents (corporate bylaws, code of ethics, Decree 231/01 Model for organization, management and control, Regulations for Shareholders' Meetings, Procedures for related party transactions, Procedures for the disclosure and treatment of confidential information, the Internal dealing code) – comprise the group of self-governance instruments used by the Company.
In accordance with the law, the Report contains a general description of the corporate governance system adopted by the Company, along with information on the shareholder structure and application of the Corporate Governance Code, as per the "comply or explain" standard set out in the "Guidelines and transitional phase" section found in the Code.
The structure of the company's governance is described in this section of the Directors' Report.
The Company's subsidiaries include two Romanian companies, WinMagazin S.A. and WinMarkt Management S.r.l., which, however, do not have any impact on the current structure of IGD's governance.

→ Corporate Governance structure

Insofar as IGD is an Italian company with shares listed on the stock exchange which adheres to the code referred to above, the governance structure is founded on a traditional model comprised of: Shareholders' Meetings, the Board of Directors, Board of Statutory Auditors and External Auditors. Financial audits are carried out by external auditors.
The Shareholders' Meeting is the forum used by the shareholders to express their wishes. The resolutions are made in accordance with the law and the bylaws while the meetings are governed by specific regulations adopted by the Company in order to ensure that the meetings are carried out in an orderly and efficient manner.
The Board of Directors defines the strategy for the Company and its subsidiaries and oversees the business operations. In accordance with the bylaws, the Board of Directors may take all measures it deems fit for implementing and achieving the corporate purpose, except for those that the law or the bylaws reserve for the shareholders.
The Board of Statutory Auditors oversees compliance with the law and the bylaws and ensures that the standards of correct administration are observed and, in particular, that the organizational, administrative and accounting structures are adequate, that they function correctly, that the corporate governance rules provided for in the Code are complied with and that the disclosures made by the Company to its subsidiaries comply with Art. 114, paragraph 2, of the TUF (public disclosures).
The financial audit assignment was granted to the registered audit firm appointed during the Annual General Meeting based on the motivated proposal submitted by the Board of Statutory Auditors.

3.4
BOARD OF DIRECTORS

3.4.1 **Appointment and replacement** (pursuant to Art. 123-*bis,* para. 1, lett. l), TUF)

The Company is administered by a Board of Directors composed, as per the bylaws, of seven to nineteen members.
During the Annual General Meeting held on 15 April 2015, shareholders decided that the Board of Directors will be comprised of 13, rather than the previous 15, directors to serve for the three-year period ending on the date of the Annual General Meeting called to approve the financial statements for the year ending 31 December 2017.
The directors pursue the corporate purpose, acting independently and resolving with sound judgement, seeking out all available information, in order to achieve the priority goal of creating medium/long term value for the shareholders.
Pursuant to Articles 16.2 and 16.3 of the bylaws, the directors are elected on the basis of preference lists which comply with the current laws relating to gender equality. In accordance with Art. 16.3 of the bylaws, lists may be submitted by shareholders who, alone or together with others, hold the interest determined in accordance with CONSOB regulation n. 20273 of 24 January 2018 (for 2018 equal to 2.5% of the Company's share capital). The lists must be filed at the head office at least twenty-five days in advance of the first-call date of the meeting which will be mentioned in the notice of call.
Shareholders must prove possession of the shares needed to file voting lists by submitting the relative certification by the deadline for the publication of the list (namely at least 21 days prior to the Annual General Meeting). Pursuant to art. 147-ter, paragraph 1-*bis*, TUF, ownership of the minimum amount needed to participate in the filing of a list is based on the number of shares officially held by the shareholder on the day the lists are filed with the Issuer.
The candidates must be numbered sequentially in the lists up to the number of seats to be filled. In accordance with the latest version of Art. 147 *ter,* fourth paragraph, of the TUF, Art. 16.3, last passage, of the bylaws states that every list must include at least two clearly indicated candidates who qualify as independent in accordance with the law. The lists which include three or more candidates must include candidates of both genders, as indicated in the notice of call for the Annual General Meeting, in order to ensure that the composition of the Board of Directors complies with current laws relating to gender equality.
In compliance with the bylaws, the lists must be filed along with the candidates' irrevocable acceptance of office (should they be elected), curriculum vitae, and statements confirming that there are no reasons for ineligibility and/or disqualification and that they meet the requirements set by law.

Art. 16.4 of the bylaws, reflecting the provisions of Art. 147-*ter,* paragraph 3 of the TUF, prohibits any shareholder from submitting or participating in the submission of more than one list. In keeping with the above, Art. 16.7 of the bylaws states that if more than one list is submitted, at least one director must be appointed from the minority list. Thus, if the candidates ranked with the highest quotients come from a single list, the candidate from the minority lists who has earned the highest quotient will be elected in place of the candidate at the bottom of the ranking. Pursuant to art. 16.7-*bis* of the bylaws – as introduced by the amendments approved by the shareholders meeting in ordinary session on 18 April 2013 – if the law relating to gender equality fails to be complied with as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality without prejudice to the minimum number of independent directors required under the law. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the directors of the least represented gender with the majority of votes required by law.
Art. 16.8 of the bylaws, on the subject of filling vacancies on the Board of Directors, combines the co-optation system with the requirement that minority interests be represented and that at least two directors qualify as independent pursuant to Art. 147-ter, par. 3 of the TUF, as well as in accordance with the laws governing gender equality.

→ Succession plan

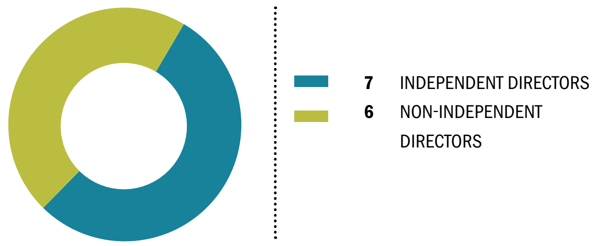
In light of the particular structure of its shareholder base, as well as the powers granted to the Board of Directors, at the date on which this report was approved, the Company had not yet adopted a specific succession plan for the executive directors as the Company can promptly activate the Board of Directors in order to adopt the appropriate resolutions.

3.4.2 **Composition** (pursuant to Art. 123-*bis,* para 2, lett. d) TUF)

The Board of Directors currently in office is comprised of 13 directors and was appointed during the Shareholders' Meeting held on 15 April 2015 for a period of three years, through the Annual General Meeting called to approve the financial statements for the year ending 31 December 2017.
During the Shareholders' Meeting held on 15 April 2015 two lists were presented, one by Coop Adriatica and Unicoop Tirreno (**"List n. 1"**) and by Quantum Strategic Partners Ltd. (**"List n. 2"**). The lists were submitted with all the documentation relating to the personal and professional characteristics of the candidates along with the statements relating to the qualifications of some as independent and irrevocable acceptance of the appointment in the time period provided for under the law.
List n. 1 received 438,696,515 favorable votes, equal to approximately 76.83% of the participants; List n. 2 received 131,187,051 favorable votes, equal to approximately 22.98% of the participants.

As resolved by shareholders on 15 April 2015, the Board of Directors currently comprises the following members: from List n. 1 submitted by Coop Adriatica and Unicoop Tirreno, Gilberto Coffari (Chairman), Claudio Albertini (Chief Executive Officer), Aristide Canosani, Elio Gasperoni, Fernando Pellegrini (Vice Chairman), Leonardo Caporioni, Elisabetta Gualandri, Milva Carletti, Rossella Saoncella, Andrea Parenti and Livia Salvini; from List n. 2, submitted by the shareholder Quantum Strategic Partners Ltd, John William Vojticek and Matthew D. Lenz.
More in detail, List n. 1 was submitted by Coop Adriatica and Unicoop Tirreno in accordance with the shareholders' agreement they stipulated on 9 March 2015 which expired on 31 December 2015 (see Section 3.2, lett. g), of the Report). Based on this agreement the IGD's Board of Directors should be comprised of 13 members, comply with the current law relating to gender equality, and the parties should submit and vote on one list with 13 names, comprised of 7 directors designated by Coop Adriatica (of which 3 independent as defined in the Corporate Governance Code and one in possession of the requisites referred to in Art. 148, paragraph 3, of TUF), 5 directors designated by Unicoop Tirreno (of which 2 independent as defined in the Corporate Governance Code and at least one in possession of the requisites referred to in Art. 148, paragraph 3, of TUF) and one director designated jointly by Coop Adriatica and Unicoop Tirreno (independent as defined in the Corporate Governance Code).
During the meeting held on 3 March 2016, the Board of Directors resolved to substitute the resigned independent director John William Vojticek, pursuant to Art. 2386 of the Italian Civil Code, by co-opting Luca Dondi dall'Orologio to act as an independent non-executive director. On 14 April 2016 the shareholders, meeting in ordinary session, confirmed the appointment of Luca Dondi Dall'Orologi who will remain in office through the end of the current Board of Director's term, namely through the Annual General Meeting convened to approve the financial statements for the year ending 31 December 2017.
During the meeting held on 4 August 2017, the Board of Directors resolved to substitute the resigned independent director Matthew David Lentz, pursuant to Art. 2386 of the Italian Civil Code, by appointing Matteo Cidonio who will remain in office through the end of the current Board of Director's term, namely through the Annual General Meeting convened to approve the financial statements for the year ending 31 December 2017.
The members of the Board of Directors at 31 December 2017, along with their status as executive or non-executive and/or independent members as per the Corporate Governance Code and the committees formed as of the date in which this report was approved, can be found in Table 2 "Structure of the Board of Directors" attached.

DIRECTORS



The personal characteristics and professional experience of the single members of the Board of Directors currently in charge, are provided below.

ELIO GASPERONI
Chairman of the Board of Directors

Born in 1953, Mr. Gasperini received a degree in philosophy from the University of Florence's History of Political Doctrine department in 1978. He has several offices and positions including as part of the public administration and local institutions. He is a member of Coop Alleanza 3.0's Board of Directors and Vice Chairman of Coop Alleanza 3.0 soc.coop. and Unipol Banca S.p.A. His presence in IGD enhances and strengthens the dialogue with the local authorities. He also holds the offices indicated in Table 4.

CLAUDIO ALBERTINI
CEO since May 2009 (Director since 2006)

Mr. Albertini, born in 1958, received a diploma in accounting from "L. Tanari" Technical Institute in Bologna and is a certified financial auditor and advisor registered in Bologna. He has been at the helm of IGD since May 2009, after having served as a member of the Company's Board for three years. For more than twenty years Mr. Albertini was part of the Gruppo Unipol where he ultimately acted as General Manager of Unipol Merchant. He also holds the offices listed in Table 4.

FERNANDO PELLEGRINI
Vice Chairman

Born in 1964, Head of Finance, Asset Management and Financial Reporting for Unicoop Tirreno, Mr. Pellegrini has held various positions in the Unicoop Tirreno Group where he began his professional career in 1995 as part of administration, finance and control; he is currently Vice Chairman of the Board of Directors and Chairman of the Executive Committee of Simgest S.p.A., as shown in Table 4.

GILBERTO COFFARI
Director

Gilberto Coffari, born in 1946, received a diploma in accounting from "Ginanni" Technical Institute in 1967. He was Chairman of IGD's Board of Directors since its formation in 2000 through April 2017. From 1998 through 2006 he was Vice Chairman of Coop Adriatica and from 2006 through 2011 he was Chairman of Coop Adriatica. Over time he has served as a director and the chairman of a number of cooperative organizations, a world he has been part of for more than 40 years, including Legacoop Ravenna, Coop Italia, unipol-UGF, Unipol Banca and Banca Sai. He is curenty a director of the *Federazione delle Cooperative* in Ravenna, as shown in Table 4.

ARISTIDE CANOSANI
Director

Born in 1935, he received a diploma in surveying from "Ginanni" Technical Institute in 1954. Chairman of CreditRas Assicurazioni, until May 2014 and CreditRas Vita until May 2013, Mr. Canosani was in charge of UniCredit Banca for eight years after having worked in Rolo Banca 1473, Carimonte Banca and Banca del Monte di Bologna and Ravenna. Certified financial auditor, he makes a priceless contribution to IGD's BoD thanks to both his vast experience and expertise in finance. He also holds the offices listed in Table 4.

LEONARDO CAPORIONI
Director

Born in 1964, Mr. Caporioni received a degree in business economics from the University of Pisa in 1989. In 1991 he completed a masters' in commercial business management from IFOR in Milan. He is a Chartered Public Accountant and Financial Audito. Curenty he is head of Administration and Financial Reporting at Unicoop Tirreno, a group where he has worked since 1991 holding positions of increasing responsibility. He has matured important experiences as a director and statutory auditor for a number of national and regional (Tuscany) cooperatives. He also holds the offices listed in Table 4.

ELISABETTA GUALANDRI
Independent Director

Born in 1955, Ms. Gualandri has a degree in Business Economics from the University of Modena and a masters degree in Financial Economics from University College of North Wales (UK). A lecturer in financial intermediation at the University of Modena and Reggio Emilia, she also collaborates with CEFIN and Softech-ICT centers. Statutory auditor at the Bank of Italy from 2007 through 2012, she is a member of BPER's BoD since 2012. Since 2016 she is a member of Abi Servizi S.p.A.'s BoD. She has been acting as an advisor for the European Commission's program Horizon 2020, Access to Finance Group since 2013. She is also a member of the CTS of the incubator Knowbel in Modena. The topics about which she has written numerous publications, participating also in national and international seminars, include banking regulation, the financial crisis, financing innovative SMEs and start-ups. She also holds the offices listed in Table 4.

MILVA CARLETTI
Independent Director

Born in 1963, Ms. Carletti has a degree in Political Science, with a specialization in economics, from the University of Bologna. She is currently an Independent Director of UnipolSai SpA. Through December 2016 she was with Manutencoop Facility Management SpA, Italy's main operator in Integrated Facility Management, where she acted as CFO, beginning in 2014 and, in 2016, she was also appointed Managing Director Finance. In the past she was head of the Business Unit Service of Centostazioni SpA, a company that manages more than 100 service properties in Italy. In her professional life she matured experience in M&A, corporate turnarounds and start-ups, control systems and planning. She served as an Independent Director on the Boards of Gruppo UGF-Unipol Gruppo Finanziario (Premafin Finanziaria SpA and FondiariaSai SpA), as well as Executive Director of companies of the Manutencoop Group. She also holds the offices listed in Table 4.

ROSSELLA SAONCELLA
Independent Director

Born in 1954, Ms. Saoncella received a degree in Physics from the University of Bologna and in 1978 completed a masters in Business Administration at IFOA. She was General Manager of the Granarolo Group through 2011 and, prior to 1993, an executive of the CONAD Group. Over the past few years she has held administrative offices for municipalities in Emilia Romagna and she has been a Directors at HERA S.p.A. Currently she holds no other offices as shown in Table 4.

ANDREA PARENTI
Independent Director

Born in Rome in 1957, Mr. Parenti holds a degree in Business Economics, University of Florence, he is a certified financial auditor registered in Prato. He acts as a court consultant for the Court of Prato. In 2006 he formed and founded a corporate tax consulting firm after leaving the international audit firm Ernst & Young where he began first as a manager to then become partner of the tax advisory firm for which he ran the Florence office for more than five years. During his professional career, begun in 1983, he matured experience as an auditor and in corporate structuring, with a focus on corporate earnings and extraordinary transactions. He worked as an appraiser of business divisions for the Monte dei Paschi di Siena Banking Group and for other important companies. As a director, he has worked on Boards of companies involved in the manufacture of defense systems, television broadcasting, distribution of audiovisual products, including with mandates relating to administrative and financial matters. He also holds the offices listed in Table 4.

LIVIA SALVINI
Independent Director

Born in 1957, Ms. Salvini received a law degree the La Sapienza University in Rome in 1982. Professor of Tax Law at LUISS - Guido Carli University in Rome and Avvocato Cassazionista (the highest order of attorneys) as well as a PhD in Tax Law, Ms. Salvini boasts a twenty year academic career and has been part of numerous ministerial and government commissions and studies. Ms. Salvini is the author of two monographs on VAT and the relative procedures, assessment and application, as well as numerous studies on tax matters. She also holds the offices listed in Table 4.

MATTEO CIDONIO
Independent Director

Born in 1970, Mr. Cidonio received a degree in Economics from Università Cattolica del Sacro Cuore in 1995. He has more than twenty years of experience in finance and real estate investment. Before he became part of GWM Capital Advisors LLP he was the general manager of BNP Paribas's Department of Corporate and Public Administration heading up the Real Estate Europe division and prior to this experience he held a similar role in the international real estate division of Lehman Brothers. He has followed European real estate transactions worth more than €20 billion, including investments in offices, healthcare, retail and residential, public and private finance, capital gathering. He has been involved in real estate transactions worth more than €15 billion in Italy with different counterparties including institutional investors, privately held companies, public entities and professional investors. He also holds the offices listed in Table 4.

LUCA DONDI DALL'OROLOGIO
Independent Director

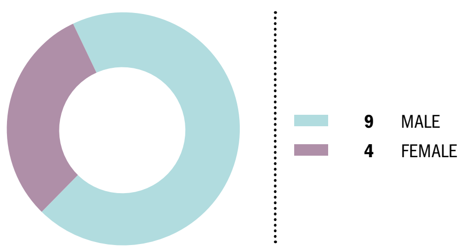
Born in 1972, Mr. Dall'Orologio received a degree in Political Science (focus on economic policies) from the University of Bologna in 1997. He is an economist with experience in the valuation of investment projects relating, in particular, to the real estate sector and infrastructure. An expert in socio-economic and regional analysis, assessment of demand and application of applied economics, he is currently the Managing Director of Nomisma S.p.A., where he previously acted as Head of "Real Estate Systems and Urban Strategies" and Head of the unit "Real Estate Analyses and Valuations", as a result of which he coordinated the activities relating to assessment, monitoring and measuring of real estate investment risk. He is also a member of Nomisma Energia S.r.l.'s BoD and the special valuation unit at Jean Monnet LUM University. He also holds the offices listed in Table 4.

In compliance with the Corporate Governance Code, the directors take office only when they believe that they will be able to dedicate the time needed to carry out their duties diligently, including in light of their roles in any Board committees, as well as the workload connected to their professional activities, the number of and time dedicated to other offices held as director or statutory auditor in other companies as per the limits on multiple assignments described below, ensuring that this condition remains throughout their term of office.
The Directors, aware of the responsibilities inherent in the office held, must be constantly updated on the newest legislative and regulatory developments affecting the Company and its business.
The directors must comply with the Code of Ethics, the Internal Dealing Code and any other provisions with which the Company regulates the directors' conduct; the directors, like the Statutory Auditors, must treat any documents and information to which they might have access in the course of their duties with the maximum confidentiality.

→ Diversity

The Board of Directors is comprised of individuals with different professional and personal profiles, including university professors, independent professionals, entrepreneurs, as well as company executives. The majority of the directors appointed qualify as independent under the Corporate Governance Code and TUF. The composition of the Board of Directors also complies with current law governing gender equality. Toward this end, it's worth pointing out that Coop Adriatica e Unicoop Tirreno voluntarily complied with Law 120/2011 in advance and included the number of candidates of the least represented gender called for in said law in the lists for the Board of Directors and the Board of Statutory Auditors submitted on 19 April 2012.

GENDER QUOTAS IN THE BOD



As the term of the current Board of Directors and Board of Statutory Auditors will expire on the date of the Annual General Meeting held to approve the financial statements at 31 December 2017, the adoption of a policy relating to the composition of the board will be examined by the new corporate bodies.

→ Maximum number of appointments allowed in other companies

In order to regulate the maximum permitted number of appointments in another company that a director may hold, the Company drafted specific regulations referred to as the "Limits to the maximum number of appointments allowed in other companies" which were approved by the Board of Directors on 13 December 2010, and updated on 26 February 2015 as per the opinion of the Nominations and Compensation Committee, in order to comply with the Applicative Criterion 1 par.3 of the Corporate Governance Code. The regulations are available to the public on the Company's website: http://www.gruppoigd.it/Governance/Consiglio-di-amministrazione.
Based on the regulations, the term "maximum number" does not refer solely to the number of offices held, but also attributes a weight to each type of appointment in relation to the nature and size of the company, as well as the position held by IGD's directors in other companies, in light of the fact that more time is dedicated to certain positions than to others. In light of this consideration, IGD's Board of Directors held that the weight to be attributed to the office of Chairman, Executive Director be different, for example, than that of a non-executive/independent director or member of the Board of Statutory Auditors as well as because of the possible membership in one or more Committees – different from the Chairman's committee - constituted within the Board of Directors. Lastly, the weight attributed each office was also different based on the type and size of the company and two sub-categories were established; Group A and Group B. Group A includes listed companies, financial institutions, banks, insurance companies or other large companies that meet the requirements listed in the Regulations. All the companies which are not part of Group A are automatically considered part of Group B. In light of these considerations, the Board listed the overall weight of the offices held in other companies which can be considered compatible with acting effectively as a director in IGD.

The composition of the Board of Directors at 22 February 2018 was found to be fully compliant with the regulations governing "Limits to the maximum number of appointments"[1].
The principle offices held by directors in companies other than those of the IGD Group can be found in Table 4, attached.

→ Induction Program

In 2017 no specific seminars relating to induction were organized for the members of corporate bodies as it was deemed unnecessary. During the Board meetings, however, the Company's management provided the Board of Directors and the Board of Statutory Auditors with extensive updates relating to business trends and the retail real estate market.

3.4.3 **Role and functions of the Board of Directors**
(pursuant to Art. 123-*bis*, par 2, lett. d) TUF)

The Company is administered by a Board of Directors which meets on a regular basis and which is organized in such a way as to guarantee that its duties are carried out efficiently.

The Board of Directors primary responsibility is to determine and pursue the strategic objectives of the Company and the entire Group.
In order to ensure maximum attendance at the Board meetings, they are held on the dates indicated in a financial calendar which has been disclosed to the market in accordance with Borsa Italiana's instructions. Additional meetings may be called if deemed necessary in order to address certain issues; the Board, at any rate, takes the steps necessary to effectively fulfil its duties. The Company published the following financial calendar which calls for 4 meetings to be held in 2018:

- **22 February 2018:** Board of Directors' meeting to examine the separate and consolidated financial statements at 31 December 2017;
- **9 May 2018:** Board of Directors' meeting to examine the Interim Management Statement at 31 March 2018;
- **3 August 2018:** Board of Directors' meeting to examine the Half-year Financial Report at 30 June 2018;
- **7 November 2018:** Board of Directors' meeting to examine the Interim Management Statement at 30 September 2018.

If the company deems it opportune it may convene, in accordance with the bylaws, other board of director meetings in 2018.

Pursuant to Art. 17.3 of the bylaws, the chairman calls and presides over meetings of the Board of Directors; conducts, coordinates and moderates the discussion and related activities; and announces the results of votes. He must ensure that the Board of Directors constantly pursues its primary responsibility, namely achieving the strategic goals of the Company and the entire Group.
Without prejudice to the call prerogatives guaranteed by law, meetings of the Board of Directors are called by the chairman, or the chairman's deputy, whenever this person sees fit or at the request of a majority of the directors. Art. 18 of the bylaws also provides for Board of Directors' meetings to be called by the Board of Statutory Auditors. Meetings are normally called by telegram, fax, or other means as long as this ensures proof of receipt at the domicile of each member of the Board of Directors at least five days in advance of the meeting. In urgent cases, meetings may be called two days in advance. Typically the meetings are called via e-mail.
The power to call the Board of Directors' meetings granted to the Board of Statutory Auditors or by any member thereof complies with Art. 151, second paragraph of TUF.

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

The Board of Directors meets at the place specified in the notice of meeting, which may be the registered office or anywhere else in Italy.
The Chairman of the Board of Directors works to ensure that the directors and statutory auditors receive the documentation relating to the items on the Agenda in a timely manner and prior to the date on which the meeting is to be held[2].
The documentation relative to the Board meeting agendas was regularly made available to each director on the Company's website; directors may access it on an exclusive basis using a password created by a personalized token. The publication of the documentation is preceded by a notice sent by e-mail from a specific function identified inside the Company. During 2016 the adequate notice period on average was equal to 2 (two) days.

During the meetings, the Chairman of the Board of Directors assured an extensive discussion of the items on the agenda allowing a constructive debate, also thanks to the regular participation of the Company's top management.
Board meetings are presided over by the chairman or, if the chairman is unavailable, by the vice chairman (if appointed) or, if the vice chairman is unavailable, by the most senior director in terms of age.
For each meeting the Board of Directors, at the chairman's proposal, elects a secretary who may or may not be a member and who will sign the minutes of the meeting.
The bylaws require the presence of at least one member of the Board of Statutory Auditors at all sessions of the Board of Directors, to ensure that the auditors are informed of the Company's activities and of the transactions having a significant impact on profitability, assets, liabilities, and financial position carried out by the Company or its subsidiaries, in particular those transactions in which they have an interest on their own or third parties' account; that are influenced by the party in charge of management and coordination; or that have been the subject of resolutions, debate or announcement during the course of the session. If no statutory auditor is present at a meeting of the Board of Directors, or if the procedures adopted in accordance with the preceding section do not guarantee that the auditors are informed on at least a quarterly basis, then according to the bylaws the chairman and/or the chief executive officer must report in writing on his or her activities to the chairman of the Board of Statutory Auditors within three months. This report must be mentioned in the minutes of the first subsequent meeting of the Board of Statutory Auditors.
Typically the Issuer's managers attend the Board of Directors' meetings in order to provide additional information regarding the items on the Agenda. The Chairman of the Board of Directors, including if requested by one or more directors, may request that the Chief Executive Officer invite executives of the Company or Group companies to attend the Board meetings to provide in depth information about the items on the Agenda.
During the year ended 31 December 2017, the Board of Directors held 8 meetings, on 19 January, 28 February, 19 April, 9 May, 7 June, 4 August, 9 November and 15 December duly attended by the directors and by at least one member of the Board of Statutory Auditors. The absentee rate was quite low and all absences were excused. Each meeting lasted an average of around 2 hours. Some meetings of the Board of Directors were attended by Company executives and/or external parties, so they could provide specialized input on the topics up for debate.
Following the criteria set forth in Art. 1. C.1 of the Corporate Governance Code, the Board of Directors:

a) examines and approves the strategic, business and financial plans of the company, the company's corporate governance system, as well as that of the strategically important subsidiaries, periodically monitoring implementation; defines the Company's corporate governance system and Group structure;
b) defines the nature and level of risk deemed compatible with the Company's strategic objectives[3] including all the risks deemed material to the long-term sustainability of the Company's business;
c) judges the adequacy of the organizational, administrative, and accounting structure of the Company and its strategic subsidiaries with particular reference to the internal control system and the risk management;
d) in order to encourage the involvement and cooperation of the directors, institutes the board committees and commissions deemed necessary for the proper functioning of the Company, while also defining its active duties and consulting functions;
e) establishes the frequency with which the delegated bodies must report to the Board of Directors on the progress made during the year relating to their assignments and the most significant operations carried out in the period, which will, at any rate, not be more than once a quarter;
f) evaluates general business performance, taking account of the information received from the delegated bodies, and periodically comparing actual results with forecasts;
g) resolves on the operations carried out by the Company and its subsidiaries where such transactions are strategically, economically or financially significant for the Company; toward this end, determines the general criteria to be used to define relevant transactions and ensures that the strategically significant subsidiaries submit any transactions that could have a significant impact on the Company to the Board of Directors for approval;
h) evaluates, at least once a year, the size, composition and proper functioning of the Board of Directors and its committees, also taking into account professional qualifications, experience, including as a manager, along with the nature of its members and their seniority;
i) in light of the results of the assessment referred to in letter h) above, expressed to the shareholders, prior to the appointment of the new Board of Directors, any opinions about the type of professional that should be part of the Board;
l) provides information in the report on corporate governance: (i) on the composition of the Board, indicating the qualifications (executive, non-executive, independent),

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

3 Corporate Governance Code Art. 1.C.1 lett b) (July 2015 edition).

offices held within the Board (for example, Chairman or Chief Executive Officer), the main professional characteristics, as well as how long the office has been held; (ii) on how the duties assigned are fulfilled and, more specifically on the number and the average duration of the Board meetings held during the year and the attendance record of each Board member; (iii) on the ways the assessment in letter h) above was carried out (iv) on the timeliness and completeness of the information provided before the Board, providing indications if the information was provided in a timely enough manner – and, at any rate, in accordance with the Company's bylaws;

m) after the appointment of an independent director and, subsequently when circumstances materialize which could impact the latter's independent status and, at any rate once a year, evaluates – based on the information received form the interested party or, at any rate, available to the Company - the independent status of its non-executive members[4]: this independence is evaluated on the basis of the criteria indicated in the Corporate Governance Code and any other facts which could impact each instance; the Board of Directors will advise the market as to the results of its evaluations (upon appointment, in a press release and, subsequently, in the Corporate Governance Report). In these documents the Board of Directors: (i) indicates if parameters other than those indicated in the Corporate Governance Code were used, including with regard to a single director; and (ii) describes the quantitative and/or qualitative criteria used to assess the significance of the relationships being evaluated[5];

n) each year, based on the information received from the Directors, records notes in the Report on Corporate Governance, the assignments held by Directors in other companies as directors or statutory auditors in financial, banking, insurance or large companies, listed on regulated markets (in Italy or abroad);

o) expresses an opinion with regard to the criteria to be used to determine the maximum permitted number of directorships or statutory auditorships in other companies deemed to be compatible with holding the office of Company director, taking into account the position held in any Board committees[6]. Toward this end, on the basis of a specific procedure[7], looks at the workload connected with each directorship (executive director, non-executive or independent), including in relation to the type and size of the company in which the offices are held, as well as whether the latter are part of the Group;

p) determines, based on the opinion of the Nominations and Remuneration Committee, who is to be appointed to act as a Company executive, as well as a member of the Board of Directors, Board of Statutory Auditors, Chief Executive Officers and General Manager of the strategically relevant subsidiaries; based on the opinion of the Nominations and Remuneration Committee, determines compensation;

q) promotes initiatives designed to facilitate active and informed shareholder participation, as well as the exercise of shareholder rights, guaranteeing that they are provided with timely and complete information;

r) ensures that the Decree 231/2001 Organizational, Management and Control Model is updated and complied with, while completing a risk map of the potential criminal violations with the support of the Supervisory Board;

s) appoints, subject to the opinion of the Board of Statutory Auditors, a Financial Reporting Officer in accordance with Law 262/2005;

t) may call upon an independent Director to act as lead independent director, a point of reference and coordinator for all positions and activities of the non-executive, and in particular, independent directors[8];

u) in the event the shareholders, in light of organizational needs, authorize that an exception be made to the non-compete clauses referred to in Art. 2390 of the Italian Civil Code, evaluates on the merits of each situation and reports its findings to the first Shareholders' Meeting. Toward this end, upon appointment each Director will inform the Board of any activities carried out which compete with those of the Issuer and any relevant changes;

v) in order to ensure the correct handling of corporate information, updates, based on the proposal of the Chief Executive Officer of the Chairman of the Board of Directors, the Procedures for the management, handling and disclosure of confidential information and documents, with regard particularly to price sensitive information [9];

z) evaluates whether a succession plan for the executive directors should be adopted or not, subject to the opinion of the Nominations and Remuneration Committee[10].

As part of the Company's internal control and risk management, the Board of Directors, subject to the opinion of the Control and Risk Committee:

- defines the guidelines for the internal control and risk management system so that the principal risks that the Company and its subsidiaries face are correctly identified, as well adequately assessed, managed and monitored, while also determining the extent to which the risks are compatible with the strategic goals identified;
- evaluates, at least once a year, the adequacy and efficacy of the internal control and risk management system with respect to the business and the inherent risk profile;
- approves, at least once a year, the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;
- describes the main features of the internal control and risk management system in the report on corporate governance, along with the methods used to coordinate the different parties involved, and expresses an opinion as

4 Corporate Governance Code Art. 3.P.2
5 Corporate Governance Code Art.3.C.4.
6 Corporate Governance Code Art. 1.C.3.
7 Toward this end the Company has established limits for multiple assignments approved by the Board of Directors on 13 December 2010.
8 Corporate Governance Code Art. 2.C.3.
9 Comment on Art. 1 Corporate Governance Code
10 Corporate Governance Code Art. 5.C.2.

to its adequacy;
- evaluates, after having consulted with the Board of Statutory Auditors, the opinion issued by the external auditors upon completion of the financial audit;
- appoints and replaces, based on the proposal of the Director in charge of the Internal Control and Risk Management System, as well as after having consulted with the Board of Statutory Auditors, the Head of Internal Audit.

The functions of the Board of Directors, as described above, comply with the applicable recommendations found in the Corporate Governance Code.

Pursuant to the Corporate Governance Code, during the meeting held on 22 February 2018 the Board of Directors used the reports provided by the Director in charge of Internal Control System, the Control and Risk Committee (formerly Internal Control Committee), the Supervisory Board, and the Internal Audit, as well as the Report prepared by the Financial Reporting Officer regarding the preparation of the accounting ledgers, to evaluate the adequacy of the Company's and its subsidiaries organizational, administrative and general accounting structures, particularly with regard to the internal control system and the management of any conflicts of interest [11]. In this regard, it should be noted that all the subsidiaries are considered strategic (see section 2.1 of the Report on Operations at 31 December 2017) as the Group's businesses are run by the subsidiaries.

The Board of Directors, in accordance with the bylaws and the current norms and regulations and based on the information provided by the Chief Executive Officer and the Board of Statutory Auditors, evaluated the company's performance, its outlook and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries at least quarterly.

In 2017, the Board of Directors, also met specifically to: (i) examine and grant advance approval of any transactions undertaken by the Company and its subsidiaries of significant strategic, economic, capital or financial transactions. The significant strategic, economic, capital or financial transactions are those falling within the category of operations empowered to the Board under the bylaws, with particular attention for those in which one or more directors held an interest directly or on behalf of third parties; (ii) assess and express an opinion (in this instance positive) about the size, composition and proper functioning of the Board of Directors and its committees.

The Board of Directors continued with the Board Review process begun in 2007 in accordance with the recommendations of the Corporate Governance Committee and to fully comply with the Corporate Governance Code.
For the year ended on 31 December 2017, IGD hired the consulting company Egon Zehnder to help with this self-assessment process.

Please note that the consulting company Egon Zehnder does not carry out any other activities for IGD or its subsidiaries.

11 Corporate Governance Code Art. 1.C.4.

The Board Review, relative to the year ending 31 December 2017, was conducted in January and February 2018 in accordance with the most sophisticated international techniques with the support of the consulting company Egon Zehnder.
The Board Review was carried out in a manner deemed appropriate to a Board in the third year of its mandate. The review at the end of the mandate focuses specifically on the needs that the new Board of Directors might have with regard, particularly, to the expertise/experience of the current Board and any different characteristics that should be added to the new Board.
The process was carried out on the basis of:
- discussions with each Director, after having completed a questionnaire prepared for this purpose;
- analysis of the comments and observations received and the preparation of a summary report which was presented to the Board;
- discussion of the main results and relative follow-up strategies with the Board.

The Board Review results were presented during the Board of Directors' meeting held on 22 February 2018.
The discussions with each director and based on the questionnaire focused primarily on the following topics:
1. qualitative/quantitative profile of the Board of Directors – possible suggestions in light of the pending renewal
2. organization and functioning of the committees
3. understanding of the corporate structure and knowledge of the key people
4. involvement of the Board in strategic planning and risk control
5. relationships within the Board and with management
6. summary and benchmarking

For each area we discussed the strong points, areas in need of improvement and the progress made on making the necessary improvements pointed out during last year's presentation.
Overall the Directors, either unanimously or by a large majority, consider the following to be the Board's strong points:
- the qualitative/quantitative profile of the Board is considered a strong point. The Directors (either unanimously or by a large majority) viewed the following as strong points:
  - adequate size, with a significant minority that would like to see a further reduction in the number of members (a total of 11 directors);
  - the current relationship between executive and non-executive directors and between independent and non-independent directors;
  - adequate composition, with a valid combination of expertise, varied and well structured. A majority suggested assessing the need to further strengthen the strategic and market components, as well as sector experience;
  - the diversity of the Board's composition and it was suggested that, in addition to gender, should support experience/seniority of the Directors with respect to term of office, training and culture, as well as expertise and professional background;
  - the nature of the assignments held by the directors which allows them to dedicate adequate time and resources to fulfilling their duties as a director, as well as limit on the number of assignments directors may have.

- organization and functioning of the Board:
  - satisfaction was expressed with the number of meetings held, the attendance and participation of the directors;
  - the open, detailed, direct discussions which foster a lively dialogue;
  - the positive and constructive environment within the Board, the effective discussions held between independent and non independent directors, the contribution of the independent directors;
  - the selection of the items to include in the agenda, the flow of information and presentations within the Board, the management of price sensitive information;
  - management of related party transactions;
  - the contribution of the Board of Statutory Auditors;
  - support of the Corporate Secretary;
  - the simplification of the shareholder base.
- organization and functioning of the Committees:
  - the current configuration is to be maintained in the future;
  - the composition of the committees.
- understanding of the corporate structure and knowledge of the key people:
  - understanding of the organizational structure and the knowledge of the key managers;
  - adequacy of the process used to assess the performance of the Chief Executive Officer and Top Management.
- strategic planning and risk management:
  - complete and extensive information about IGD's most important strategic areas;
  - definition of a clear strategy and shared strategic visions;
  - ample opportunity for the Board to discuss the strategy;
  - effective organization of risk management.
- relationships within the Board and with management:
  - active and effective role of the Chairman who assures a correct flow of information, encourages exchanges between Directors and shows the necessary leadership and authority;
  - constructive and well balanced relationship between the Chairman and the Chief Executive Officer;
  - active and continuous involvement of top management in the work done by the Board.

Lastly, a majority of the directors identified one area in need of more work and improvement:

- the succession plan should be revisited with a view to adopting and systematically implementing a succession plan for the Chief Executive Officer and the key executives during the next term.

Please note that at the date of this Report, the Company's shareholders had not authorized general or preventive exceptions to the non-compete clauses provided for in Art. 2390 of the Italian Civil Code[12].

3.4.4 **Executive Directors**

→ Chief Executive Officer

The bylaws [13] state that the Board of Directors may delegate its powers, within the confines of Art. 2381 of the Italian Civil Code and determining the limits of such authority, to an executive committee comprised of some of its members and/or one or more members given the title of chief executive officer or executive directors. During the meeting held on 17 April 2015, following the Annual General Meeting during which the current Board was appointed, Claudio Albertini was confirmed Chief Executive Officer and granted the following powers:

- to develop and propose – as agreed with the Chairman – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to develop and propose the strategies and financial policies of the Company and the group in relation to the growth, profitability and risk objectives determined by the Board of Directors, with responsibility for their implementation; to ensure that objectives are pursued in accordance with the guidelines set by the Board of Directors;
- to optimize the instruments and procedures of financial management and manage relations with the financial system;
- to develop and propose strategies for organizational development and policies for hiring, managing and training human resources;
- to recommend group accounting standards and operating principles to the Board of Directors and ensure that the financial statements (separate, administrative and consolidated) are properly formulated; to ensure compliance with group directives and with administrative, legal, and tax regulations and laws;
- to coordinate the drafting of the business plans, annual budget and the relative reporting;
- to monitor and coordinate any related activities: general services, any legal problems and fiscal implications;
- to assume responsibility for the prompt and correct implementation of work on property carried out directly by the Company, in compliance with the plans, budgets, and timeframes approved by the Board of Directors;
- to assume responsibility for operational supervision of the progress of turn-key contracts acquired from third parties;
- to assume responsibility for the proper maintenance of real estate assets according to rental contracts between IGD SIIQ S.p.A. and third parties and the budgets approved by the Board of Directors and in compliance with current laws;

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

- to assume responsibility for preparing the annual plan of work and the respective budget forecasts, with regard to both new construction and maintenance, subject to the approval of the Board of Directors;
- to interface, as agreed upon with the Chairman, with the shareholder cooperatives, regarding any integration of the respective investment plans.
- to define, together with the Chairman, the optimal size of the administrative bodies and select the Directors and Statutory Auditors, as well as the Chairman, Vice Chairman and/or Chief Executive Officer of subsidiaries and affiliates so that the Chairman may submit them to the Nominations and Remuneration Committee;
- to oversee the appointment of the main managerial positions within the Group;
- to define, together with the Chairman, the proposals for the compensation of the Company's and Group's top management to be submitted to the Nominations and Remuneration Committee;
- to ensure that the Company's organizational, administrative and accounting functions are adequate in light of the size of the business.

Pursuant to the Corporate Governance Code, the Company's Chief Executive Officer is primarily responsible for the business operations. In this regard, please note that the Chief Executive Officer does not act as a director for another Issuer that is not part of the same Group of which a director of the Company is Chief Executive Officer (interlocking directorate).

→ Chairman and Vice Chairman of the Board of Directors

In compliance with the bylaws[14] the Board of Directors appoints from among its members a Chairman, if the shareholders have not done so, and a Vice Chairman. If the Chairman is absent, the chairmanship is assumed by the Vice Chairman and if the Vice Chairman is absent the chairmanship is assumed by the Chief Executive Officer.
The chairman of the Board of Directors has signing authority for the Company and shall represent it as its Legal Representative[15] before any legal or administrative authority and vis-à-vis third parties; if the chairman is absent or unavailable, this authority is held by the Vice Chairman (if appointed), or by the most senior director in terms of age if the vice chairman is also absent or unavailable. Unless otherwise resolved, legal representation is also held by each Executive Director appointed in accordance with the bylaws.
During the meeting held on 19 April 2017, the Board of Directors appointed Elio Gasperoni, already a company director, Chairman of the Board in substitution of Gilberto Coffari, who tendered his resignation as Chairman on 12 April 2017, granting him the following duties:

- to develop and propose – as agreed with the Chief Executive Officer and as per his proposal – the policies and programs related to the company's real estate investments in accordance with the development plans approved by the Board of Directors;
- to interface with the shareholder cooperatives regarding any update of the respective investment plans in the Shopping Centers segment;
- to act as the director in charge of Internal Control and Risk Management; in this role, working with, to the extent necessary, the Chief Executive Officer, he: *(i)* works to identify the main business risks of the Company and its subsidiaries and submits them periodically to the Board of Directors for examination; *(ii)* executes the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying the overall adequacy, efficacy and efficiency; *(iii)* reports periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures; *(iv)* adapts this system to any change in operating conditions, the law or regulations; *(v)* may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results; *(vi)* inform the Board of any problems encountered while carrying out the activities referred to so that the Board of Directors may adopt the necessary measures; *(vii)* submits proposals to the Board of Directors as to who to appoint Head of Internal Audit, any terminations, and compensation and provides the Board of Directors with proposals as to how to ensure that the Head of Internal Audit has access to the resources needed to fulfill his duties.

During the meeting held on 17 April 2015, the Board of Directors, with a view to adopting a system more in line with best practices of listed companies which allow for the management of control functions to be separated from operations and in line with what was done in 2012 during the prior term, decided that the Chairman of the Board of Directors should act as the Director in Charge of Control and Risk Management who, following this assignment, is considered the executive director. At the same time the relative powers originally granted to the Chief Executive Officer were revoked.
During the meeting held on 17 April 2015, the Board of Directors appointed Fernando Pellegrini Vice Chairman, granting him the powers assigned to the Chairman to be exercised if the latter is absent or unavailable.

→ Executive Committee (pursuant to Art. 123-*bis*, para. 2, lett. d), TUF)

The Company did not appoint an Executive Committee.

→ Reporting to the Board of Directors

In accordance with Article 23.2 of the bylaws and Art. 150 of TUF, the Board of Directors and the Board of Statutory Auditors must be informed at least once a quarter, when the Board meetings are held, on general performance, the business outlook, and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries. The reports will be provided at the time of the

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

Board's approval of the periodic financial reports (Financial Statement, Half-year Financial Report, and Interim Management Statements). Each director may request that the deputized parties provide the Board with information regarding the Company's management. For the purposes of fostering organized reporting, the Company has adopted a set of specific Guidelines which define the rules to be followed for complying with the reporting obligations. The main purpose of these guidelines is to provide corporate governance tools that are concrete examples of the recommendations found in the Corporate Governance Code. The guidelines, in particular, ensure the transparency of the Company's management, make it possible for each director to be involved in the management in a more knowledgeable way thanks to the efficient flow of information between the deputized parties and the Board as per the Corporate Governance Code which stress the centrality of the Board's role while also seeking to reinforce the internal control functions.
The guidelines also contain information about the supervisory activities of the Board of Statutory Auditors pursuant to Art. 149 (TUF).

3.4.5 **Other Executive Directors**[16]

The Board of Directors appointed the Chief Executive Officer Claudio Albertini an Executive Director. During the meeting held on 19 April 2017 the Board of Directors appointed Mr. Gasperoni Chairman and confirmed his assignment as the Director in Charge of the Internal Control and Risk Management System. While not assigned any other mandates, the latter is now considered an Executive Director in light of the powers granted as a result of this assignment alone as per Art. 7 of the Corporate Governance Code.

3.4.6 **Independent Directors**

The Company's Board of Directors evaluated compliance with the requirements for independent, non-executive directors provided for in the Corporate Governance Code and TUF upon appointment and subsequently on an annual basis. The outcome of this evaluation was disclosed to the market.
After having examined the information provided and statements made by the directors, during the meeting held on 22 February 2018 the Board of Directors confirmed that the independent directors Elisabetta Gualandri, Milva Carletti, Rossella Saoncella, Luca Dondi Dall'Orologio, Andrea Parenti, Livia Salvini and Matteo Cidonio, still qualified as such[17] pursuant to and in accordance with Legislative Decree 58/98, Consob Market Regulations and the Corporate Governance Code.
In accordance with the Corporate Governance Code, on 30 January 2018 the Board of Statutory Auditors verified that the criteria and procedures for assessing the independence of its directors were correctly applied by the Board[18].
As the current Board of Directors is comprised of 13 members, the independent directors represent 53.8% (7 out of 13) of the total number of directors and 63.6% (7 out of 11) of the total number of non-executive directors.
The independent directors met on 31 January 2018 to discuss the topics of greatest interest with respect to the functioning of the Board of Directors and the company's operation.

3.4.7 **Lead Independent Director**

Following the renewal of the Board of Directors on 15 April 2015, as none of the circumstances existed which call for the appointment of a Lead Independent Director under the Corporate Governance Code, the Company did not appoint anyone to act as the Lead Independent Director.

16 Corporate Governance Code: Art. 2.C.1.
17 Corporate Governance Code: Art. 3.C.4.
18 Corporate Governance Code: Art. 3.C.5.

3.5 TREATMENT OF CORPORATE INFORMATION

→ Procedue for the management, treatment and public disclosure of confidential and price sensitive information and the Registry of Insiders

In accordance with Code recommendations, particularly with regard to price sensitive information pursuant to Art. 114, para. 1 TUF, in December 2006, the Company adopted an internal procedure for the secure, confidential management and disclosure of price sensitive information and documents.

Furthermore, in accordance with Art. 115-*bis* TUF, the Company established a registry of the persons who have access to price sensitive information already in June 2006.

Pursuant to EU Regulation 596/2014 (**"MAR"**), in 2016 the Company approved a new Procedure for the Management, Treatment and Public Disclosure of Confidential Information and the Registry of Insiders (the **"Procedure"**). All directors, statutory auditors, executives and employees of the Company and/or its subsidiaries, as well as others who act in the name of or on behalf of the Company and/or its subsidiaries, who have access to the Company's confidential or price sensitive information in the course of their duties, are bound by the Procedure.

The Chief Executive Officer will determine whether or not information is price sensitive and, toward this end, may avail himself of company structures as needed, of the Corporate and Legal Affairs Division, as well as Investor Relations. When deemed opportune or necessary the Chief Executive Officer may request that this assessment be made by the Board of Directors.

The Company discloses price sensitive information to the public as quickly as possible in a way which guarantees quick, equal, simultaneous access to the information throughout the European Union, as well as a complete, accurate and timely analysis of the information, by issuing a press release.

The Company may delay, under its own responsibility, public disclosure of the price sensitive information as long as the conditions called for in MAR are satisfied. The decision to delay disclosure is made by the Chief Executive Officer who works to guarantee that the price sensitive information is treated with the maximum confidentiality and that all necessary information is included in the Registry of Insiders, along with the timely registration of the individuals who have access to price sensitive information (the **"Registry"**), maintained by the Company in accordance with the law.

The Registry is divided into two distinct sections: one defined "occasional" which includes parties identified on a case by case basis who may have access to specific information; one defined "permanent" which includes those parties who always have access to price sensitive information.

Lastly, the Company intends to revise the Procedure as soon as possible in 2018 in order to comply with the guidelines for the management of price sensitive information adopted by Consob in October 2017.

→ Internal dealing

In accordance with Art. 114, paragraph 7 of TUF and with the implementation provisions found in Arts. 152-sexies et seq. of the "Regulations for Issuers", effective as of January 2007 the Board of Directors adopted a procedure governing mandatory notification and conduct on the subject of transactions carried out by relevant persons and parties closely related to such persons on the Company's shares or on related financial instruments (**"Internal Dealing Procedure"**).

Pursuant to MAR, in 2016 the Company approved a new version of the Internal Dealing Procedure in order to comply with new rules and regulations which was updated in 2017 in accordance with the Consob Resolution n. 19925/2017 of 6 April 2017 which amended the Regulations for Issuers in light of MAR.

The Internal Dealing Procedure is available at http://eng.gruppoigd.it/Governance/Internal-Dealing.

3.6
BOARD COMMITTEES
(pursuant to Art. 123-*bis*, par. 2, lett. d), TUF)

In 2008 the Board of Directors, in compliance with Code recommendations, formed the Chairman's Committee, the Control and Risk Committee (formerly the Internal Control Committee), the Nominations and Compensation Committee (the committee formed by combining the Compensation Committee with the Nominations Committee) and the Committee for Related Party Transactions.

As the Company is subject to the management and coordination of Coop Alleanza 3.0 s.c.a r.l., which holds 40.92% of the Company's share capital, pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 37, paragraph 1 (d) of the Consob Market Regulations, based on which the committees formed pursuant to the Corporate Governance Code must comprise only independent directors as defined in these provisions.

In 2012, the Board of Directors resolved to combine the Compensation and the Nominations Committees into a single "Nominations and Compensation Committee" in accordance with the recommendations found in the comments on Article 4 of the Code and having met the organizational requirements referred to. The members of the previously mentioned committees were recently elected when the Board of Directors was renewed in April 2015 (with regard to the Committee for Related Party Transactions, please refer to paragraph 12 "Directors' interests and related party transactions").

3.7 NOMINATIONS AND COMPENSATION COMMITTEE

The Compensation and the Nominations Committees were combined into a single "Nominations and Compensation Committee" for organizational purposes within the Board as well as because of the strong correlation between the competencies of the former Company's Compensation Committee and those of the Nominations Committee pursuant to the Corporate Governance Code. The Company verified also that the members of the Compensation Committee possess the same requirements relative to independence, professionalism and experience as the members of the Nominations Committee.

→ Composition and role of the Nominations and Compensation Committee (pursuant to Art. 123-*bis*, par 2, lett. d) TUF)

NOMINATIONS AND COMPENSATION COMMITTEE

Andrea Parenti	Chairman (Independent)
Milva Carletti	(Independent)
Elisabetta Gualandri	(Independent)

The Board of Directors, after having seen the *curricula* of the Nominations and Compensation Committee members verified that director Andrea Parenti possesses adequate knowledge and experience in finance and with remuneration policies.

The meetings of the Nominations and Compensation Committee may be attended by the Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer. No director may attend a meeting of the Nominations and Compensation Committee during which his/her compensation is being discussed.

The current Nominations and Compensation Committee was appointed by the Board of Directors on 17 April 2015, following the shareholders' renewal of the corporate bodies on 15 April 2015.

The current Nominations and Compensation Committee is comprised of independent directors Andrea Parenti (Chairman), Milva Carletti and Elisabetta Gualandri. In 2017 the Committee met 5 (five) times, on 17 January, 24 February, 8 May, 26 July and 11 September. 100% of the committee members attended the meetings. The Chairman of the Board of Statutory Auditors attended 4 out 5 of the meetings.

Each meeting in 2017 lasted approximately 30 minutes and proper minutes were taken during each meeting.

→ Functions of the Nominations and Compensation Committee

The Nominations and Compensation Committee: (i) submits proposals regarding the optimal composition of the Board of Directors, Company management and selection of directors, statutory auditors and management for subsidiaries held to be of strategic importance in order to guarantee an adequate level of separation between directors and management; (ii) provides advice and recommendations relating to remuneration in order to ensure that the compensation of the Company's directors, the Managers with Strategic Responsibilities and directors of subsidiaries are determined in such a way as to retain and motivate the individuals with the professional characteristics needed to successfully manage the Company and its subsidiaries.

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

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

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

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

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

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

3.8
DIRECTORS' REMUNERATION

This information can be found in the Remuneration Report, to which you are invited to refer, published in accordance with art. 123-*ter* of TUF, available on the Company's website http://eng.gruppoigd.it/Governance/Compensation.

3.9
CHAIRMAN'S COMMITTEE

CHAIRMAN'S COMMITTEE (THROUGH 12 APRIL 2017)	
Gilberto Coffari	Chairman
Fernando Pellegrini	Vice-Chairman
Claudio Albertini	Chief Executive Officer
Elio Gasperoni	Director

CHAIRMAN'S COMMITTEE (AS OF 19 APRIL 2017)	
Elio Gasperoni	Chairman
Fernando Pellegrini	Vice-Chairman
Claudio Albertini	Chief Executive Officer

At the date of this report, the Chairman's Committee is comprised of the Chairman, Vice Chairman and the Chief Executive Officer. The Chairman's Committee assists in determining the development policies, along with the strategic and operational guidelines, to be submitted to the Board of Directors and oversees the correct implementation of same. The committee is also called upon to express opinions regarding the strategically relevant development and investment transactions to the extent that the latter could have a significant impact on the value or composition of the company's equity or stock price.
The Chairman's Committee met 5 (five) times in 2017. Each meeting lasted approximately 2 (two) hours.

3.10 CONTROL AND RISK COMMITTEE

The Control and Risk Committee was formed by the Board of Directors in accordance with the Corporate Governance Code[19].

→ Composition and role of the Control and Risk Committee (pursuant to art. 123-*bis*, par. 2, lett. d), TUF)

CONTROL AND RISK COMMITTEE

Elisabetta Gualandri	Chairman (Independent)
Livia Salvini	(Independent)
Rossella Saoncella	(Independent)

As the Company is subject to the management and coordination of Coop Alleanza 3.0 s.c.a r.l., who holds 40.92% of the Company's share capital, pursuant to Art. 2497 of the Italian Civil Code, it is subject to Art. 37, paragraph 1 d) of the Consob Market Regulations, based on which the Risk and Control Committee must comprise only independent directors as defined in the Corporate Governance Code and in the same art. 37, paragraph 1 d) of the Consob Market Regulations.
Upon appointment, the Board of Directors examined the curricula of the independent director candidates verifying that they met at least one of the requirements in terms of experience in accounting and finance having worked at least three years as: (i) managers in administration, finance and control departments of joint stock companies, or (ii) professional activities or as confirmed university professors in law, economics or finance, or (iii) managers of public bodies or public administrations active in the banking, financial and insurance sectors.
The Chairman of the Board of Directors attends the meetings of the Control and Risk Committee in his quality as Director in Charge of the Internal Control and Risk Management System, as does the Chairman of the Board of Statutory Auditors or another statutory auditor appointed by him, though the other statutory auditors may attend. The Vice Chairman of the Board of Directors and the Chief Executive Officer are also invited to attend Committee meetings.
The current Control and Risk Committee was appointed by the Board of Directors on 17 April 2015 and is comprised of independent directors Elisabetta Gualandri (Chairman), Livia Salvini and Rossella Saoncella. In 2017 the Committee met 6 (six) times on 6 February, 12 April, 8 May, 19 July, 2 August and 6 November; Chairman Elisabetta Gualandri attended 100% of the meetings, while independent directors Rossella Saoncella and Livia Salvini attended 83% of the meetings.
In 2016 the Chairman of the Risk and Control Committee, in compliance with Governance Code Art. 4. C.1.d, and following approval of the Company's new Rules for Corporate Governance, provided the Board of Directors with information on the content and outcomes of the previously held meetings.
The Chairman of the Board of Statutory Auditors Anna Maria Allievi, attended 100% of the Committee meetings.
Each meeting lasted approximately 1.5 hours and proper minutes were taken during each meeting.

→ Functions of the Control and Risk Committee

The Control and Risk Committee provides the Board of Directors with a preliminary opinion regarding the execution of the following:

- definition of the guidelines for the Company's internal control and risk management system so that the risks faced by the Company and its subsidiaries are correctly identified, assessed, managed and monitored, while also determining the extent to which these risks are compatible with the correct management of the business and the strategic objectives identified;
- yearly evaluation as to the adequacy of the internal control and risk management system with respect to the type of business and risk profile, as well its efficacy;
- approval, at least yearly, of the work plan prepared by the Head of Internal Audit, after having consulted with the Board of Statutory Auditors and the director, Head of the Internal Control and Risk Management System;
- describes the main features of the internal control and risk management system in the report on corporate governance, along with the methods used to coordinate the different parties involved, and expresses an opinion as to its adequacy;
- evaluation, after having consulted with the Board of Statutory Auditors, of the findings of the external auditors in the letter of recommendations and the report on the main issues that emerged during the financial audit;
- appointment and suspension, as proposed by the Director in Charge of Control and Risk Management System and after having consulted with the Board of Statutory Auditors, of the Head of Internal Audit.

The Control and Risk Committee, in addition to assisting the Board of Directors on the matters above, also:

19 Corporate Governance Code: Art 7.C.2

a) assesses, along with the Financial Reporting Officer and after having consulted with the external auditors and the Board of Statutory Auditors, the appropriateness of the accounting standards adopted and, if Groups are involved, their uniformity with a view to the preparation of the consolidated financial statements;
b) expresses opinions on specific aspects concerning the identification of business risks;
c) examines the periodic reports in which the internal control and risk management system is evaluated, along with any particularly relevant reports prepared by internal audit;
d) monitors the independence, adequacy, efficacy and efficiency of the internal audit function;
e) may ask internal audit to carry out controls of specific operating units, while, at the same time, advising the Chairman of the Board of Statutory Auditors;
f) reports to the Board of Directors at least every six months, when the annual and interim reports are approved, on the work performed and the adequacy of the internal control and risk management system;
g) supports the evaluations and decisions made by the Board of Directors relating to the management of risks linked to any detrimental events that the Board of Directors has been made aware of.

The functions attributed to the Control and Risk Committee are not exhaustive and may be increased.

The Board of Directors ensures that the Control and Risk Committee, including as per the Committee's recommendations, receives adequate support in carrying out its duties.

During the meetings held in 2017 the Committee was involved primarily in the following activities:

a. assessment, along with the Financial Reporting Officer, of the appropriateness of the accounting standards adopted and their uniformity with a view to the preparation of the consolidated financial statements;
b. examination of the controls conducted by Internal Audit based on the audit plan approved, as well as on specific areas required by the Committee, such as, for example: fair value measurement of the real estate assets, finance and treasury, asset/liability cycles, accounts receivable (Italy and Romania), management of contractual guarantees as well as analysis of counterparty risk, market abuse procedures and internal dealing;
c. examination of the progress made on the Enterprise Risk Management project in 2017;
d. providing the Board of Directors with a favorable opinion of the audit plan for 2018 prepared by the Head of Internal Audit and based on the risk prioritization process that is part of risk management.

The Company guarantees that the Control and Risk Committee will have the financial resources needed to fulfil its duties.

3.11 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control System consists in the set of rules, procedures and organizational structures designed to ensure that the business is run correctly and in line with the objectives agreed upon, through the proper identification, assessment and control of the primary risks facing the company with a view to creating medium/long term value for shareholders. This internal control system helps ensure the safeguarding of the company's assets, the efficiency and efficacy of the company's operations, compliance with laws, regulations, bylaws and internal procedures, as well as the reliability of financial information. As the objective of the internal control system is, therefore, to guarantee the reliability, accuracy, dependability and the timeliness of the financial information, the system is considered an integral part of and not separate from the general risk management system adopted by the Company.

This system is part of the Company's overall organizational and corporate governance structure and reflects the reference models, as well as national and international best practices, also in light of the changing rules.

More in detail, the planning, implementation and monitoring of the internal control and risk management system defined by IGD are modeled after the CoSo Framework; with a view to continuous improvement, the Company develops and updates the system components constantly.

When planning the internal control and risk management system, the level of risk deemed compatible with the Company's strategic goals is considered, including with a view to the sustainability of the Company's operations over the long-term.

The components of the system are summarized below:

a) Control environment

The control environment refers to the organizational context in which the strategies and objectives are defined, the ways in which business activities are structured and the ways in which risks are identified and managed. This includes many elements, including the Company's ethics, expertise and development of personnel, the style with which operations are managed and the methods used to grant special mandates, powers and responsibilities. In line with the framework standards, the control environment includes the following five sub-elements:

i) Commitment to integrity and ethical conduct

The Company has defined and shared its Code of Ethics with employees and staff members. This Code is an official document that contains all the standards underlying the Company's activity. The top management and the supervisory and control bodies which, as described in more detail below, make up the internal control and risk management system, help to ensure compliance with the conduct set out in the Code. The Company is committed to preserving economic, environmental and social sustainability for its stakeholders and issues the corporate sustainability report.

ii) Exercise of the supervisory responsibilities

The group of individuals which comprise the Company's internal control and risk management system guarantee that the supervisory activities will be carried out in compliance with the law and regulations. More in detail, the different duties (which will be explained more in detail below) are assigned to the Board of Directors, the Director in Charge of the Internal Control and Risk Management System, the Risk and Control Committee, the Board of Statutory Auditors, the Supervisory Board, the Financial Reporting Officer and the Head of Internal Audit.

iii) Definition of the internal control and risk management system's structures, reporting lines and responsibilities

In 2016 the Company approved the update of its "Corporate Governance Regulations" in order to implement the changes to the Corporate Governance Code introduced in July 2015, which strive, among other things, to identify the roles and the responsibilities that should be part of the risk management and internal control system and the main relationships for the exchange of information and the reporting lines needed to for the coordination of their work.

The internal control and risk management system involves, to the extent of their expertise:

i) the Board of Directors;
ii) the Director charged with creating and managing an effective internal control and risk management system;
iii) the Control and Risk Committee, as the voice of the Board of Directors, formed in accordance with the Corporate Governance Code which must support, after having received adequate information, the evaluations and decisions made by the Board of Directors relating to the internal control and risk management system, as well as the decisions relating to the approval of the periodic financial reports;
iv) the Head of Internal Audit, charged with verifying that the internal control and risk management system is functional and adequate and with coordinating the

Enterprise Risk Management (ERM) process;

v) the Financial Reporting Officer who, by law, is charged with establishing adequate administrative and accounting procedures for the preparation of financial documents and reports;

vi) the Board of Statutory Auditors, including in its role as Committee for Internal Control and Financial Audit, which monitors the efficacy of the internal control and risk management system;

vii) other roles and company divisions assigned specific duties relating to internal control and risk management based on the size, complexity and profile of the business risks (including, for example, the Supervisory Board created pursuant to Legislative Decree 231/2001).

The Board of Directors ensures that the assessments and decisions made relating to the Issuer's risk exposure, the internal control system, the approval of the annual and half-year reports, as well as the relations between the Company and the external auditors are supported by an adequate exchange of information.

The Board of Directors, as part of its strategic supervision, defines the guidelines for the control systems in line with the Company's business risk previously determined by the Board[20].

The Board, by law, must also periodically verify the adequacy of the control systems. Unforeseen events, however, may require further investigation in order to verify the efficacy of the controls in relation to particular situations[21] and the Board, therefore, is also responsible for the adoption of an adequate system in light of the business's characteristics.

Toward this end an efficient organization of the workflow is key to ensuring that any questions relating to internal control, in general, and risk management, in particular, are discussed with the Board after having been adequately briefed by the Control and Risk Committee.

iv) Commitment to attract, develop and retain competent resources

The Company promotes research and development activities in order to enhance the talent and professional expertise of its resources. The human resources management systems adopted foster the enhancement of professional know-how and incentivize the achievement of goals through specific bonus schemes and the development of employee training programs.

v) Promotion of reliability

The Company promotes and enhances reliability on all levels and in the broadest sense of the term which encompasses all aspects of organizational conduct, procedural management, IT, as well as internal and external communications.

20 Comment - Art. 7 Corporate Governance Code
21 Comment - Art. 7 Corporate Governance Code

b) Risk assessment

Risk assessment is viewed as an integral part of the system. Toward this end, in order to most effectively serve its control and risk management needs, as well as its complexity, its status as a listed company and business dynamics, IGD developed an integrated model for risk management which is in line with renowned international Enterprise Risk Management (ERM) standards. As per these standards, risk assessment is carried out in line with a) above and is based on four sub-elements:

vi) Definition of appropriate objectives

The Company verifies that the planning, implementation and monitoring of the internal control and risk management system are in line with the Company's strategic, financial, operational and compliance goals.

vii) Identification and assessment of risks

The risk management system adopted is constantly updated and developed by management in order to ensure that it is adequate in light of changes in the organizational structure or business. The methods used as part of the Group's ERM system call for the following:

- analysis of the risks identified, the organization of the risk management personnel and the risk control measures used, assessment of the risk identified by the management of Group companies;
- identification of the "risk indicators", which make it possible to identify and assess the impact that the risks under examination could have on the company's performance;
- assessment of the level of risk coverage based on the control mechanisms used;
- prioritization of the risks and the steps to be taken, as well as risk tolerance analysis in accordance with the instructions received from the Group's top management and through an evaluation of the overall exposure and the potential risks impact on the strategic goals.
- the use of quantitative analysis which focuses on understanding the impact of different risk scenarios on the Plan targets and supports the assessment of risk exposure and appetite as effectively as possible.

The Enterprise Risk Management procedures are updated based on the findings of specific risk assessments made by other control bodies (internal audit, system used to control accounting-administrative procedures pursuant to Law 262/05).

viii) Identification and assessment of fraud risk

The Company pays particular attention to potential areas of exposure to the risk of fraud when planning, implementing and monitoring the internal control and risk management system. The ERM model identifies and assesses in the Risk Map an area of risk referred to as "Fraud committed by Company personnel or its stakeholders that could impact its assets and its reputation". The controls defined relating, in particular, to administrative and accounting operations, financial and treasury management, as well as property and retail management, also take into account aspects relating to fraud risk.

The assessments of this sort of risk take into account not only the results of the controls made by system personnel, but also the recommendations and action plans emerged as a result of internal audits and any observations made by the external auditors shared with the Company. With a view to continuously improving the system, the Company will continue to work on preventing fraud and the instruments used in this regard.

ix) Identification and analysis of significant changes

As part of the internal control and risk management system, the risks analyzed and assessed are periodically verified and updated in light of strategies, the organizational model and the business operations. The Company, therefore, periodically updates the tools used to identify and assess risk (ERM system, Decree 231/01 Model for organization, management and control, system used to control accounting-administrative procedures pursuant to Law 262/05) to ensure that they fit the Company's organizational and business characteristics, as well as the corporate strategy.

c) Control activities

Control activities are defined in accordance with regulations, policies, guidelines and procedures that ensure that the risk management strategies adopted are executed correctly. In line with the framework standards and pursuant to the observations made in b) above, the control activities include the following three sub-elements:

x) Selection and development of control activities

The control activities defined by IGD are based on the definition and deployment of a series of controls designed to mitigate risks of various types, including organizational, procedural, operational or relating to third party interests. The selection of the control activities is rooted in the risk identification and mapping carried out in accordance with the ERM model, the Decree 231/01 Model for organization, management and control and the administrative-accounting control system. As part of these assessment activities, the Company assesses the adequacy of the existing controls with respect to the level of risk identified and determines the steps that need to be taken to strengthen controls, in line with the control objectives defined and shared with top management. Implementation is periodically monitored by the system personnel based on his/her duties and responsibilities.

xi) Selection and development of general controls for technology

Based on the Company's organizational model, a few support services are outsourced relating, for example, to the management of IT and infrastructures. More in detail, IGD stipulated a contract for services with Coop Alleanza 3.0 Soc. Coop based on which the latter manages the IT systems. The Financial Reporting Officer, in particular, analyzed the IT systems managed in outsourcing. The purpose of this analysis was to assess "IT General Controls" in order to identify any lack of alignment with respect to the current Internal Control System and the Internal Control objectives outlined in the COSO and CobiT reports and define the steps to be taken in order to improve the situation which are monitored by the Financial Reporting Officer.

xii) Deployment of controls through policies and procedures

IGD, in line with the control objectives defined, as well as the best market practices and the methods adopted, defined a series of policies and procedures that govern conduct, as well as organizational and management practices (internal regulations and procedures). They form an integral part of internal regulations and procedures, along with the market procedures, administrative-accounting controls, the model for organization, management and control, as well as the procedures called for under the law.

d) Information and communication

Information is needed at all corporate levels in order to identify, assess and carry out the risk management solutions decided upon, as well as the control activities called for with respect to the pre-determined objectives. In line with the framework standards and pursuant to the observations made in c) above, the information and communication activities are defined based on the following three sub-elements:

xiii) Use of relevant information

In order to provide the control activities with concrete support, the Company gathers and assesses relevant information. While the system is being monitored, information is gathered through interviews of management and based on self-assessment initiatives. The Company has also defined a set of Key Risk Indicators that are updated periodically in order to understand elements that could prove useful to understanding potential risks. Similarly, reporting lines and ways to manage information flows are determined by the Legislative Decree 231/01 Supervisory Board, Internal Audit and the Financial Reporting Officer. The management, control bodies and the Board of Directors are provided periodically with reports on the progress of the work being done and updates about any changes relative to the levels of the risks identified.

xiv) External communications

The Company promotes transparent and thorough external communications policies. Toward this end the internal control and risk management system, as well as the corporate events of potential interest to all stakeholders, are made public through the institutional channels adopted by the Company, namely periodic financial reporting, the Report on Corporate Governance and Ownership Structure, the corporate website www.gruppoigd.it and all the disclosures made available to the public by the Investor Relations department.

xv) Internal communications

Internal communications must ensure that all appropriate company staff members are aware of the control and governance rules and that management is updated constantly including with regard to any new provisions relating to the control and risk management system, as well as changes to internal rules. The internal communications system includes the training programs developed in order to provide management with an understanding of the procedures and controls defined by the Company. Information channels are in place through which top management and the control bodies are provided with useful information in order to improve the system or report any lack of compliance with the controls.

e) Monitoring

Information is needed at all corporate levels in order to identify, assess and carry out the decisions made relative to the treatment of risk, as well as deploy the control activities defined in order to reach the goals defined. In line with the framework standards and pursuant to the observations made in d) above, the risk assessment activities include the following two sub-elements:

xvi) Continuous and periodic evaluations

In line with the procedures used to identify, assess, manage and monitor the risks defined by the system adopted, each system player is called upon periodically to report on the functioning of the system and its ability to contain risk within the defined limits as per the guidelines defined by the relative control bodies.

xvii) Evaluations and communication of any deficiencies

The periodic evaluation of the internal control and risk management system makes it possible to single out the areas in need of improvement in order to align the system with the relative control bodies' expectations and the level of risk that the Company can tolerate. The players and the bodies that are part of the internal control and risk management system are involved in the evaluation process and the communication of any deficiencies.

→ Main features of the existing internal control and risk management systems in relation to the financial reporting process

With regard to the internal controls implemented in relation to the financial reporting process, in prior years IGD has undertaken to comply with Law 262/05 by updating the accounting and administrative control models and has also executed the controls necessary to support the Financial Reporting Officer's certification process.

The above mentioned accounting and administrative control system represents the set of rules, procedures and internal tools used by the Company to ensure the reliability, accuracy, and timeliness of financial reporting.

The methods used by the Financial Reporting Officer in the development of the accounting and administrative control system are those described in specific guidelines drafted in this regard which are in line with the recommendations found in the COSO Report, the model referred to in the guidelines issued by ANDAF for the Financial Reporting Officer.

a) Phases of the Internal Control and Risk Management System implemented in relation to IGD's financial reporting process

As part of the financial reporting process, in order to understand the principal risks to which IGD and the Group are exposed, the Financial Reporting Officer works with the parties involved in the Company's and the Group's Enterprise Risk Management system (the working group initially dedicated to the launch of the ERM system) in order to identify and assess business risks.

The activities listed above are described in greater detail below.

Identification of risks associated with financial reporting

During this phase the scope of the analysis is determined relative to the Group companies, the processes of the single companies, as well as the administrative-accounting risks and controls to be investigated further.

The Company constantly evaluates the scope of the analysis and makes the necessary changes and additions, including with regard to the companies operating in Romania. Risks are, therefore, identified for each individual administrative-accounting process.

Assessment of the risks associated with financial reporting

This activity calls for the assessment of financial reporting risk for both entities and processes, as well as for single transactions. Existing controls and the ability to effectively mitigate the risks inherent to administrative-accounting processes are checked.

Based on the approach used, both the risks relating to non-intentional errors and fraud are taken into account and controls are put into place to ensure that these risks are monitored, including as part of control protocols implemented in the context of other components of the overall internal control system.

The approach used also takes into account the manual and IT systems controls supporting the administrative-accounting procedures, namely the automatic IT controls for applications, general controls covering systems access, control of systems development and changes and, lastly, the adequacy of the IT structures. The control system, both on entity and general IT structural levels, is subject to analysis in order to understand how to deploy initiatives to strengthen it.

The analysis of procedures, risks and controls established based on the Financial Reporting Officer's work plan includes the updating of the model used to control accounting and administrative risk with constant risk assessment review pursuant to Law 262/05 and the introductions of new procedures as a result of the scoping reviews. The Financial Reporting Officer constantly monitors the adequacy of the controls identified, and carrying out, when necessary, corrective measures.

Identification of the controls to be used with respect to the risks found

Based on the work carried out to identify procedures, risks and controls, the Company plans the improvements needed to introduce and/or change controls, both general and for single processes. The administrative-accounting procedures are then updated accordingly. IGD's administrative-accounting procedures are defined and deployed in accordance with the organizational structure and corporate processes in place, both in Italy and in Romania. A specific analysis was done of the control system and the accounting IT systems in order to assess the adequacy of the controls with respect to the standards included in the Company's framework.

The Company evaluates the need for and plans updates in order to ensure that the administrative-accounting procedures are in line with the Group's organization and functioning.

Evaluation of the controls used to monitor the risks found
The administrative-accounting procedures are monitored constantly; toward this end, specific testing activities are planned and carried out in order to ensure that the controls called for in the administrative-accounting procedures, as well as any corrective measures, are carried out correctly by the corporate divisions. These evaluations are carried out with respect to both the Italian and Romanian companies.
Furthermore, in accordance with Consob Recommendation n. DIE/0061944 dated 18/7/2013 relating to the fair value of real estate assets held by listed real estate companies, IGD's Board of Directors approved a specific corporate procedure: "Fair Value Measurement of Real Estate Assets".

b) Roles and corporate bodies involved
The internal control and risk management system is based on the clear definition of the roles involved in the different phases of the planning, deployment, monitoring and updating of the system over time. These include the Board of Directors, the Risk and Control Committee, the Board of Statutory Auditors, Director charged with creating and managing an effective internal control and risk management system, the Supervisory Board, the Financial Reporting Officer, Internal Audit, and Company management.
Based on the current internal control and risk management system, the Financial Reporting Officer must report to the Board Directors and participate in the coordination of the control activities.

* * *

During the year, based on the evaluation of the Control and Risk Committee and the Director in Charge of Internal Control and Risk Management, the work done by the Financial Reporting Officer and the Internal Audit report, the Board evaluated the adequacy, efficacy and functioning of the internal control and risk management system.

3.11.01 **Director in charge of the Internal Control and Risk Management System**

The company called upon the Chairman of the Board of Directors to act as the Director in Charge of the Internal Control and Risk Management System who, following this assignment, is considered an executive director. Previously, the executive director in charge of the internal control system had been the Chief Executive Officer.
In particular the director in charge of internal control and risk management has the following duties:

a) identification – working with the Chief Executive Officer to the extent necessary - of the main business risks of the Company and its subsidiaries, and periodically submitting same to the Board of Directors for examination;
b) execution of the guidelines defined by the Board of Directors, monitoring the planning, implementation and management of the internal control and risk management system, while constantly verifying their overall adequacy, efficacy and efficiency;
c) report periodically to the Board of Directors, as requested by the Board, on the status of risk identification, the overall management of the control system, its functioning and implementation of proposed measures;
d) adapt this system to any change in operating conditions, the law or regulations;
e) may ask internal audit to carry out verifications relating to specific operations and the compliance with rules and internal procedures in the execution of corporate transactions, informing the Chairmen of the Control and Risk Committee and the Board of Statutory Auditors of the results;
f) inform the Board of Directors in a timely manner of any problems and critical areas encountered while carrying out the activities referred to or of which he was made aware, so that the Board of Directors may adopt the necessary measures;
g) submits proposals to the Board of Directors as to who to appoint Head of Internal Audit, any terminations, and compensation and provides the Board of Directors with proposals as to how to ensure that the Head of Internal Audit has access to the resources needed to fulfill his duties.

3.11.02 **Head of Internal Audit**

In 2016 the Board of Directors, based on the proposal of the Director in Charge of the Internal Control and Risk Management System and the favorable opinion of the Board of Statutory Auditors, resolved to appoint Francesco Pastore, of Grant Thornton Consultants srl, to act as Head of Internal Audit in outsourcing for the three-year period 2016-2017-2018.

More in detail, the Head of Internal Audit:
a) verifies, continuously, as well as when specific needs arise and in accordance with international standards, the functioning and adequacy of the internal control and risk management system, based on an audit plan, prepared by the Head of Internal Audit and approved by the Board of Directors based on a structured analysis and prioritization of the main risks;

b) is not responsible for any operational areas and reports directly to the Board of Directors;
c) has direct access to all the information needed to carry out the assignment;
d) prepares periodic reports containing adequate information regarding the activities, how risk management is carried out, as well as the status of the plans defined. The periodic reports contain an evaluation as to the adequacy of the internal control and risk management system;
e) prepares reports about important events in a timely manner;
f) provides the above reports to the Chairman of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as the Director in Charge of the Internal Control and Risk Management System (i.e. the Chairman of the Board of Directors);
g) verifies, as part of the audit plan, the reliability of the IT accounting systems.

The Head of Internal Audit coordinates the ERM process, ensuring that the Director in Charge of the Internal Control and Risk Management System, the Control and Risk Committee and, when requested, the Board of Directors, are provided with progress reports.

3.11.03 **Decree 231/2001 Organizational Model**

In 2006 the Board of Directors approved adoption of the Organizational Model, as subsequently amended, which further strengthened the internal control system. In 2015 the Company, as new crimes were added to those for which the Company could be found liable, mapped the core business activities at risk and, consequently, updated the Model and provided employees and management with training in this regard, incorporating the changes introduced by the legislation on anti-recycling.
The Organizational Model seeks to ensure that the system complies with Decree 231/2001 based on which companies were made administratively responsible in criminal proceedings for certain types of crimes committed by top managers and subordinates and is based on the standards and procedures described below.
The Organizational Model includes the following:
a. mapping of the activities at risk based on the information gathered regarding IGD's activities and organizational structure;
b. the Code of Ethics, which contains the general principles of diligence, honesty and fairness guiding professional performance and inspiring conduct at the workplace;
c. preventive procedures for the areas at risk involving, specifically, the general principles of internal control;
d. the disciplinary system which enforces the Model's rules;
e. the Supervisory Board which is charged with monitoring the effectiveness, adequacy and compliance with the Model.

The Supervisory Board may act independently and must ensure that the Model is constantly updated.
The Supervisory Board also provides the Board of Directors with information regarding the changes that need to be made to the Model in order to comply with norms and regulations and to reflect the business operations.
The Supervisory Board reports to the Chairman of the Board of Directors and the Board of Statutory Auditors on a periodic basis and to the Board of Directors every six months.
The Supervisory Board has hired a consulting company which provides the support necessary for the management and analysis of the information generated pursuant to Art. 6, par. 2, lett. d) of Legislative Decree 231/01, as well as for the execution of specific audits deemed necessary based on the information gathered.
The Supervisory Board in office is comprised of Fabio Carpanelli (Chairman), Riccardo Sabadini and Alessandra De Martino, none of which are from inside the Company and who have the specific expertise needed to fulfill the duties assigned. In 2017 the Supervisory Board met 4 (four) times on 26 January, 12 April, 20 July, 6 November; Chairman Fabio Carpanelli and Alessandra De Martino attended 100% of the meetings and Riccardo Sabadini 75% of the meetings. Each meeting lasted approximately 1.5 hours and proper minutes were taken during each meeting.
The Model is also available on the company's website http://eng.gruppoigd.it/Governance/The-Organizational-Model.

3.11.04 **External Auditors**

The activities related to financial audit are carried out by a company selected by the shareholders from among those listed in Consob's specific roll and based on the motivated opinion of the Board of Statutory Auditors.
On 18 April 2013 the shareholders, on the basis of a detailed analysis of the motivated opinion submitted by the Board of Statutory Auditors, granted the company PricewaterhouseCoopers S.p.A. the financial audit assignment for the period 2013-2021.
The fees paid the external auditors for the financial audit of IGD's separate and consolidated financial statements at 31 December 2017 can be found in the notes to the separate and consolidated financial statements.

3.11.05 **Financial Reporting Officer**

In compliance with art. 154-*bis* of TUF and Article 23.5 of the bylaws, the Board of Directors must appoint a Financial Reporting Officer, subject to the unbinding opinion of the Board of Statutory Auditors, who has matured at least five years of experience in a) administrative or control activities and who has had a supervisory role in companies or entities with assets of not less than €10 million, or b) professional activities, including as part of audit functions, strictly connected to business activities and functions that the officer is called up to perform.
In July 2007, the Board of Directors appointed Grazia Margherita Piolanti as the Financial Reporting Officer for an indefinite period and invested her with responsibilities, powers and means.
The Financial Reporting Officer has access to adequate administrative and accounting procedures in order to draft the separate and, where provided for, the consolidated financial statements, as well as all other financial documents.
The Board of Directors must ensure that the Financial Reporting Officer is granted the organizational and operational power and means needed to carry out the duties assigned herein.
The Financial Reporting Officer must provide a written declaration which accompanies the announcements made by the Company to the market, as well as the interim and financial reports, attesting that the information contained reflects the underlying records, ledgers and accounting entries.
The Financial Reporting Officer, along with the executive officer (s) must provide a report on the separate and consolidated (if prepared) yearly financial statements and on the half year report attesting that the administrative and accounting procedures used to prepare the separate and financial statements are adequate in light of the characteristics of the Company's business.
The Financial Reporting Officer must also attest that the separate and consolidated financial statements:

a) are drawn up in accordance with the international accounting standards recognized by the European Union pursuant to the European Parliament and European Council Regulation n. 1606/2002 of 19 July 2002;
b) correspond to the ledgers and accounting entries;
c) provide fair and truthful disclosures of the company's income statement, balance sheet and financial positions and the companies included in the scope of consolidation.

Lastly, the Financial Reporting Officer, along with the deputized bodies, must attest that the directors' report accurately depicts the operating performance and results of both the Company and the businesses included in the scope of consolidation, as well as the principle risks and uncertainties to which they are exposed.

3.11.06 **Coordination of the Internal Control and Risk Management System personnel**

In order to facilitate coordination of the control activities, the Company deemed it useful and opportune to outline the methods of operation as described below.
The Chairman of the Board of Statutory Auditors will call a meeting with the Chairman of the Control and Risk Committee with the frequency agreed upon and at least once a year to discuss the results of their respective control activities, to evaluate planning and the possible coordination of their respective activities. Toward this end, the Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.
Other parties may be invited to attend the meetings which, in addition to periodically, may be called anytime there is a specific need and may include, in addition to the respective committees and bodies, including not as a group, the Director in Charge of the Internal Control and Risk Management System, the Head of Internal Audit, the Financial Reporting Officer, the external audit firm and the Chairman of the Supervisory Board.
The meeting relative to 2017 was held on 21 February 2018 and was attended by the entire Control and Risk Committee, the Chairman of the Board of Statutory Auditors, Internal Audit, the Chairman of the Supervisory Board, a partner of the external audit firm, the Director in Charge of the Internal Control and Risk Management System, the Chief Executive Officer and the Financial Reporting Officer**.**
The Chairman of the Control and Risk Committee and the Director in Charge of the Internal Control and Risk Management System meet with the Head of Internal Audit:

(i) to examine the yearly work plan in advance and suggest any changes that might need to be made with regard to the control activities scheduled by the Committee;
(ii) to receive and discuss the results of the activities carried out by the Head of Internal Audit, suggesting any other initiatives that might be called for.

The Chairman of the Supervisory Board meets with the Head of Internal Audit to examine the yearly work plan relating to the control activities called for by the Supervisory Board.

Other meetings may be held in addition to the meetings referred to above with the parties listed in this report who are involved in control functions and may be called by the respective Chairmen of the bodies referred to, including together.

3.12

DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

With regard to the transactions with related parties, as of 1 January 2011 the Company has applied the "Procedure for Related Party Transactions" approved on 11 November 2010 by the Board of Directors, as subsequently amended on 7 November 2013 and 15 December 2016, after having received a favorable opinion from the Committee for Related Party Transactions, as a result of the revision called for under art. 2391-*bis* of the Italian Civil Code and art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions.

The purpose of the "Procedure for Related Party Transactions" is to define the rules governing the approval and execution of related party transactions entered into by the Company, directly or through its subsidiaries, in order to ensure the transparency, as well as the substantive and procedural fairness of the transaction.

The term "Related Party" is defined explicitly in the Regulations, in line with the definition found in Annex I of the Regulations for Related Party Transactions. In order to maintain consistency in the financial statements, the Company decided to apply the Procedure to the subsidiaries of the company which exercises a significant influence over IGD, pursuant to Art. 4, par. 2, of the Regulations.

Related party transactions are transactions in which there is a transfer of resources, services or obligations between one or more related parties, regardless of whether a price is charged. The Regulations distinguish between:

Material related party transactions (including cumulatively): one in which at least one of the following Consob materiality ratios has a value of 5% or more:

(i) transaction materiality ratio: this is the ratio between the amount of the transaction and the higher of the amount of equity IGD SIIQ's capitalization;
(ii) assets materiality ratio: the ratio between the total assets of the entity involved in the transactions and IGD SIIQ's total assets;
(iii) liabilities materiality ratio: the ratio between acquired entity's total liabilities and IGD SIIQ's total assets.

Less material related party transactions, which includes all the other transactions.

The Regulations establish the criteria to be used in approving the material and less material transactions:

- the Committee for Related Party Transactions and the body involved in the approval of the transaction must be provided with complete and adequate information in a timely manner prior to approval;
- the Committee for Related Party Transactions may, at the expense of the Company, avail itself of independent experts;
- a statement attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct must be included in the minutes, when recorded.
- the Board of Directors and the Board of Statutory Auditors must be informed as to the status of the transactions at least on a quarterly basis.

Furthermore, pursuant to and in accordance with the Regulations, the Procedures for Related Party Transactions also includes a list of the transactions which are not governed by the Regulations (with the exception of certain disclosure requirements) and which include:

1. immaterial transactions (below the amount indicated in the Company's Procedure).
2. resolutions relating to remuneration of directors holding particular offices (Chairman, Chief Executive Officer, committee members) and under certain conditions (i.e. if the company's compensation policy calls for the involvement of the Compensation Committee).
3. compensation packages based on financial instruments approved by the shareholders pursuant to Art. 114-*bis* of TUF.
4. routine transactions concluded in accordance with market equivalent or standard conditions (i.e. service contracts).
5. transactions with or between subsidiaries and associate companies (when the transaction does not correspond to a material interest of other related parties, without prejudice to any periodic accounting information provided).

The Company formed the Committee for Related Party Transactions in accordance with Art. 2391-*bis* of the Italian Civil Code and Art. 4, paragraphs 1 and 3, of Consob's Regulations for Related Party Transactions.

→ Composition and functions of the Committee for Related Party Transactions

COMMITTEE FOR RELATED PARTY TRANSACTIONS THROUGH 14 JUNE 2017	
Rossella Saoncella	Chairman (Independent)
Andrea Parenti	(Independent)
Matthew David Lentz	(Independent)

COMMITTEE FOR RELATED PARTY TRANSACTIONS AS OF 4 AUGUST 2017	
Rossella Saoncella	Chairman (Independent)
Andrea Parenti	(Independent)
Matteo Cidonio	(Independent)

The Committee for Related Party Transactions is comprised of three independent directors appointed by the Board of Directors on 17 April 2015 following the shareholders' renewal of the Board of Directors on 15 April 2015, including director Matteo Cidonio appointed on 4 August 2017, following the resignation of director Matthew Davide Lentz. The Committee's functions are governed by the Procedures for Related Party Transactions approved by the Board of Directors on 11 November 2010, as subsequently amended, and summarized below.

In 2017, the Committee held no meetings as there was no need.

The Committee for Related Party Transactions with regard to:

- less material transactions, will issue a non-binding opinion regarding the company's interest in completing the transaction, its fairness and procedural correctness;
- material transactions, without prejudice to the transactions subject to a Board of Directors' resolution, will issue a binding opinion. Furthermore, the Committee for Related Party Transactions, or who on its behalf, will be involved in the preliminary phases (by receiving the information distributed) and the negotiations and is entitled to request information and share comments with the parties involved in the negotiations of this type of transaction. Once the preliminary phases are terminated, the Committee for Related Party Transactions must issue, in a timely manner, a favorable, binding opinion attesting to the fact that the transaction is in the best interest of the Company and that the terms and conditions are fair and substantively correct. In order to formulate its opinion, if deemed necessary and opportune, the Committee for Related Party Transactions may avail itself of one or more independent experts of its choosing. The experts chosen by the Committee must be recognized professionals, experts in the subject matter involved and proven to be without any conflict of interest with regard to the transaction. In the event the Committee is not in favor of the transaction, and if so provided in the bylaws, the Board may, at any rate, proceed with the transaction as long as it is approved by the shareholders. In this instance and whenever the Board of Directors intends to submit a material transaction to the shareholders for approval despite the negative opinion issued by the Committee for Related Party Transactions, the transaction may not be completed in the event a majority of non-related shareholders vote against the transaction, as long as said shareholders represent at least 10% of the share capital with voting rights.

In accordance with Consob's recommendation (Bulletin n. DEM/10078683 of 24 September 2010) that the procedure for related party transactions be renewed every three years, in 2016 the Board, taking into account the experience matured by the Company in the three year period 2014 - 2016 in the application of this type of procedure, as well as the opinion of the Committee for Related Party Transactions, resolved in favor of the Procedure for Related Party Transactions adopted by the Company on 11 November 2010 deeming it effective in ensuring the transparency and the substantive and procedural fairness of the transactions with related parties.

The procedure described above can be found on the Company's website http://eng.gruppoigd.it/Governance/Committees/Committee-for-related-party-transactions.

3.13

APPOINTMENT OF THE STATUTORY AUDITORS

Pursuant to Art. 26.2 of the Bylaws, members of the Board of Statutory Auditors are elected on the basis of preference lists that must be filed at the registered office along with declarations in which each candidate states that he/she is not in violation of the limits for multiple assignments provided for under the law, as well as detailed information about each candidate's personal and professional background, at least twenty-five days in advance of the shareholders' meeting called for this purpose. The lists may be submitted by the shareholders or groups of shareholders holding the interest specified in Consob Resolution 20273 of 24 January 2018 (for 2018 equal to 2.5% of the Company's share capital).
The appointment and substitution of the standing and alternate auditors pursuant to Art. 26.9 must be done in such a way as to guarantee that the composition of the Board of Statutory Auditors complies with the current law relating to gender equality.
Toward this end, please note that the provisions relating to the composition of the administrative and control bodies, contained in the above mentioned Law 120/2011, specify that after the first mandate subsequent to said law taking effect at least one third of the directors and statutory auditors should be of the least represented gender.

- from the list obtaining the highest number of votes, two standing auditors and two alternate auditors will be taken in the order in which they appear on the list;
- the third standing auditor and the third alternate auditor are drawn from the list with the second highest number of votes, in the order in which they appear.
- In the event the composition of the Board of Statutory Auditors fails to comply with the law relating to gender equality as a result of the votes cast, the candidates belonging to the more represented gender with the least amount of votes on the list that receives the most votes will be replaced by the number of candidates on the same list needed to ensure compliance with the laws governing gender equality. In the event that not enough candidates of the least represented gender appear on the list that receives the greatest number of votes, the shareholders will appoint the missing standing and alternate statutory auditors of the least represented gender with the majority of votes required by law.

In the event of a tie between lists, a new ballot is held between these lists on which all shareholders present at the meeting shall vote. The candidates on the list winning a simple majority of votes are elected in such a way, however, as to ensure that the composition of the Board of Statutory Auditors complies with the current law relating to equal gender opportunities.
The first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.
Candidates for statutory auditor must meet the requirements set by law. For the purposes of judging the qualifications of those with at least three years' experience in: (a) professional activities or as confirmed university professors in law, economics, finance or technical-scientific subjects closely related to the Company's business; or (b) management roles at public bodies or public administrations in sectors closely related to the Company's business, the following rules apply:

- all subjects per letter a) above that are associated with the real estate business or other sectors pertaining to real estate are considered to be closely related to the Company's business;
- sectors pertaining to real estate are those in which the parent companies operate, or those that may be controlled by or associated with companies operating in the real estate business.

Those whose situations are incompatible with the title and/or who do not satisfy the requirements of integrity and qualification established by law, and those who are standing auditors at more than five companies listed on official Italian markets, may not be elected as statutory auditors and, if elected, lose office. Positions held at parent companies, subsidiaries, or affiliates do not apply.
With regard to the Chairman of the Board of Statutory Auditors, pursuant to Art. 148, par. 2 *bis*, TUF, the former was appointed by the Shareholders' Meeting from the minority list of candidates, in accordance with Articles 26.4 and 26.5 of the bylaws and the current norms and regulations based on which the first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Board of Statutory Auditors.
The Board of Statutory Auditors currently in office has been appointed by the ordinary Annual General Meeting held on 15 April 2015, and will be in charge for the next three years until the Annual General Meeting called to approve the 2017 Annual Report.

3.14 COMPOSITION AND ROLE OF THE BOARD OF STATUTORY AUDITORS

(pursuant to Art. 123-*bis,* paragraph 2 (d) of TUF)

The current Board of Statutory Auditors is comprised of three standing and three alternate auditors: Anna Maria Allievi (Chairman), Roberto Chiusoli (standing auditor), Pasquina Corsi (standing auditor), Pierluigi Brandolini (alternate auditor), Isabella Landi (alternate auditor) and Andrea Bonechi (alternate auditor).
The standing auditors Roberto Chiusoli and Pasquina Corsi, as well as the alternate auditors Pierluigi Brandolini and Isabella Landi were taken from the majority list n.1 submitted by Coop Adriatica and Unicoop Tirreno, which received votes equal to around 76.81% of the votes cast.
The Chairman of the Board of Statutory Auditors Anna Maria Allievi and the alternative auditor Andrea Bonechi were taken from the minority list n. 2, presented jointly Ersel Asset Management SGR S.p.A, manager of the fund Fondersel PMI; Eurizon Capital SGR S.p.A., manager of the funds: Ersel Asset Management SGR S.p.A. manager of the fund Fondersel PMI; Eurizon Capital SGR S.p.A. manager of the funds: Eurizon Azioni Italia and Eurizon Azioni PMI Italia; Eurizon Capital SA manager of the funds: EasyFund – Equity Italy and Eurizon EasyFund – Equity Italy LTE; Mediolanum Gestione Fondi SgrpA manager of the funds: Mediolanum Flessibile Italia, Mediolanum Flessibile Sviluppo Italia and Mediolanum Flessibile Strategico; Mediolanum International Funds Limited – Challenge Funds; Pioneer Asset Management S.A. manager of the fund Pioneer Fund Italian Equity and Pioneer Investment Management SGRpA manager of the fund Pioneer Italia Azionariato Crescita Italia, which received votes equal to around 16.30% of the votes cast.

The personal characteristics and professional background of the single members of the Board of Statutory Auditors are described below.

ANNA MARIA ALLIEVI
Chairman of the Board of Statutory Auditors

Born in 1965, Ms. Allievi has a degree in Business Economics from Milan's Cattolica University and is registered with Milan's Role of Chartered Public Accountants since 1996 and is a registered Accounting Expert since 1999. She has been part of the Role of Chartered Public Accountants' commissions and working groups since 2006 and, beginning in 2014, has written several articles for the magazine "Il Revisore legale". She is Chairman of the Board of Statutory Auditors for Credito Emiliano S.p.A., a standing auditor for CIR S.p.A. and other premier companies like Cap Holding S.p.A., Seram S.p.A. and public entities. She has acted as counsel for several studies after having matured significant experience as a Senior Manager in Deloitte & Touche S.p.A. where she developed specific expertise in Advisory and Quality Control and ultimately assisted clients' BoDs in implementing strategic improvements. She also holds the assignments listed in Table 5.

ROBERTO CHIUSOLI
Standing Auditor

Born in 1964, Mr. Chiusoli received a degree in business economics from the University of Bologna. He is a Chartered Public Accountant, registered with Bologna's Role of Chartered Public Accountants and Accounting Experts since 1992, and a Certified Auditor. From 1989 through 1991, he worked in the tax division of a firm that provided legal and tax advisory services. From 1991 to 1996, he worked with Uniaudit S.p.a. auditing and certifying financial statements and ultimately was the head of tax audit. In the same sector, he worked with the financial audit firm Reconta Ernst & Young on the audit and certification of financial statements. As of 16 September 1996 Mr. Chiusoli is part of Legacoop Bologna where he is head of the tax assistance bureau. He is the coordinator of the fiscal services for Legacoop Emilia - Romagna. He is a member of the control bodies of several joint stock companies. He also holds the assignments listed in Table 5.

PASQUINA CORSI
Standing Auditor

Born in 1957. Ms. Corsi received a diploma from the Piombino Commercial Technical Institute in 1976. She then worked to become an accredited bookkeeper and accountant in 1995. She is registered with the Role of Chartered Public Accountants and Accounting Experts in the province of Livorno and is active professionally in Campiglia Marittima (LI). She is also a registered financial auditor. Ms. Corsi has been a member of the Audit Board of some municipalities. Ms. Corsi is Chairman of the Board of Statutory Auditors of Ipercoop Tirreno Spa and a standing auditor of I.S.C. S.p.A. She also holds the assignments listed in Table 5.

In 2017 the Board of Statutory Auditors in charge met 6 (six) times on 12 January, 24 February, 9 May, 2 August, 27 October and 6 November with attendance reaching 100% for the Chairman and standing auditor Pasquina Corsi, and 60% for standing auditor Roberto Chiusoli.
Each meeting lasted an average of 2 hours. A few meetings were also held with, in particular, Company management, representatives of the external audit company, as well as the

Control and Risk Committee.
The Board of Statutory Auditors verified that its members still qualify as independent as defined in the Corporate Governance Code and in TUF during the meeting held on 24 February 2017, and notified the Board of Directors of the outcome. With regard to auditor Roberto Chiusoli, the Board of Statutory Auditors found that the experience matured over the more than nine years of service strengthened, and did not weaken, his independence. The Board of Statutory Auditors, therefore, found that there were no situations that could compromise or impede this independence or the ability to autonomously judge management's operations. The Board of Statutory Auditors concluded that the fact that Chiusioli has been acting as a statutory auditor for more than nine year does not compromise his independence.

The Board of Statutory Auditors supervises the work of the external auditors.

Furthermore, shareholders grant the assignment to the external auditors on the basis of the motivated opinion submitted by the Board of Statutory Auditors.

Pursuant to Art. 19 of Legislative Decree n. 39/2010, the Board of Statutory Auditors also acts as the Committee for Internal Control and Financial Audit.
The statutory auditors, including individually, may carry out inspections and controls, as well as request that the Directors provide them with information about subsidiaries, about the status of corporate transactions or specific issues, or refer these requests directly to the subsidiaries' administrative and control bodies. The statutory auditors may ask the Head of Internal Audit to carry out audits of specific operating divisions or corporate transactions.
The Board of Statutory Auditors reports on its supervisory activities and any findings to the Annual General Meeting called to approve the full year financial statements in accordance with Art. 2364, paragraph 2, of the Italian Civil Code.

The statutory auditors may also submit proposals to the Annual General Meeting relating to the full year financial statements and their approval, as well as to other matters that they are responsible for.

The Board of Statutory Auditors (at least two statutory auditors), after having notified the Chairman of the Board of Directors, can call the Shareholders' Meetings, meetings of the Board of Directors and, if instituted, the Executive Committee.

The Board of Statutory Auditors, the external auditors, the Control and Risk Committee, as well as all the other entities involved in the supervision of the control systems, will exchange information about the execution of their assignments in a timely manner.

The Board of Statutory Auditors is, at any rate, invited to be proactive and not only reactive in its supervision. The Statutory Auditors should advise the Board of Directors as to the results of its controls so that the latter might implement any corrective measures needed.
The Chairman of the Board of Statutory Auditors will not only coordinate the work of the statutory auditors, but will also act as the link with the other corporate entities involved in the supervision of the control systems.

The names of the statutory auditors in office at 31 December 2017 are shown in Table 3.

→ Diversity

The Board of Statutory Auditors is comprised of individuals with different professional and personal profiles; the composition of the Board of Statutory Auditors also complies with current law governing gender equality.
As the term of the current Board of Directors and Board of Statutory Auditors will expire on the date of the Annual General Meeting held to approve the financial statements at 31 December 2017, the adoption of a policy relating to the composition of the board will be examined by the new corporate bodies.

3.15 RELATIONS WITH SHAREHOLDERS

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

All the relevant information is published and updated in real time in two languages (Italian and English) on the Company's website. The Company also uses other means to provide timely and easy access to information. Thanks to the use of a mailing list system, interested parties may register on the website http://www.gruppoigd.it/Iscrizione-Email-Alert, and receive press releases, newsletters and financial reports immediately after they have been released to the market. In collaboration with the brokers that cover the Company's stock, road shows, meetings and conference calls (scheduled just after the annual and periodic financial results are published or with the business plan is presented) are organized which provide an opportunity for institutional investors to meet with top management. The presentations made to the financial community are published on the Company's website.

In order to guarantee that the Shareholders' Meetings are conducted in an orderly fashion, during the Shareholders' Meeting held on 26 March 2003, shareholders approved the current Regulations for Shareholder Meetings, subsequently updated, which are available on the corporate website at http://eng.gruppoigd.it/Governance/Shareholders-Meetings.

3.16
SHAREHOLDERS' MEETINGS
(ex art. 123-*bis,* comma 2, lettera c) TUF)

Pursuant to Art. 10.3 of the bylaws, the protocol for shareholders' meetings is formalized in a set of Regulations, approved by the shareholders in ordinary session.
In accordance with the law, the Shareholders' Meetings are convened as per the notice published on the Company's website and in at least one national daily newspaper.

Under Art. 125-*bis* TUF the notice of call must be published at least 30 days prior to the day in which the Shareholders' Meeting is to be held. The timeframe is different when the Shareholders' Meetings are called to (i) appoint members of the corporate bodies (i.e. 40 days prior to the day in which the Shareholders' Meeting is to be held); (ii) resolve on takeover bids (i.e. 15 days prior to the day in which the Shareholders' Meeting is to be held); and (iii) resolve on reducing share capital and appoint a liquidator (i.e. 21 days prior to the day in which the Shareholders' Meeting is to be held).

Pursuant to Art. 12.2 of the bylaws, in order to attend and vote at the Shareholders' Meetings, shareholders must provide the Company with the certification issued by a licensed intermediary indicating the shareholdings recorded as of the seventh trading day prior to the date set for the Shareholders' Meeting in first call (the record date). Under Art. 83-*sexies* TUF, any movements in the shareholdings subsequent to this period will not be considered for the purposes of voting rights.

Pursuant to Art. 13 of the bylaws, those in possession of voting rights may be represented via a written proxy submitted in accordance with the law. The proxy may also be made by submitting a request with an electronic signature as per art. 21, paragraph 2, of Legislative Decree n. 82 dated 7 March 2005, n. 82, as well as by accessing a specific section on the Company's website and via certified e-mail submitted in accordance with the procedures indicated in the notice of call.

For each Shareholders' Meeting the Company may also designate, as indicated in the notice of call, a party to whom those entitled to do so may grant a proxy with voting instructions relative to all or a few of the items on the agenda in accordance with the law.

Shareholders may submit questions relating to the items on the agenda prior to the Shareholders' Meeting. The questions received prior to the Shareholders' Meeting will be answered, at the latest, during the meeting itself. The deadline for submitting questions to the Company prior to the Shareholders' Meeting is indicated in the notice of call. This deadline cannot be less than three days prior to the date of the Shareholders' Meeting or five days if it is indicated in the notice of call that the Company will answer the questions received prior to the Shareholders' Meeting. In this case the answer will be provided at least two days prior to the Shareholders' Meeting including via a specific section of the Company's website. No answer is required when the information requested is available in a specific Q&A section of the Company's website.

The current Regulations for Shareholder Meetings are designed to guarantee that the Shareholders' Meetings are conducted in an orderly fashion and in full respect of the rights of each shareholder to request clarifications in relation to certain issues being discussed, to express opinions and submit proposals.

3.17 ADDITIONAL CORPORATE GOVERNANCE PRACTICES

(pursuant to Art. 123-*bis,* par. 2, lett. a) TUF)

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

3.18 SUBSEQUENT CHANGES

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

3.19 COMMENTS ON THE LETTER DATED 13 DECEMBER 2017 RECEIVED FROM THE CHAIRMAN OF THE ITALIAN CORPORATE GOVERNANCE COMMITTEE

On 18 December 2017 the Company shared the letter received from the Chairman of the Corporate Governance Committee with the Board of Directors and the Board of Statutory Auditors and subsequently the content of the letter was discussed during a meeting of the independent directors and the Board of Directors meeting convened to approve the draft financial statements at 31 December 2017.

ATTACHMENTS

Table 1: information on the ownership structure

SHARE CAPITAL STRUCTURE	N. OF SHARES	% OF SHARE CAPITAL	LISTED (INDICATE WHICH MARKETS) / NOT LISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	81,304,563	100%	Listed on the electronic stock market (MTA) organized and managed by Borsa Italiana S.p.A. – STAR segment	-

SIGNIFICANT INTEREST IN SHARE CAPITAL BASED ON COMMUNICATIONS EX ART. 120 AND OTHER INFORMATION AVAILABLE TO THE COMPANY

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING CAPITAL
Coop Alleanza 3.0	Coop Alleanza 3.0	40.92	40.92
Unicoop Tirreno	Unicoop Tirreno	12.03	12.03

Table 2: structure of the Board of Directors as at 31 December 2017

BOARD OF DIRECTORS													CONTROL AND RISK COMMITTEE		NOMINATIONS AND COMPENSATION COMMITTEE		POSSIBLE EXECUTIVE COMMITTEE	
Office	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Exec.	Non exec.	Indep. As per the code	Indep. under TUF	N. of other appointments ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman •	Gasperoni Elio	1953	15/4/2015	19/4/2017	Approval of financial statements at 31/12/2017	M	x				9	8/8						
Vice-Chairman	Pellegrini Fernando	1964	26/3/2003	15/4/2015	Approval of financial statements at 31/12/2017	M		x			1	6/8						
Chief Executive Officer ◊	Albertini Claudio	1958	28/4/2006	15/4/2015	Approval of financial statements at 31/12/2017	M	x				1	8/8						
Director	Canosani Aristide	1935	26/3/2003	15/4/2015	Approval of financial statements at 31/12/2017	M		x			_	8/8						
Director	Caporioni Leonardo	1964	28/4/2006	15/4/2015	Approval of financial statements at 31/12/2017	M		x			10	3/8						
Director	Coffari Gilberto	1946	6/11/2000	15/4/2015	Approval of financial statements at 31/12/2017	M		x			1	8/8						
Director	Dondi Dall' Orologio Luca	1972	14/4/2016	3/3/2016	Approval of financial statements at 31/12/2017	(***)			x	x	2	7/8						
Director	Gualandri Elisabetta	1955	19/4/2012	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	3	5/8	6/6	P	5/5	M		
Director	Carletti Milva	1963	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	_	7/8			5/5	M		
Director	Saoncella Rossella	1954	15/4/2015	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	_	7/8	5/6	M				
Director	Parenti Andrea	1957	23/4/2009	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	21	8/8			5/5	P		
Director	Salvini Livia	1957	19/4/2012	15/4/2015	Approval of financial statements at 31/12/2017	M			x	x	3	3/8	5/6	M				
Director	Cidonio Matteo	1970		4/8/2017	Approval of financial statement at 31/12/2017	(****)			x	x	10	3/3						
---------------- OUTGOING DIRECTORS DURING THE YEAR UNDER REVIEW ---------------																		
Director	Lentz Matthew David	1974	15/4/2015	15/4/2015	14/6/2017	m			x	x	_	3/5						

N. of meetings held during the year under review (2017): 8 — **Control and Risk Committee: 6** — **Nominations and compensation Committee: 5** — **Executive Committee:**

Quorum required for submitting lists by minorities for the appointment of one or more members (ex art. 147-ter TUF): 2.5% of the share capital

NOTES:
Symbols listed below must be entered in the “Office” column:
- • This symbol indicates the administrator in charge of the internal control and risk management system.
- ◊ This symbol indicates the main responsible of the Issuer management (Chief Executive Officer or CEO)
- ◦ This symbol indicates the Lead Independent Director (LID)
- * By date of first appointment of each director we refer to the date in which the director has been appointed for the first time (ever) on the Issuer' BoD
- ** This column indicates whether the director was elected from a Majority list "M"; a minority list "m"; and list presented by the BoD
- *** This column reports the number of appointments held by the person concerned as director or statutory auditor in other companies listed on regulated markets, in Italy or abroad, or in financial, banking, insurance or other large companies. In the corporate governance report the offices are extensively indicated
- (*) This column reports the % of meetings of the BoD and its committees attended by the directors (no. Attendances/no. meetings in which he could attend; i.e. 6/8; 8/8 etc.)
- (**) This column reports the office of the Director within the Committee: "C": Chairman; "M": Member
- (***) Coopted by the BoD on 3 March 2016 and subsequently appointed during the ordinary Shareholders’ Meeting held 14 April 2016
- (****) Cooped by the Board of Directors on 4/8/2017 to substitute Matthew David Lentz

Table 3: structure of the Board of Statutory Auditors as at 31 December 2017

BOARD OF STATUTORY AUDITORS

Office	Member	Year of birth	Date of first appointment*	In office since	In office until	List **	Independent as per the code	Attendance to the Board of Statutory Auditors' meetings ***	N. of other appointments ****
Chairman	Allievi Anna Maria	1965	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	m	X	6/6	13
Standing Auditor	Chiusoli Roberto	1964	28 April 2006	15 April 2015	Approval of financial statements at 31/12/2017	M	X	4/6	22
Standing Auditor	Corsi Pasquina	1957	19 April 2012	15 April 2015	A Approval of financial statements at 31/12/2017	M	X	6/6	4
Alternate Auditor	Brandolini Pierluigi	1970	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	M			
Alternate Auditor	Landi Isabella	1964	28 April 2006	15 April 2015	Approval of financial statements at 31/12/2017	M			
Alternate Auditor	Bonechi Andrea	1968	15 April 2015	15 April 2015	Approval of financial statements at 31/12/2017	m			
---------------- OUTGOING AUDITORS DURING THE YEAR UNDER REVIEW ----------------									
	Surname Name								

N. of meetings held during the year under review (2017): 6

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

NOTES:

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

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

*** This column reports the % of meetings of the BoD and its committees attended by the directors (no. Attendances/no. meetings in which he could attend; i.e. 6/8; 8/8 etc.)

**** This column reports the number of appointments held by the person concerned as director or statutory auditor pursuant to art. 148 bis of TUF and its implementing provisions contained in the Consob Issuer Regulations. The full list of offices is published by CONSOB on its website pursuant to Art. 144-quinquiesdecies of the Consob Issuer Regulations

Table 4: offices held by the directors as at 31 December 2017

DIRECTOR	OFFICES HELD IN OTHER COMPANIES
GASPERONI ELIO **Chairman**	Director FEDERAZIONE COOPERATIVE PROVINCIA DI RAVENNA S.C.P.A.
	Vice Chairman of the B.o.D. COOP ALLEANZA 3.0 SOC. COOP.
	Vice Chairman of the B.o.D. UNIPOL BANCA S.P.A.
	Chairman of the B.o.D. of Mer.Co.Ra. S.r.l.
	Director PARFINCO S.p.A.
	Chairman of the B.o.D. PHARMACOOP S.p.A.
	Director ROBINTUR S.p.A.
	Director EATALYWORLD S.r.l.
	Chairman of the B.o.D. EMILIANA S.r.l.
ALBERTINI CLAUDIO **Chief Executive Officer**	Director VIRTUS PALLACANESTRO BOLOGNA S.P.A.
PELLEGRINI FERNANDO **Vice Chairman**	Director and member of the Executive Committee SIMGEST - SOCIETÀ DI INTERMEDIAZIONE MOBILIARE S.P.A.
CAPORIONI LEONARDO **Director**	Vice Chairman of the B.o.D. IMMOBILIARE SVILUPPO DELLA COOPERAZIONE S.P.A.
	Director of Enercoop Tirreno S.r.l.
	Director IPERCOOP TIRRENO S.P.A.
	Director FACTORCOOP S.P.A.
	Statutory Auditor FONDO PENSIONE DIRIGENTI COOPERATIVE DI CONSUMO
	Statutory Auditor CASSA DI ASSISTENZA DIRIGENTI COOPERATIVE DI CONSUMATORI
	Chairman of the Board of SA Compagnia finanziaria ed immobiliare Toscana S.p.A. in liquidation
	Vice Chairman of the B.o.D. IL PADULETTO S.R.L.
	Director Supervisory Committee and coordinator of the Internal Control Committee L'AVVENIRE 1921 SOC. COOP.
	Director DISTRIBUZIONE LAZIO UMBRIA S.R.L.
GILBERTO COFFARI **Director**	Director FEDERAZIONE COOPERATIVE PROVINCIA DI RAVENNA S.C.P.A.
CANOSANI ARISTIDE **Director**	/
CARLETTI MILVA **Director**	/
SAONCELLA ROSSELLA **Director**	/
GUALANDRI ELISABETTA **Director**	Director ABI SERVIZI S.P.A.
	Director Mat3D S.r.l.
	Director BPER BANCA S.P.A.
PARENTI ANDREA **Director**	Standing Auditor COMMERCIALE ORTOINVEST S.R.L.
	Financial Auditor CONSORZIO MACROLOTTO IND. N. 2 DI PRATO
	Chairman of the Board of Statutory Auditors F.LLI CIAMPOLINI & C. S.P.A.
	Chairman of the Board of Statutory Auditors FRAMAFRUIT S.P.A.
	Chairman of the Board of Statutory Auditors FRUTTITAL FIRENZE S.P.A.
	Chairman of the Board of Statutory Auditors GALANDI & C. S.P.A.
	Standing Auditor G.F.F. S.R.L.
	Chairman of the Board of Statutory Auditors IMMOBILIARE SUD-EST S.P.A.
	Chairman of the Board of Statutory Auditors FONDAZIONE MAXXI
	Chairman of the Board of Statutory Auditors IMMOBILIARE MINERVA S.P.A.
	Chairman of the Board of Statutory Auditors PENTAFIN S.P.A.
	Chairman of the Board of Statutory Auditors PI.DA S.P.A.
	Chairman of the Board of Statutory Auditors SDI SOCIETÀ DISTIRIBUZIONE IMBALLAGGI S.R.L.
	Chairman of the Board of Statutory Auditors TIRRENO IMMOBILIARE S.R.L.
	Sole Auditor EGAN IMMOBILIARE S.R.L.
	Chairman of the Board of Statutory Auditors ALDO GALANDI S.P.A.
	Statutory Auditor TIRRENOFRUIT S.R.L.
	Standing Auditor PRINCIPE DI PIEMONTE S.P.A.
	Standing Auditor M.T. - MANIFATTURA TABACCHI S.P.A.
	Standing Auditor ENI NEW ENERGY S.P.A.
	Statutory Auditor DESIGNER PLUS S.R.L.
LENTZ MATTHEW DAVID **Director**	/

continue Table 4: offices held by the directors as at 31 December 2017

DIRECTOR	OFFICES HELD IN OTHER COMPANIES
SALVINI LIVIA **Director**	Director IL SOLE 24 ORE S.P.A.
	Standing Auditor ATLANTIA S.P.A.
	Chairman of the Board of Statutory Auditors COOPFOND S.P.A.
DONDI DALL'OROLOGIO LUCA **Director**	Board of Statutory Auditors NOMISMA SOCIETÀ DI STUDI ECONOMICI S.P.A.
	Director NE - NOMISMA ENERGIA S.R.L.
MATTEO CIDONIO **Director**	Chairman of the B.o.D. 8 GALLERY IMMOBILIARE S.R.L.
	Chairman of the B.o.D. AURORA RECOVERY CAPITAL S.P.A.
	Chairman of the B.o.D. ELLE 14 S.R.L.
	Chairman of the B.o.D. Pad 5 S.r.l.
	Director Capital EPR FreeHold LTD
	Sole Director KG12 S.a.r.l.
	Director KTS Square Trust S.a.r.l.
	Director GWM group Holding SA
	Executive Director GWM CA Corporate Limited
	Partner Gwm Capital Advisor LLP

Table 5: offices held by the statutory auditors as at 31 December 2017

AUDITOR	OFFICE HELD	COMPANY
ANNA MARIA ALLIEVI **Chairman of the Board of Statutory Auditors**	Standing auditor	CAP HOLDING S.P.A.
	Standing auditor	CIR S.P.A.
	Chairman of the Board of Statutory Auditors	CERNUSCO VERDE S.R.L.
	Standing auditor	A2A RINNOVABILI S.P.A.
	Chairman of the Board of Statutory Auditors	A.S.M. AZIENDA SPECIALE MULTISERVIZI S.R.L.
	Standing auditor	FONDO PENSIONE PEGASO
	Chairman of the Board of Statutory Auditors	CONFSERVIZI CISPEL LOMBARDIA
	Chairman of the Board of Statutory Auditors	AEMME LINEA AMBIENTE S.R.L.
	Chairman of the Board of Statutory Auditors	CEM S.P.A.
	Standing auditor	SERAM S.P.A.
	Chairman of the Board of Statutory Auditors	CREDITO EMILIANO S.P.A.
	Chairman of the Board of Directors	COOPERATIVA LE SFERE S.A.R.L.
	Standing auditor	ATINOM S.P.A. IN LIQUIDAZIONE
ROBERTO CHIUSOLI **Standing auditor**	Chairman of the Board of Statutory Auditors	GRUPPO UNA S.P.A.
	Chairman of the Board of Statutory Auditors	CASA DI CURA VILLA DONATELLO S.P.A.
	Standing auditor	DE' TOSCHI S.P.A.
	Chairman of the Board of Statutory Auditors	GRANAROLO S.P.A.
	Standing auditor	CONSORZIO CASTELLO
	Standing auditor	COMPAGNIA ASSICURATRICE LINEAR S.P.A.
	Chairman of the Board of Statutory Auditors	SACMI SERVICE S.P.A.
	Chairman of the Board of Statutory Auditors	UNIPOL FINANCE S.R.L.
	Standing auditor	UNIPOL GRUPPO S.P.A.
	Chairman of the Board of Statutory Auditors	UNIPOL INVESTMENT S.P.A.
	Standing auditor	SIAT S.P.A.
	Chairman of the Board of Statutory Auditors	ROBINTUR S.P.A.
	Standing auditor	SACMI IMOLA S.C.
	Standing auditor	CCS2 S.P.A.
	Supervisory Board	CONSORZIO INTEGRA SOC. COOP.
	Chairman of the Board of Statutory Auditors	CAMST S.C.A R.L.
	Chairman of the Board of Statutory Auditors	SINERGO S.P.A.
	Chairman of the Board of Auditors	FONDAZIONE UNIPOLIS
	Standing auditor	CAMST 2 S.P.A.
	Chairman of the Board of Statutory Auditors	UNIPOLPART S.P.A.
	Chairman of the Board of Statutory Auditors	CEFLA SOC. COOP.
	Chairman of the Board of Statutory Auditors	FINCCC S.P.A.
PASQUINA CORSI **Standing auditor**	Standing auditor	L'ORMEGGIO SOC. COOP.
	Chairman of the Board of Statutory Auditors	IPERCOOP TIRRENO S.P.A.
	Standing auditor	IMMOBILIARE SVILUPPO DELLA COOPERAZIONE S.P.A.
	Sole statutory auditor	IL PADULETTO S.R.L.

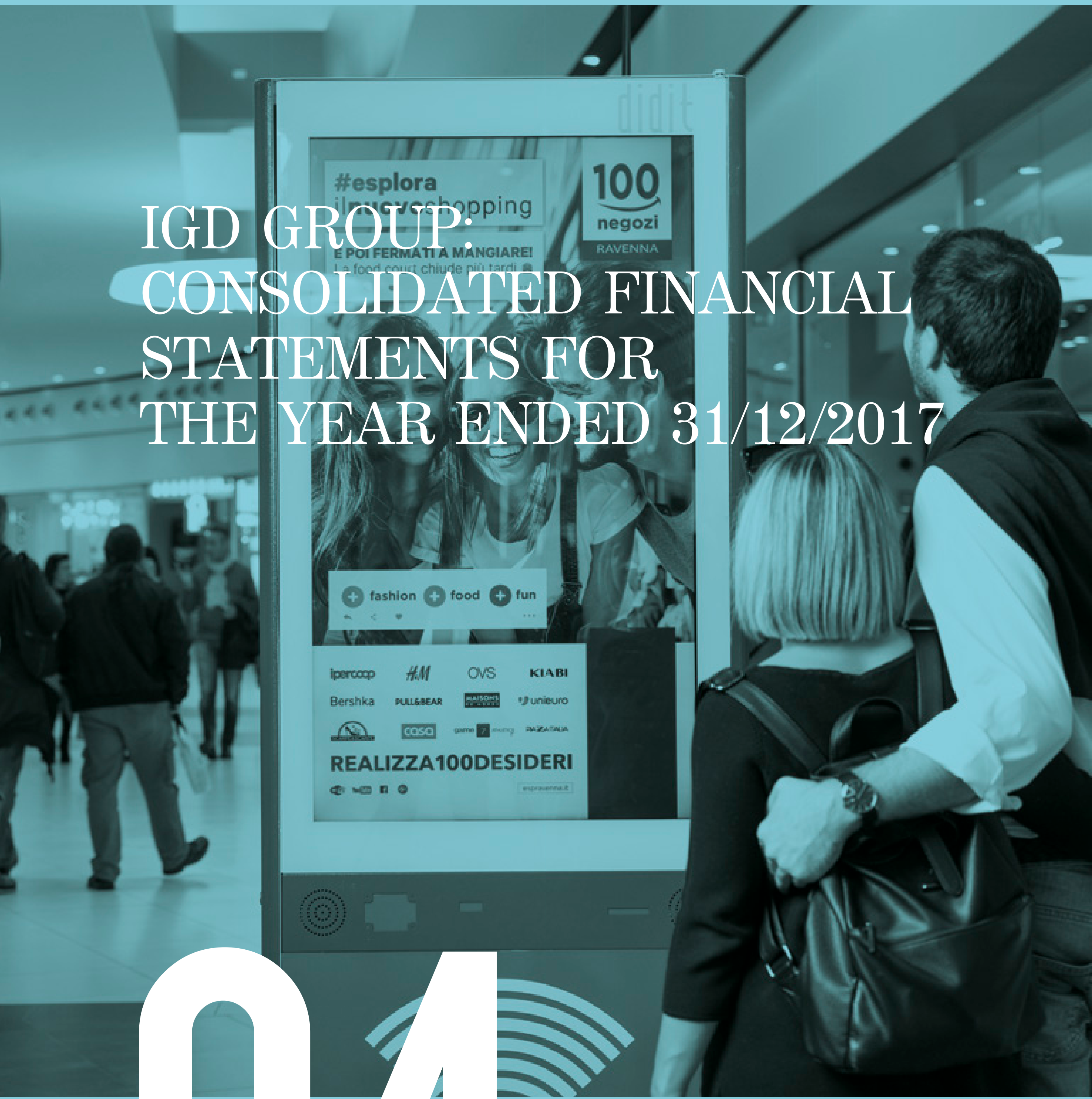
TIBURTINO SHOPPING CENTER
ROME

Opening 2009
Mall GLA sq.m. 33,496
Food anchor GLA sq.m. 7,663

5,481,728 visitors in 2017

Environmental certification:
UNI EN ISO 14001

IGD GROUP: CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2017



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4.1
CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	Note	31/12/2017 (A)	31/12/2016 (B)	CHANGE (A-B)
Revenue:	**1**	**138,915**	**131,296**	**7,619**
- from third parties		96,637	89,302	7,335
- from related parties		42,278	41,994	284
Other revenue:	**2.1**	**6,176**	**5,529**	**647**
- other income		4,008	3,836	172
- from related parties		2,168	1,693	475
Revenue from property sales	**2.2**	**5,116**	**1,999**	**3,117**
Total revenue and operating income		**150,207**	**138,824**	**11,383**
Change in work in progress inventory	6	(4,633)	247	(4,880)
Total revenue and change in inventory		**145,574**	**139,071**	**6,503**
Cost of work in progress	6	591	2,360	(1,769)
Material and service costs	3	23,377	22,641	736
- third parties		20,617	20,543	74
- related parties		2,760	2,098	662
Cost of labour	4	9,881	9,246	635
Other operating costs	5	9,911	9,636	275
Total operating costs		**43,760**	**43,883**	**(123)**
(Depreciation, amortization and provisions)		(2,532)	(2,477)	(55)
(Impairment losses)/Reversals on work in progress and inventories		(3,670)	(3,808)	138
Change in fair value - increases / (decreases)		27,556	23,389	4,167
Total depreciation, amortization, provisions, impairment and change in fair value	**7**	**21,354**	**17,104**	**4,250**
EBIT		**123,168**	**112,292**	**10,876**
Income/(loss) from equity investments and property sales	**8**	**(45)**	**(236)**	**191**
Financial income:		**143**	**272**	**(129)**
- third parties		140	267	(127)
- related parties		3	5	(2)
Financial charges:		**34,536**	**42,380**	**(7,844)**
- third parties		34,522	42,340	(7,818)
- related parties		14	40	(26)
Net financial income (expense)	**9**	**(34,393)**	**(42,108)**	**7,715**
PRE-TAX PROFIT		**88,730**	**69,948**	**18,782**
Income taxes	10	2,276	3,044	(768)
NET PROFIT FOR THE PERIOD		**86,454**	**66,904**	**19,550**
Minority interests in net (profit)/loss		0	1,425	(1,425)
Parent Company's portion of net profit		**86,454**	**68,329**	**18,125**
- basic earnings per share	11	1.063	0.840	
- diluted earnings per share	11	1.063	0.840	

4.2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (amounts in thousands of Euro)	31/12/2017	31/12/2016
NET PROFIT FOR THE PERIOD	**86,454**	**66,904**
Recalculation of defined benefit plans	228	(220)
Total other components of comprehensive income that will not be reclassified to profit/(loss), net of tax effects	**228**	**(220)**
Effects of hedge derivatives on net equity	7,897	4,533
Tax effects og hedge derivatives on net equity	(1,819)	(1,442)
Other effects on income statement components	(181)	(30)
Total other components of comprehesive income that will be reclassified to Profit/(loss), net of tax effects	**5,897**	**3,061**
Total comprehensive profit/(loss) for the period	**92,579**	**69,745**
Non-controlling interests in (profit)/loss for the period	0	1,425
Profit/(Loss) for the period attributable to the Parent Company	**92,579**	**71,170**

4.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	Note	31/12/2017 (A)	31/12/2016 (B)	CHANGE (A-B)
NON-CURRENT ASSETS				
Intangible assets				
Intangible assets with finite useful lives	12	35	58	(23)
Goodwill	13	12,662	12,662	0
		12,697	**12,720**	**(23)**
Property, plant, and equipment				
Investment property	14	2,157,176	2,050,728	106,448
Buildings	15	8,131	8,374	(243)
Plant and machinery	16	260	332	(72)
Equipment and other assets	16	1,016	1,323	(307)
Leasehold improvements	16	797	1,020	(223)
Assets under construction and down payments	17	40,466	75,004	(34,538)
		2,207,846	**2,136,781**	**71,065**
Other non-current assets				
Deferred tax assets	18	-	764	(764)
Sundry receivables and other non-current assets	19	90	89	1
Equity investments	20	254	1,685	(1,431)
Non-current financial assets	21	343	393	(50)
		687	**2,931**	**(2,244)**
TOTAL NON-CURRENT ASSETS (A)		**2,221,230**	**2,152,432**	**68,798**
CURRENT ASSETS:				
Work in progress inventory and advances	22	37,623	57,753	(20,130)
Trade and other receivables	23	11,415	11,570	(155)
Related party trade and other receivables	24	2,054	1,136	918
Other current assets	25	3,343	13,112	(9,769)
Related party financial receivables and other current financial assets	26	96	151	(55)
Financial receivables and other current financial assets	26	42	-	42
Cash and cash equivalents	27	2,509	3,084	(575)
TOTAL CURRENT ASSETS (B)		**57,082**	**86,806**	**(29,724)**
TOTAL ASSETS (A + B)		**2,278,312**	**2,239,238**	**39,074**
NET EQUITY:				
Share capital		599,760	599,760	0
Share premium reserve		29,971	29,971	0
Other reserves		384,832	349,246	35,586
Group profit		101,190	81,724	19,466
Total Group net equity		**1,115,753**	**1,060,701**	**55,052**
Portion pertaining to minorities		-	8,725	(8,725)
TOTAL NET EQUITY (C)	**28**	**1,115,753**	**1,069,426**	**46,327**
NON-CURRENT LIABILITIES:				
Derivatives - liabilities	42	20,397	28,748	(8,351)
Non-current financial liabilities	29	965,539	893,296	72,243
Provision for employee severance indemnities	30	2,574	2,530	44
Deferred tax liabilities	18	24,777	22,665	2,112
Provisions for risks and future charges	31	5,326	4,964	362
Sundry payables and other non-current liabilities	32	9,291	10,707	(1,416)
Related party sundry payables and other non-current liabilities	32	11,891	13,949	(2,058)
TOTAL NON-CURRENT LIABILITIES (D)		**1,039,795**	**976,859**	**62,936**
CURRENT LIABILITIES:				
Current financial liabilities	33	97,097	165,760	(68,663)
Trade and other payables	35	13,838	15,634	(1,796)
Related party trade and other payables	36	459	1,428	(969)
Current tax liabilities	37	2,400	2,396	4
Other current liabilities	38	8,956	7,714	1,242
Related party other current liabilities	38	14	21	(7)
TOTAL CURRENT LIABILITIES (E)		**122,764**	**192,953**	**(70,189)**
TOTAL LIABILITIES (F=D+E)		**1,162,559**	**1,169,812**	**(7,253)**
TOTAL NET EQUITY AND LIABILITIES (C + F)		**2,278,312**	**2,239,238**	**39,074**

4.4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	GROUP PROFIT	GROUP NET EQUITY	NON-CONTROLLING INTERESTS CAPITAL AND RESERVES	TOTAL NET EQUITY
Balance at 01/01/2016	**599,760**	**39,971**	**323,915**	**58,407**	**1,022,053**	**10,150**	**1,032,203**
Profit for the year	0	0		68,329	68,329	(1,425)	66,904
Cash flow hedge derivative assessment			3,091	0	3,091	0	3,091
Other comprehensive income (losses)	0	0	(250)	0	(250)	0	(250)
Total comprehensive profit (losses)	**0**	**0**	**2,841**	**68,329**	**71,170**	**(1,425)**	**69,745**
Allocation of 2015 profit							
Dividends paid	0	0	(6,828)	(25,694)	(32,522)	0	(32,522)
To legal reserve	0	(10,000)	10,000	0	0	0	0
To other reserve	0	0	19,318	(19,318)	0	0	0
Balance at 31/12/2016	**599,760**	**29,971**	**349,246**	**81,724**	**1,060,701**	**8,725**	**1,069,426**

	SHARE CAPITAL	SHARE PREMIUM RESERVE	OTHER RESERVES	GROUP PROFIT	GROUP NET EQUITY	NON-CONTROLLING INTERESTS CAPITAL AND RESERVES	TOTAL NET EQUITY
Balance at 01/01/2017	**599,760**	**29,971**	**349,246**	**81,724**	**1,060,701**	**8,725**	**1,069,426**
Profit for the year	0	0		86,454	86,454	0	86,454
Cash flow hedge derivative assessment			6,078	0	6,078	0	6,078
Other comprehensive income (losses)	0	0	47	0	47	0	47
Total comprehensive profit (losses)	**0**	**0**	**6,125**	**86,454**	**92,579**	**0**	**92,579**
Treasury shares			(159)		(159)		(159)
Reserve reclassification due to merger			23,979	(23,979)	0		0
Purchase of shares held by minorities				(781)	(781)	(8,725)	(9,506)
Allocation of 2016 profit							
Dividends paid	0	0	(14,731)	(21,856)	(36,587)	0	(36,587)
To legal reserve	0	0	0	0	0	0	0
To other reserve	0	0	20,372	(20,372)	0	0	0
Balance at 31/12/2017	**599,760**	**29,971**	**384,832**	**101,190**	**1,115,753**	**0**	**1,115,753**

4.5
CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOW (In thousands of Euro)	31/12/2017	31/12/2016
CASH FLOW FROM OPERATING ACTIVITIES		
Pre-tax profit	**88,730**	**69,948**
Adjustments to reconcile net profit with the cash flow generated (absorbed) in the period:		
Non-monetary items	3,519	8,986
Depreciation, amortization and provisions	2,532	2,478
(Impairment)/reversal of assets under construction and inventories	3,670	3,808
Change in fair value of investment property	(27,556)	(23,389)
Gains/losses from disposals	45	231
CASH FLOW FROM OPERATIONS	**70,940**	**62,062**
Income tax	(1,319)	(1,095)
CASH FLOW FROM OPERATIONS NET OF TAX	**69,621**	**60,967**
Change in inventories	4,633	(246)
Net change in current assets and liabilities w. third parties	8,263	(8,829)
Net change in current assets and liabilities w. related parties	(894)	(6,933)
Net change in non-current assets and liabilities w. third parties	(1,145)	(1,556)
Net change in non-current assets and liabilities w. related parties	(2,058)	(7)
CASH FLOW FROM OPERATING ACTIVITIES	**78,420**	**43,396**
(Investments) in non-current assets	(32,558)	(75,717)
Disposals of non-current assets	153	393
Disposals of equity interests	0	4,466
(Investments) in equity interests	(9,507)	(19)
CASH FLOW FROM INVESTING ACTIVITIES	**(41,912)**	**(70,877)**
Change in financial receivables and other current financial assets w. third parties	(42)	9,023
Capital increae	(159)	0
Cash Flow Hedge reserve	0	(1,659)
Distribution of dividends	(36,587)	(32,522)
Change in current debt with third parties	(69,457)	(224,868)
Change in non-current debt with third parties	69,244	256,991
CASH FLOW FROM FINANCING ACTIVITIES (c)	**(37,001)**	**6,965**
Exchange gains/(losses) on cash and cash equivalents	(82)	(3)
NET INCREASE (DECREASE) IN CASH BALANCE	**(575)**	**(20,519)**
CASH BALANCE AT BEGINNING OF YEAR	**3,084**	**23,603**
CASH BALANCE AT END OF YEAR	**2,509**	**3,084**

4.6
NOTES TO THE FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2017 were approved and authorized for publication by the Board of Directors on 22 February 2018.

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. Summary of accounting standards

→ 2.1. Preparation criteria

Statement of compliance with International Accounting Standards

The 2017 consolidated financial statements have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), that as of the reporting date had been endorsed following the procedure specified in Regulation (EC) 1606/2002. The IFRS have been applied consistently to all reporting periods presented.

Reporting formats

The items in the statement of financial position have been classified as current or non-current, and those in the income statement by type.

The statement of comprehensive income shows the net profit or loss along with income and charges that by express requirement of IFRS are recognized directly in equity.

The statement of changes in equity presents comprehensive income and charges, transactions with shareholders and other changes in shareholders' equity.

The statement of cash flows is prepared using the indirect method, adjusting the pre-tax profit for non-cash items.

The financial statements, tables and explanatory notes are expressed in thousands of euro (€/000 or €K), unless otherwise specified.

Changes in accounting standards

a) New accounting standards

The accounting standards used to prepare the consolidated financial statements are the same as those employed in the Group's annual financial statements for the year ended 31 December 2016, with the exception of the following new standards and interpretations applicable from 1 January 2017.

COMMISSION REGULATION (EU)	TITLE
2017/1990	Adopts the amendments to IAS 7 Statement of cash flows – Disclosure initiative, designed to clarify IAS 7 for the sake of improving financial statement disclosures about an entity's financing activities. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2017. Its adoption has had no material effect on the consolidated financial statements.
2017/1989	Adopts the amendments to IAS 12 Income taxes – Recognition of deferred tax assets for unrealized losses. These are designed to clarify the accounting of deferred tax assets for debt instruments measured at fair value. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2017. This standard does not apply to the Group's consolidated financial statements.

b) Accounting standards, amendments, and interpretations not yet effective and not applied in advance by the Group

The table below reports the international accounting standards, or amendments to existing standards, that were approved by the European Union in 2017 but were not yet mandatory for financial periods beginning on 1 January 2017. The Group has not opted for early adoption.

COMMISSION REGULATION (EU)	TITLE
2017/1988	Adopts the amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. The amendments to IFRS 4 aim to remedy the temporary accounting consequences of the gap between the effective date of IFRS 9 and the effective date of the new accounting standard on insurance policies that replaces IFRS 4 (IFRS 17). Financial conglomerates as defined in Article 2(14) of Directive 2002/87/EC may elect for all entities within the insurance sector within the meaning of Article 2(8)(b) of that Directive not to apply IFRS 9 in the consolidated financial statements for financial years beginning before 1 January 2021, where all of the following conditions are met: a) after 29 November 2017, no financial instruments shall be transferred between the insurance sector and any other sector of the financial conglomerate, other than financial instruments measured at fair value with fair value changes recognized in profit or loss by both sectors involved in such transfers; b) the financial conglomerate states in the consolidated financial statements which insurance entities in the group are applying IAS 39; c) the disclosures required by IFRS 7 are provided separately for the insurance entities applying IAS 39 and the rest of the group applying IFRS 9. The amendments to IFRS 4 are effective from the first day of the financial year beginning on or after 1 January 2018. However, if the above conditions are met, financial conglomerates may choose to apply the amendments to IFRS 4 from the first day of the financial year beginning on or after 1 January 2018.
2017/1987	Adopts the amendments to IFRS 15: Revenue from contracts with customers – Clarifications to IFRS 15. The amendments specify some requirements and provide further transitional assistance to entities that apply the standard. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2018.
2017/1986	Adopts IFRS 16 Leasing, which aims to improve the financial reporting of leasing contracts. Companies must apply the standard, at the latest, from the first day of the financial period beginning on or after 1 January 2019.

As from 1 January 2018, entities are required to follow the new accounting standards **IFRS 15** on revenue recognition and **IFRS 9** on financial instruments.

From an initial review of contracts with customers, it appears that the Group will not be affected by IFRS 15.

With respect to IFRS 9, our analyses suggest a potential impact from section B5.4.6, which determines how the amortized cost of financial liabilities is affected by changes in their cash flow plans, due to either revised estimates or new contractual terms and conditions. In essence, this section states that if estimated payments for financial liabilities are revised, the entity must discount future cash flows at the original effective interest rate (EIR) and recognize in profit or loss the difference between the present value of future cash flows determined using the original EIR and the carrying amount of the liability. According to the IASB interpretation, the rule stated in section B5.4.6 of IFRS 9 must be applied to all revised payment estimates, including cash flow changes due to the modification of contractual terms (renegotiation) of the financial liability.

The application of IFRS 9 will affect the value of certain financial liabilities (bond loans) that the company has renegotiated in recent years. Specifically, the impact as of 1 January 2018 will be to increase the value of the €162 million bond loan maturing on 21 April 2022 by around €5 million, to recognize an equity reserve of the same amount, and to decrease financial charges by around €5 million throughout the duration of that bond loan.

From 1 January 2019, **IFRS 16** will apply in place of IAS 17. Upon first-time application of the new standard, which applies to the leases on the Fonti di Corallo, Centro Nova and Centro Piave malls, the usage right for those malls will be recognized under investment property in the statement of financial position, with the same amount booked as a financial liability. The Group is currently analyzing the quantitative impact the new standard is likely to have.

During the year, the IASB made changes to some previously issued IAS/IFRS and published new international accounting standards.

DATE	IASB PUBLICATION
13 January 2017	The IASB published for consultation an exposure draft on proposals for *Annual Improvements to IFRSs 2015-2017 Cycle,* concerning IAS 12 *Income Taxes,* IAS 23 *Borrowing Costs* and IAS 28 *Investments in Associates and Joint Ventures.*
30 March 2017	The IASB published for consultation an exposure draft *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34).*
31 March 2017	The IASB published for consultation a discussion paper *Disclosure Initiative—Principles of Disclosure,* to render financial statement disclosures more effective.
24 April 2017	The IASB proposed some changes to IFRS 9 *Financial Instruments,* aimed at allowing the measurement at amortized cost of financial assets featuring a prepayment option with “negative compensation.”
18 May 2017	The IASB published IFRS 17 *Insurance Contracts.* The standard aims to improve investors’ and other parties’ understanding of the risk exposure, profitability and financial position of insurers. IFRS 17 supersedes IFRS 4, issued in 2004 as an interim standard. It is effective from 1 January 2021; early adoption is permitted.
26 May 2017	The IASB published a *Request for information: Post-implementation Review—IFRS 13 Fair Value Measurement* in order to collect stakeholders’ input on any issues with the application of IFRS 13 on how to determine the fair value of assets and liabilities. The intention is to understand whether there is a need for further guidance on the fair value measurement of biological assets and unlisted equity instruments.
8 June 2017	The IASB published IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments,* providing guidance on how to make income tax accounting reflect uncertainties in the tax treatment of a given issue. IFRIC 23 is effective from 1 January 2019.
12 October 2017	The IASB published amendments to IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures* in order to favor their implementation. The changes to IFRS 9 (“Prepayment features with negative compensation”) allow the measurement at amortized cost or at fair value through other comprehensive income (OCI) of financial assets featuring a prepayment option with “negative compensation.” The changes to IAS 28 clarify that IFRS 9 applies to long-term investments in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture. The IASB also published an example of how the provisions of IFRS 9 and IAS 28 apply to long-term investments in associates and joint ventures.
12 December 2017	The IASB published the *Annual Improvements to IFRSs 2015-2017 Cycle,* which include changes to IAS 12 *Income Taxes,* IAS 23 *Borrowing Costs,* IFRS 3 *Business Combinations,* and IFRS 11 *Joint Arrangements.* These amendments will take effect on 1 July 2019. Early adoption is permitted.

None of these changes were followed when preparing the consolidated financial statements at 31 December 2017 as they have not yet been approved by the European Commission.

→ 2.2 Consolidation

a) Scope of consolidation

The consolidated financial statements have been drawn up on the basis of the draft financial statements at 31 December 2017, 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 2016. In the 2017 financial statements, the subsidiary Arco Campus S.r.l. was consolidated on a line-by-line basis (rather than using the equity method as previously), in light of the project now in course to build a residence with office space for athletes and sports associations. 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	PERCENT CONSOLIDATED	HELD BY	PERCENT OF SHARE CAPITAL HELD	OPERATIONS
PARENT COMPANY								
IGD SIIQ S.p.A.	Ravenna, Via Agro Pontino 13	Italy	599,760,278.16	EUR				Facility management
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS								
IGD Management S.r.l.	Ravenna, via Villa Glori 4	Italy	75,071,221.00	EUR	100%	IGD SIIQ S.p.A.	100.00%	Facility management and services
Millennium Gallery S.r.l	Ravenna, via Villa Glori 4	Italy	100,000.00	EUR	100%	IGD SIIQ S.p.A.	100.00%	Facility management
Porta Medicea S.r.l.	Bologna, via Trattati Comunitari Europei 1957-2007	Italy	60,000,000.00	EUR	100%	IGD Management S.r.l.	100.00%	Construction and marketing
Win Magazin S.A.	Bucharest	Romania	113,715.30	ROL	100%	IGD Management S.r.l. 99.9% IGD SIIQ S.p.A. 0.1%	100.00%	Facility management
Arco Campus S.r.l.	Bologna, via dell'Arcoveggio 49/2	Italy	1,500,000.00	EUR		IGD SIIQ S.p.A.	99.98%	Management of real estate and sports facilities/equipment; construction, trading and rental of properties used for commercial sports
Winmarkt Management S.r.l.	Bucharest	Romania	1,001,000	ROL	100%	Win Magazin S.A.	100.00%	Agency and facility management services
ASSOCIATES VALUED AT EQUITY								
RGD Ferrara 2013 S .r.l.	Rome, via Piemonte 38	Italy	100,000.00	EUR		IGD SIIQ S.p.A.	50%	Management of Darsena City shopping center

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
Consorzio dei proprietari CC Leonardo	Direct	52.00%	VIA AMENDOLA 129, IMOLA (BO)
Consorzio dei proprietari CC I Bricchi	Direct	72.25	VIA PRATO BOSCHIERO, ISOLA D'ASTI (LOC. MOLINI)
Consorzio proprietari Centrolame	Direct	66.43%	VIA MARCO POLO 3, BOLOGNA (BO)
Consorzio del centro commerciale Katanè	Direct	53%	VIA QUASIMODO, GRAVINA DI CATANIA (LOC. SAN PAOLO)
Consorzio del centro commerciale Conè	Direct	65.78%	VIA SAN GIUSEPPE SNC, QUARTIERE DELLO SPORT, CONEGLIANO (TV)
Consorzio del centro commerciale La Torre-Palermo	Direct	55.04%	VIA TORRE INGASTONE, PALERMO (LOC. BORGONUOVO)
Consorzio proprietari del centro commerciale Gran Rondò	Direct	48.69%	VIA G. LA PIRA 18, CREMA (CR)
Consorzio dei proprietari del centro commerciale Fonti del Corallo	Direct	68.00%	VIA GINO GRAZIANI 6, LIVORNO
Consorzio dei proprietari del centro commerciale Centrosarca	Indirect	62.50%	VIA MILANESE, SESTO SAN GIOVANNI (MI)
Consorzio Porta a Mare Mazzini	Direct	80.90%	VIA G. D'ALESIO 2, LIVORNO
Consorzio del parco commerciale Clodì	Direct	70.35%	S.S. ROMEA 510/B, CHIOGGIA (VE)
Consorzio Centro Le Maioliche	Direct	71.49%	VIA BISAURA 13, FAENZA (RA)
Consorzio ESP	Direct	64.59%	VIA MARCO BUSSATO 74, RAVENNA (RA)
Consorzio Proprietari Puntadiferro	Direct	62.34%	PIAZZALE DELLA COOPERAZIONE 4, FORLÌ (FC)
Consorzio dei proprietari del compendio commerciale del Commendone	Direct	52.60%	VIA ECUADOR SNC, GROSSETO

b) Consolidation methods

The consolidated financial statements include the financial statements of the parent company, IGD SIIQ S.p.A., and its direct and indirect subsidiaries at 31 December 2017. The subsidiaries' accounts are prepared each year using the same accounting standards as the parent. The main consolidation methods used to prepare the consolidated financial statements are as follows:

- subsidiaries are consolidated from the date control is effectively transferred to the Group, and cease to be consolidated from the date control is transferred outside the Group; control exists when the Group has the power, directly or indirectly, to influence a company's financial and managerial policies in such a way as to obtain benefits from its operations;
- subsidiaries are consolidated on a line-by-line basis, aggregating all financial statement items in full, regardless of the interest held. Only for the determination of net equity and net profit (loss) is the minority interest, if any, shown separately in the statement of financial position and the income statement;
- the carrying value of equity investments is eliminated against the assumption of their assets and liabilities;
- all intercompany assets, liabilities, income and losses, including unrealized profits deriving from transactions between Group companies, are completely eliminated;
- the financial statements of all IGD SIIQ Group companies that use a functional currency other than that used in the consolidated statements are translated into euros as follows:
  - the assets and liabilities of each statement of financial position submitted are translated at the exchange rates in force on the reporting date;
  - the revenue and costs of each income statement are converted at the average exchange rates for the period;
  - all exchange gains and losses arising from this process are shown in the translation reserve under net equity.
- equity investments in joint ventures and associates are consolidated using the equity method. As such, the investment is initially carried at cost, which is then adjusted upward or downward to reflect changes in net equity after purchase. The adjustments are taken to the income statement in proportion to the Group's share of the company's profit or loss.

→ 2.3 Intangible assets

Intangible assets are recognized at cost when it is likely that use of the asset will generate future economic benefits and when its cost can be reliably determined. Intangible assets acquired through business combinations are recognized at the market value defined as of the acquisition date, if that value can be reliably determined.
After their initial recognition, intangible assets are carried at cost. The useful life of intangible assets can be either finite or indefinite. Intangible assets with indefinite useful lives are not amortized but are subject to impairment testing each year, or more frequently, whenever there is any indication of impairment. Further to such testing, if the recoverable value of an asset is less than its book value, the latter is reduced to recoverable value. This reduction constitutes an impairment loss, which is immediately posted to the income statement. An asset's recoverable value is the higher of its net sale value or value in use. Value in use is the present value of expected cash flows generated by the asset. In order to assess losses in value, assets are aggregated to the lowest cash generating unit, i.e. the lowest level for which independent cash flows can be separately identified. In the case of an indicator implying recovery of the value lost, the asset's recoverable value is re-determined and the book value is increased to that new value. However, the increase in book value can never exceed the net book value that the fixed asset would have had if no impairment had occurred.

→ 2.4 Business combinations and goodwill

Business combinations are accounted for using the purchase method. This requires the recognition at market value of the identifiable assets (including intangible assets previously not recognized) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the entity acquired. Transaction costs are recognized as soon as they are incurred.
Goodwill acquired in a business combination, which in the separate financial statements is incorporated into the value of the investment acquired, is calculated as the excess of the total consideration transferred, minority interests in net equity and the fair value of any previously held interest in the company over the acquisition-date fair value of the net assets acquired and the liabilities assumed. If the acquisition-date fair value of the net assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, minority interests in net equity and the fair value of any previously held interest in the acquiree, the excess is recognized immediately as income arising from the transaction.
Minority interests in net equity, as of the acquisition date, can be measured at fair value or as a pro-quota proportion of the value of the net assets recognized for the acquiree. This choice is made on a case-by-case basis.
Any contingent consideration provided for in the acquisition agreement is measured at its acquisition-date fair value, and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Subsequent changes in fair value that qualify as adjustments arising during the measurement period are included in goodwill retrospectively. Such changes are those caused by additional information, obtained during the measurement period (not to exceed one year from the business combination), regarding facts and circumstances that existed on the acquisition date.
In the case of business combinations achieved in stages, the interest previously held by the Group is remeasured at fair value as of the date control is acquired, and any resulting gain or loss is recognized in the income statement. Any amounts deriving from the previously held interest and reported in other comprehensive income or losses are reclassified to profit or loss as if the interest had been sold.
If the initial values of a business combination are incomplete at the end of the financial period in which it occurred, in the consolidated financial statements the Group uses provisional amounts for those elements that cannot be measured in full. The provisional amounts are adjusted during the measurement period to take account of new information on facts and circumstances existing on the acquisition date which, if known, would have affected the acquisition-date value of the assets and liabilities recognized.
Business combinations occurring before 1 January 2010 are reported according to the previous version of IFRS 3.
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the acquirer's individual cash generating units or to the groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IFRS 8 - Segment Reporting;
- when goodwill is part of a cash generating unit or group of cash generating units and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill transferred under these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

If the disposal concerns a subsidiary, the difference between the sale price and net assets plus accumulated translation differences and goodwill is recognized in profit or loss.
After first-time recognition, goodwill is decreased by accumulated impairment losses, determined as described below.
The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment. If the amount recoverable by the cash generating unit is lower than the carrying value attributed, then an impairment loss is recognized. Impairment losses on goodwill cannot be reversed in subsequent years. The Company tests goodwill for impairment at 31 December of each year.

→ 2.5 Investment property and assets under construction

Investment property is real estate held in order to earn rent while appreciating in value over time.
Investment property is initially recognized at cost, including transaction expenses (as well as borrowing costs, where applicable), and is subsequently measured at fair value with changes reported in the income statement.
Any work on the properties is added to their carrying value only if it is likely to produce future economic benefits and if the cost can be reliably determined. Other maintenance and repair costs are recognized in the income statement when incurred.
The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure.
The market value of properties includes the value of their plant and machinery, as well as goodwill acquired.
Investment property is derecognized on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses from the withdrawal or disposal of investment property are recognized to profit or loss in the period in which the withdrawal or disposal takes place.
Assets under construction, consisting of deposits and

advance payments, are valued at cost. For land and accessory works on which investment property will be developed, once the building permits are obtained and/or the urban planning agreements signed, and once the procedure for obtaining administrative permits is completed and construction is underway, fair value can be reliably determined and the fair value method is therefore used. Until that time, the asset is recognized at cost, which is compared with recoverable amount at each reporting date in order to determine any loss in value. When construction or development of an investment property is completed, it is restated to "investment property".

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of investment property in accordance with IFRS 13 must reflect, among other things, rental income from current leases and other reasonable and supportable assumptions that market participants would use when pricing the asset under current market conditions.
As stated in paragraph 27 of IFRS 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
- a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property);
- a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Highest and best use is determined from the perspective of market participants. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.

→ 2.6 IAS 23 - Borrowing costs

Borrowing costs directly attributable to the purchase and construction of investment property and inventory, relating to both new constructions and extensions, are added to the carrying value of the property in question. Interest is capitalized provided that the augmented carrying amount of the asset does *not* increase *beyond market value.*

→ 2.7 Plant, machinery and equipment

Plant, machinery and equipment that are owned by IGD and are not attributable to investment property are recognized at cost, less commercial discounts and rebates, considering directly attributable expenses as well as an initial estimate of the cost of dismantling and removing the asset and restoring the site where it was located. Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs (including financial expenses directly attributable to the purchase, construction or production of the asset) are recognized to profit or loss when incurred. The capitalized charge is recognized to profit and loss throughout the useful life of the tangible asset by means of depreciation. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

CATEGORY	RATE
Wiring, sprinkler system, compressed air	10 %
HVAC system	15 %
Fittings	20 %
Plant management computer	20 %
Special communication systems – telephone	25 %
Special plant	25 %
Alarm/security system	30 %
Sundry equipment	15 %
Office furnishings	12 %
Cash registers and EDP machines	20 %
Personal computers and accessories	40 %

An asset is subject to impairment testing whenever events or changes in circumstances indicate that its carrying value cannot be fully recovered. If the carrying value exceeds the recoverable amount, the asset is written down to reflect the impairment. An asset's recoverable value is the higher of its net sale value or value in use.
In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. Impairment is charged to the income statement as depreciation. Impairment is reversed if the reasons cease to apply.
When an asset is sold or when its use is no longer expected to produce future economic benefits, it is derecognized and any loss or gain (calculated as the difference between the sale value and carrying value) is taken to profit or loss the year the asset is eliminated.

→ 2.8 Finance leasing

Goods held under finance leases, in which the Group assumes all of the risks and benefits of ownership, are capitalized from the inception of the lease at the market value of the leased good or, if lower, at the present value of the minimum lease payments, including the price of the redemption option.

The liability is recognized under financial payables. Leasing installments are divided into principal and interest so as to obtain a constant interest rate applicable to the remaining principal due. The financial charges are recognized to profit and loss.
Leased investment property is recognized at market value, on the same basis as investment property owned by IGD.

→ 2.9 Other non-current assets

Other non-current assets consist of deferred tax assets, financial assets relating to derivatives, and miscellaneous.
Receivables and other financial assets other than derivatives, to be held until maturity, are recognized at cost which corresponds to the fair value of the initial consideration paid plus transaction costs. The initial value recognized is subsequently adjusted to take account of the reimbursement of principal, any impairment losses, and amortization of the difference between the redemption value and the initial carrying value. Amortization is charged at the effective interest rate, corresponding to the rate which, upon first-time recognition, makes the present value of projected cash flows equal to the initial carrying amount (amortized cost method).

→ 2.10 Inventory

Inventory is measured at the lower of cost and market value (which corresponds to net realizable value). The cost of inventory includes all purchase, transformation and other costs incurred to bring the inventory to its present location and condition. Given the nature of the Group's inventory, the specific cost method is used.

→ 2.11 Trade and other receivables

Receivables are initially shown at fair value, which coincides with their face value less any impairment. For trade receivables, an impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the Company will not be able to recover all amounts due under the original terms and conditions. The carrying amount of the receivable is reduced by means of a separate provision. Impaired receivables are written off when they are found to be irrecoverable.

→ 2.12 Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at face value or amortized cost. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity of no more than three months.

→ 2.13 Financial receivables and other current financial assets

These consist mainly of financial assets held to maturity. This category includes financial assets with fixed or determinate payments and a set maturity, that the company plans and is able to hold until that time. They are initially valued at cost, and subsequently at amortized cost.

→ 2.14 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. Any gains or losses generated by their subsequent sale are recognized in equity.

→ 2.15 Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.
They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

→ 2.16 General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated. The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

→ 2.17 Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to a specific reserve in the statement of comprehensive income under "other comprehensive income." The Group does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Group does not offer employee incentive plans in the form of share participation instruments.

→ 2.18 Revenue

Revenue is recognized to the extent the Group is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the market value of the consideration received, excluding discounts, rebates and taxes. The following recognition criteria must always be satisfied before revenue is posted to the income statement.
- Rent and business lease revenue
Rental income and business lease revenue from the Group's freehold and leasehold properties is recorded on an accruals basis, according to the rental and leasing contracts in force.
- Service income
Service income is recorded with reference to the state of completion of the transaction and only when the outcome of the service can be reliably estimated.
- Revenue from property sales
Revenue from property sales is recognized in profit or loss upon transfer of ownership or, for lease-to-own agreements, when the property is delivered.

→ 2.19 Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

→ 2.20 Income taxes

a) Current taxes
Current tax liabilities for the present and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date. Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes
Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse. Income taxes relating to items that are credited or charged directly to equity are also charged or credited directly to equity and not to profit or loss.

→ 2.21 Earnings per share

As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings per share for profit or loss from continuing operations attributable to the equity holders of IGD SIIQ S.p.A. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.
Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of IGD SIIQ S.p.A. by the weighted average number of shares outstanding during the period.
Diluted earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding, in accordance with paragraphs 19 and 26, plus the weighted average number of shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

→ 2.22 Derecognition of financial assets and financial liabilities

a) Financial assets
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Group still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Group's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that the Group could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

→ 2.23 Derivative financial instruments

The Group holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities. In accordance with IAS 39, derivative financial instruments used for hedging qualify for hedge accounting only if:

a) at the inception of the hedge there is formal designation and documentation of the hedging relationship;
b) the hedge is expected to be highly effective;
c) the effectiveness of the hedge can be reliably measured;
d) the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value. When the financial instruments qualify for hedge accounting, the following rules apply:

Fair value hedge - If a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in profit or loss. The part of the gain or loss from remeasuring the hedged item at fair value that is attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable, the effective portion of the gain or loss from remeasuring the instrument at fair value is recognized in a separate equity reserve. The cumulative gain or loss is reversed from the equity reserve and transferred to profit or loss the same year that the effects of the hedged transaction are recognized in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. If a hedging instrument is closed but the hedged transaction has not yet taken place, the cumulative gains and losses remain in the equity reserve and are restated to profit or loss when the transaction is realized or when a loss in value occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized in the equity reserve are immediately reclassified to profit or loss.

If hedge accounting does not apply, the gains or losses arising from measurement at fair value of the derivative financial instrument are recognized directly to profit or loss.

→ 2.24 Parent company SIIQ status

A company with SIIQ (Società di Investimento Immobiliare Quotata) status, applicable to the parent company since 1 January 2008, can exclude rental income and the equivalent for the purposes of IRES (corporate income tax) and IRAP (regional business tax) (see also section 2.8 of the Directors' report to the separate financial statements of IGD SIIQ).

At 31 December 2017, as at the end of previous years, IGD SIIQ satisfied both the "asset test" and the "profit test" required to retain SIIQ status.

In accordance with the SIIQ rules, the company does maintain marginal operations other than property rental and the equivalent ("taxable operations").

Therefore, income from taxable operations has been subject to the standard rules of computation, while the SIIQ rules have been followed for income from exempt operations.

To determine the results of separate operations, subject to different accounting and tax treatment in accordance with paragraph 121 of Law 296/06, IGD SIIQ S.p.A. has kept separate accounts for exempt rental operations and taxable marginal operations.

Income from exempt operations therefore include revenue and costs typical of the property rental business, as well as those typical of operations considered to be equivalent.

Likewise, revenue and costs stemming from the company's remaining activities have been allocated to taxable operations.

Due to changes to the SIIQ rules introduced by Law 164 of 11 November 2014 (*"Conversion into law, with amendments, of Decree 133 of 12 September 2014"*), **capital gains and losses** on **rental properties** (whether realized or implicit in fair value measurements) are also included in exempt operations.

In accordance with paragraph 121 of Law 296/06 and with the clarifications contained in Revenue Office Circular 8/E of 7 February 2008, general, administrative and financial costs that cannot be directly attributed to exempt or taxable operations or allocated on the basis of objective parameters have been split according to the ratio of exempt revenue/income/dividends to total revenue/income/dividends.

As for properties (owned or held on the basis of other corporeal rights) forming part of rental package deals, the accurate and objective determination of the portion of fees pertaining to the real estate component has been ensured by making the exempt/taxable allocation on the basis of an expert appraisal to quantify the fair value of fees at each property that pertain to rent.

Likewise, the costs common to package deals as a whole (such as shopping center promotion and advertising costs) have been allocated to exempt and taxable operations in the same proportions used for rent. In this specific case, such a policy was thought to be more reliable and objective than an allocation based on the company's total revenue. Since these costs relate directly to the package deals and not to IGD's operations as a whole, their correlation with contractual fees is immediate and objective.

3. Use of estimates

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

→ Investment property and inventory

The real estate portfolio is appraised twice a year, at 30 June and 31 December, by independent external firms selected on the basis of the following criteria: (i) recognized European-level qualifications, (ii) specialized expertise in the retail segment, and (iii) reputability and independence. The selection of the independent appraisers is by resolution of the Board of Directors.
In line with recommendations from the supervisory authorities and the various industry best practices, the company has long followed a specific procedure that governs the selection rules for independent appraisers and the handling of information flows used in the process of assessing the properties' fair value.
To appraise the real estate portfolio at 31 December 2017, the following independent firms were selected: (i) CBRE Valuation S.p.A., (ii) Duff&Phelps Reag S.p.A. (formerly Real Estate Advisory Group S.p.A.), (iii) Cushman & Wakefield LLP and (iv) Jones Lang LaSalle S.p.A. Given their specialized expertise in the retail segment, IGD believes that the findings and assumptions used by the independent appraisers are representative of the market.
The properties in the portfolio are appraised individually, using for each one the appraisal techniques specified below in accordance with IFRS 13.
According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.

The appraisal methods used, as specified in the individual certificates, are as follows:
- for malls and retail parks, the City Center Project, 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) for similar investments.
With the transformation method, the market value of a property in the planning or construction phase is calculated by discounting the future income from renting the property, net of construction and other costs to be incurred, for a number of years depending on the duration of plans. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.
In both methods based on the discounting of future income, the key elements are:
1) the amount of net cash flow:
    a. for finished properties: rent received less property costs
    b. for construction in progress: estimated future rent less construction costs and property costs
2) the distribution of cash flows over time:
    a. for finished properties: generally even distribution over time
    b. for construction in progress: construction costs come before future rental income
3) the discount rate
4) the gross cap out rate.

In appraising the different types of properties in the real estate portfolio, the independent experts base their considerations primarily on:

1. information received from IGD SIIQ, as follows:
   (i) for finished properties: data on the rental status of each unit in each shopping center, as specified in the Company's internal procedure; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs;
   (ii) for construction in progress: the start and end dates of the work, the status of building permits and authorizations, remaining costs, the state of progress, the ribbon-cutting date and projected rentals;
2. assumptions used by the independent appraisers, such as inflation, discount rates, cap out rates and ERVs, determined through their own professional judgment upon careful observation of the market. The following are taken into account when determining the capitalization and discounting rates used to value individual properties:
   - the type of tenant currently occupying the property or responsible for complying with rental obligations and the possible future occupants of vacant properties, as well as the market's general perception of their creditworthiness;
   - the division of responsibilities for insurance and maintenance between the lessor and the lessee;
   - the remaining economic life of the property.

The information provided by IGD to the independent appraisers and the latters' assumptions and appraisal methods are approved by the head of Real Estate Development and Management, who is responsible for organizing and coordinating the appraisal and for monitoring and verifying results before they are incorporated into the financial statements. The entire process is governed in detail by IGD SIIQ's internal procedure.

Disclosures on the fair value hierarchy are provided below in accordance with IFRS 13. The fair value hierarchy classifies into three levels the inputs to valuation techniques used to measure fair value. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). More specifically:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
  (a) quoted prices for similar assets or liabilities in active markets;
  (b) quoted prices for identical or similar assets or liabilities in markets that are not active;
  (c) inputs other than quoted prices that are observable for the asset or liability, for example:
    (i) interest rates and yield curves observable at commonly quoted intervals;
    (ii) implied volatilities; and
    (iii) credit spreads;
  (d) market-corroborated inputs.
- level 3 inputs are unobservable inputs for the asset or liability.

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

The following table shows IGD Group investment property by type, measured at fair value at 31 December 2017. It does not include construction in progress (Porto Grande expansion, listed with assets under construction, and non-retail portions of the Porta a Mare project, listed with inventory) as these are measured at the lower of cost and appraised market value as opposed to fair value.

FAIR VALUE MEASUREMENTS AT 31/12/2017 In €/000	QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES (LEVEL 1)	SIGNIFICANT INPUTS OBSERVABLE IN THE MARKET (LEVEL 2)	SIGNIFICANT INPUTS NOT OBSERVABLE IN THE MARKET (LEVEL 3)
Investment property Italy:			
Malls and retail parks			1,331,601
Hypermarkets and supermarkets			647,197
Residual portions of property			18,848
Total investment property Italy			**1,997,646**
Investment property Romania:			
Shopping malls			156,830
PLOJESTI - Junior office building			2,700
Total Romania			**159,530**
IGD Group: Investment property			**2,157,176**
Direct initiatives			
Projects at advanced phase of construction			2,000
Total development initiatives			**2,000**
Porta a Mare project			
Porta a Mare project (1)			28,480
Total trading properties			**28,480**
Total IGD Group investment property measured at fair value			**2,187,656**

Note: (1) Retail portion of the Porta a Mare project, listed with assets under construction 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 rent per square meter.

The unobservable inputs that IGD SIIQ considers most meaningful are the discount rate and the gross cap out rate, as the sensitivity analysis has shown that any change in those values would have a significant impact on fair value.
The following table shows the ranges of unobservable inputs at 31 December 2017:

PORTFOLIO	APPRAISAL METHOD	DISCOUNT RATE 31/12/17		GROSS CAP OUT RATE 31/12/2017		YEARLY RENT €/SQM 31/12/2017	
		MIN	MAX	MIN	MAX	MIN	MAX
TOTAL MALLS/RP	**Income-based (DCF)**	**5.75%**	**8.00%**	**5.75%**	**8.49%**	**12**	**337**
TOTAL HYPER/SUPER	**Income-based (DCF)**	**5.00%**	**8.00%**	**5.42%**	**6.83%**	**76**	**256**
TOTAL Winmarkt	**Income-based (DCF)**	**7.60%**	**9.50%**	**6.66%**	**10.23%**	**40**	**194**

IGD conducts periodic sensitivity analyses on its properties to monitor the impact that changes ("shocks") in the most important unobservable inputs (discount rate and/or gross cap out rate), as a result of macroeconomic trends, would have on the value of its portfolio.
Rate shocks of +/-0.5% are tested individually and jointly to determine how they increase/decrease the value of the real estate portfolio by asset class. The sensitivity analysis at 31 December 2017 is reported below.

→ Sensitivity analysis at 31 December 2017

ASSET CLASS	HYPERMARKETS AND SUPERMARKETS	MALLS AND RETAIL PARKS	OTHER	INVESTMENT PROPERTY ROMANIA	TOTAL
Market value at 31/12/2017 +0.5 discount rate	-24,337	-51,562	-443	-6,230	-82,572
Market value at 31/12/2017 -0.5 discount rate	25,399	53,817	471	6,510	86,197
Market value at 31/12/2017 +0.5 gross cap out	-27,170	-57,254	-1,064	-5,060	-90,548
Market value at 31/12/2017 -0.5 gross cap out	34,509	67,868	1,262	5,760	109,399
Market value at 31/12/2017 +0.5 discount rate +0.5 gross cap out	-51,696	-105,731	-1,480	-10,980	-169,887
Market value at 31/12/2017 -0.5 discount rate -0.5 gross cap out	61,756	125,758	1,761	12,720	201,995
Market value at 31/12/2017 +0.5 discount rate -0.5 gross cap out	7,058	13,315	780	-560	20,593
Market value at 31/12/2017 -0.5 discount rate +0.5 gross cap out	-4,254	-6,702	-634	1,160	-10,430

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 Company considered the results of the business plan in keeping with those used for impairment testing.

→ Fair value of derivative instruments

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

→ Variable revenue

Variable revenue at 31 December is determined on the basis of annual earnings reports from the individual tenants, if available, and otherwise on the basis of monthly reports.

→ Provision for doubtful accounts

The provision for doubtful accounts reflects estimated losses on receivables. Management closely monitors the quality of the receivables portfolio and the current and prospective conditions of the economy and IGD's markets. Estimates and assumptions are reviewed on a regular basis and any changes are reflected in the income statement of the pertinent year.

→ Contingent liabilities

The Group recognizes a liability for pending disputes and legal actions when it believes that a financial outlay is likely and when the amount of the resulting losses can be reasonably estimated. If a financial outlay becomes possible but its amount cannot be determined, this is reported in the notes to the financial statements. The Group is involved in lawsuits and tax disputes concerning difficult, complex issues that present varying degrees of uncertainty, including with regard to the facts and circumstances of each case, matters of jurisdiction, and different applicable laws. Therefore, it is difficult to reach an accurate prediction of any outlays resulting from these disputes, and the provisions set aside for such matters may vary according to future developments.
The Group monitors the status of such litigation and consults with its attorneys and with experts in law and taxation.

4. **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.

INCOME STATEMENT	CORE BUSINESS PROPERTIES 2017	CORE BUSINESS PROPERTIES 2016	SERVICES 2017	SERVICES 2016	"PORTA A MARE" PROJECT 2017	"PORTA A MARE" PROJECT 2016	SHARED 2017	SHARED 2016	TOTAL 2017	TOTAL 2016
Total revenue and operating income	**138,915**	**131,296**	**6,176**	**5,529**	**5,116**	**1,999**	**0**	**0**	**150,207**	**138,824**
Change in work in progress inventory	**0**	**0**	**0**	**0**	**(4,633)**	**247**	**0**	**0**	**(4,633)**	**247**
Direct costs (a) (excluding provision for doubtful accounts)	25,925	24,978	5,562	4,907	880	2,711	0	0	32,368	32,597
G&A expenses (b)							11,392	11,286	11,392	11,286
Total operating costs (a)+(b)	**25,925**	**24,978**	**5,562**	**4,907**	**880**	**2,711**	**11,392**	**11,286**	**43,759**	**43,883**
(Depreciation, amortization and provisions)	(1,992)	(2,155)	(271)	(47)	(4)	(5)	(264)	(269)	(2,532)	(2,477)
(Impairment losses)/reversals on work in progress and inventory	(23)	(127)	0	0	(3,647)	(3,681)	0	0	(3,670)	(3,808)
Fair value change - increases/(decreases)	27,556	23,389	0	0	0	0	0	0	27,556	23,389
Total depreciation, amortization, provisions, impairment and fair value changes	**25,541**	**21,107**	**(271)**	**(47)**	**(3,651)**	**(3,686)**	**(264)**	**(269)**	**21,354**	**17,104**
EBIT	**138,530**	**127,425**	**342**	**574**	**(4,048)**	**(4,151)**	**(11,656)**	**(11,556)**	**123,168**	**112,292**
Income/(loss) from equity investments and property sales							**(45)**	**(236)**	**(45)**	**(236)**
Financial income:							**143**	**272**	**143**	**272**
- third parties							140	267	140	267
- related parties							3	5	3	5
Financial charges:							**34,536**	**42,380**	**34,536**	**42,380**
- third parties							34,522	42,340	34,522	42,340
- related parties							14	40	14	40
Net financial income (charges)							**(34,393)**	**(42,108)**	**(34,393)**	**(42,108)**
PRE-TAX PROFIT	**138,530**	**127,425**	**342**	**574**	**(4,048)**	**(4,151)**	**(46,094)**	**(53,900)**	**88,730**	**69,948**
Income taxes							2,276	3,044	2,276	3,044
NET PROFIT	**138,530**	**127,425**	**342**	**574**	**(4,048)**	**(4,151)**	**(48,370)**	**(56,944)**	**86,454**	**66,904**
Non-controlling interests in net profit									0	1,425
Parent company share of net profit	**138,530**	**127,425**	**342**	**574**	**(4,048)**	**(4,151)**	**(48,370)**	**(56,944)**	**86,454**	**68,329**

BALANCE SHEET	CORE BUSINESS PROPERTIES		SERVICES		"PORTA A MARE" PROJECT		SHARED		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
- Investment property	2,157,176	2,050,728	0	0	0	0	0	0	2,157,176	2,050,728
- Assets under construction	40,466	75,004	0	0	0	0	0	0	40,466	75,004
Intangible assets	11,655	11,656	1,007	1,007	0	3	35	54	12,697	12,720
Other property, plant and equipment	2,039	2,539	33	133	2	3	8,130	8,374	10,204	11,049
- Sundry receivables and other non-current assets	0	0	0	0	0	0	90	89	90	89
- Equity investments	221	1,602	0	0	0	0	33	83	254	1,685
NWC	(8,949)	(935)	907	915	36,810	56,398	0	0	28,768	56,378
Funds	(6,543)	(6,188)	(1,330)	(1,283)	(27)	(23)	0	0	(7,900)	(7,494)
Non-current payables and other liabilities	(15,256)	(18,725)	0	0	(5,926)	(5,931)	0	0	(21,182)	(24,656)
Net deferred tax (assets)/liabilities	(27,339)	(24,473)	0	0	2,562	2,572	0	0	(24,777)	(21,901)
Total use of funds	**2,153,470**	**2,091,209**	**617**	**772**	**33,421**	**53,022**	**8,288**	**8,600**	**2,195,796**	**2,153,602**
Total Group net equity	1,095,739	1,038,787	(323)	(276)	20,337	22,189	(0)	0	1,115,753	1,060,701
Non-controlling interests in capital and reserves	0	0	0	0	0	8,725	0	0	0	8,725
Net derivative (assets)/liabilities	20,397	28,748	0	0	0	0	0	0	20,397	28,748
Net financial position	1,037,334	1,023,673	940	1,048	13,084	22,107	8,288	8,600	1,059,646	1,055,428
Total sources	**2,153,470**	**2,091,209**	**617**	**772**	**33,421**	**53,022**	**8,288**	**8,600**	**2,195,796**	**2,153,602**

REVENUE FROM FREEHOLD PROPERTIES	NORTHERN ITALY		CENTRAL/SOUTHERN ITALY & ISLANDS		ABROAD		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
LEASE & RENTAL INCOME	61,179	58,377	52,499	48,719	9,301	8,857	122,979	115,953
ONE-OFF REVENUE	170	12	0	41	0	0	170	53
TEMPORARY LOCATION RENTALS	1,695	1,580	1,229	1,111	0	0	2,924	2,691
OTHER RENTAL INCOME	-27	52	149	92	80	43	202	187
TOTAL	**63,018**	**60,021**	**53,876**	**49,963**	**9,381**	**8,900**	**126,275**	**118,884**

Notes to the consolidated financial statements

→ Revenue and other income

	Note	31/12/2017	31/12/2016	CHANGE
Revenues:	1	**138,915**	**131,296**	**7,619**
- from third parties		96,637	89,302	7,335
- from related parties		42,278	41,994	284
Other income:	2.1	**6,176**	**5,529**	**647**
- from third parties		4,008	3,836	172
- from related parties		2,168	1,693	475
Revenues from trading property sale	2.2	**5,116**	**1,999**	**3,117**
TOTAL REVENUES AND OTHER OPERATING INCOME		**150,207**	**138,824**	**11,383**

In 2017 the IGD Group earned revenue and other income of €150,207K, including €5,116K from property sales (residential units in the Mazzini section of the Porta a Mare project). The increase of €11,383K is detailed in the notes below.

Note 1) Revenue

		31/12/2017	31/12/2016	CHANGE
Freehold hypermarkets - Rents and business leases from related parties	a.1	**38,316**	**38,157**	**159**
Leasehold hypermarkets - Business leases from related parties	a.2	**119**	**118**	**1**
Freehold supermarket - Rents and business leases from related parties	a.3	**1,703**	**1,699**	**4**
TOTAL HYPERMARKETS/SUPERMARKETS	a	**40,138**	**39,974**	**164**
Freehold malls, offices and city center	b.1	**83,186**	**76,148**	**7,038**
Rents		**17,063**	**16,783**	**280**
Related parties		1,005	956	49
Third parties		16,058	15,827	231
Business leases		**66,123**	**59,365**	**6,758**
Related parties		762	663	99
Third parties		65,361	58,702	6,659
Leasehold malls	b.2	**11,885**	**11,636**	**249**
Rents		**604**	**588**	**16**
Related parties		117	116	1
Third parties		487	472	15
Business leases		**11,281**	**11,048**	**233**
Related parties		228	244	(16)
Third parties		11,053	10,804	249
Other contracts and temporary rents	b.3	**3,706**	**3,538**	**168**
Other contracts and temporary rents		3,678	3,497	181
Other contracts and temporary rents - related parties		28	41	(13)
TOTAL MALLS	b	**98,777**	**91,322**	**7,455**
GRAND TOTAL	a+b	**138,915**	**131,296**	**7,619**
of which related parties		42,278	41,994	284
of which third parties		96,637	89,302	7,335

Rent and business lease revenue increased by €7,619K for the year.
Rent from freehold hypermarkets and supermarkets rose by €164K.
Rent and business lease revenue from freehold malls, offices and city center properties increased by €7,455K, chiefly as a result of: *(i)* higher revenue due to the acquisition of the Maremà mall in Grosseto in the last quarter of 2016 and the inauguration of the Esp expansion on 1 June 2017; *(ii)* an increase in like-for-like revenue at Italian malls (+2.0%), thanks to occupancy initiatives during the year (average upside +4.9%) and a reduction in discounts granted; *(iii)* like-for-like revenue growth in Romania (+5.4%) as a result of good occupancy and renegotiation results during the period (average upside +2.1%). These trends were partially offset by the lack of €225K in non-recurring income earned in 2016.
For further information, see the income statement review (section 2.2.1) in the Directors' Report.

Note 2.1) Other income

	31/12/2017	31/12/2016	CHANGE
Facility management revenues	3,216	3,316	(100)
Portfolio and rent management revenues	189	7	182
Pilotage and construction revenues	465	405	60
Marketing revenues	99	12	87
Other revenues	39	96	(57)
Other income from third parties	**4,008**	**3,836**	**172**
Facility management revenues - related parties	2,108	1,597	511
Pilotage and construction revenues	0	4	(4)
Portfolio and rent management revenues - related parties	36	36	0
Marketing revenues	24	56	(32)
Other income from related parties	**2,168**	**1,693**	**475**
OTHER INCOME	**6,176**	**5,529**	**647**

Other income from third parties increased by €172K, due mainly to new facility management contracts, pilotage revenue for the newly opened Esp expansion, and the remodulation of Città delle Stelle shopping center, as well as marketing revenue from Poseidon shopping center in Carini (PA).
Other income from related parties increased by €475K, due mainly to the rise in facility management revenue as a result of new contracts.

Note 2.2) Income from the sale of trading properties

This came to €5,116K and concerns 18 residential units, 18 enclosed garage units and 1 parking space in the Mazzini section of Porta a Mare, including 14 residential units and 14 garage units sold as a result of the termination of the framework agreement with the CMB Group. In 2006, IGD sold 6 residential units and 6 enclosed garage units.

Note 3) Service costs

	31/12/2017	31/12/2016	CHANGE
Third parties service costs	**20,617**	**20,543**	**74**
Paid rents	10,404	10,320	84
Promotional and advertising expenses	552	661	(109)
Centers management expenses for vacancies	1,091	1,191	(100)
Centers management expenses for ceiling to tenants' costs	1,789	1,629	160
Facility management administration costs	675	633	42
Insurances	684	659	25
Professional fees	194	227	(33)
Directors' and statutory auditors' fees	791	845	(54)
External auditinf fees	216	198	18
Investor relations, Consob, Monte Titoli costs	407	376	31
Shopping centers pilotage and construction costs	369	199	170
Consulting	664	809	(145)
Real estate appraisals fees	429	466	(37)
Maintenance and repairs	407	290	117
Other costs for services	1,945	2,040	(95)
Related parties service costs	**2,760**	**2,098**	**662**
Promotional and advertising expenses	50	0	50
Service	307	297	10
Centers management expenses for vacancies	767	668	99
Centers management expenses for ceiling to tenants' costs	1,415	964	451
Insurances	68	68	0
Directors' and statutory auditors' fees	153	101	52
Total costs for services	**23,377**	**22,641**	**736**

Service costs rose by €736K for the year.
The largest increases concerned facility management costs due to ceilings on tenants' expenses (reflecting the greater number of contracts featuring such ceilings) and pilotage costs, which rose in connection with the newly opened Esp expansion.
The main decreases concerned consulting and promotional and advertising expenses.
Rent paid refers mostly to:

- the Fonti del Corallo mall in Livorno, rented since 2014 from BNP Paribas Real Estate Investment Management Italy SGR S.p.A., under a 24-year lease ending on 25 February 2038 (with an early withdrawal option at the halfway mark on 25 February 2026 with 12 months' notice) that will automatically renew upon expiration for another six years (until 25 February 2044). Annual rent is set at €3,325K for six years and will then be adjusted by 100% of the ISTAT index;
- the Centro Nova mall, rented since 1 March 2009 from Compagnia Sviluppi Industriali ed Immobiliari S.p.A. and Les Copains Holdings S.p.A. under a six-year lease renewable for a further six years at a time, for which rent during the year amounted to €4,372K;
- the Centro Piave mall, rented since 1 July 2004 from Nova Immobiliare S.r.l. under a six-year lease renewable for a further six years at a time, for which rent during the year came to €2,398K.

Note 4) Cost of labor

	31/12/2017	31/12/2016	CHANGE
Wages and salaries	7,118	6,762	356
Social security	2,014	1,894	120
Severance pay	474	377	97
Other costs	275	213	62
Total personnel costs	**9,881**	**9,246**	**635**

The cost of labor increased by €635K, due mainly to additional hiring in connection with new facility management contracts, the introduction of in-house welfare benefits in 2017, and the increase in bonuses paid.
Severance pay includes contributions to supplementary funds in the amount of €117K.

The workforce is broken down by category below:

DIVISION OF WORKFORCE BY CATEGORY	31/12/2017	31/12/2016
Executives	6	6
Middle managers	25	25
White collars	145	139
TOTAL	**176**	**170**

Note 5) Other operating costs

	31/12/2017	31/12/2016	CHANGE
IMU/TASI/Property tax	8,800	8,631	169
Other taxes	117	88	29
Contract registrations	388	369	19
Out-of-period (income)/charges	(9)	13	(22)
Membership fees	139	126	13
Losses on receivables	62	42	20
Fuels and tolls	199	179	20
Other costs	215	188	27
Total other operating costs	**9,911**	**9,636**	**275**

The change in other operating costs is due mostly to the municipal tax on freehold properties (IMU), which increased with the Esp expansion and the full-year impact of the purchase of the Maremà mall in the fourth quarter of 2016.

Note 6) Change in work in progress inventory

	31/12/2017	31/12/2016	CHANGE
Construction costs for the period	591	2,360	(1,769)
Change in inventories for disposal	(5,224)	(2,113)	(3,111)
Change in work in progress inventories	**(4,633)**	**247**	**(4,880)**

Work in progress inventory relating to the land, buildings, and urban infrastructure works of the multifunctional complex in Livorno decreased by €4,633K due to the sale of residential units as detailed in Note 2.2, net of the advancement of works for the period (see Note 22 for further information).

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

	31/12/2017	31/12/2016	CHANGE
Amortization of intangible assets	(26)	(30)	4
Amortization of tangible assets	(1,001)	(1,088)	87
Provisions for doubtful accounts	(1,172)	(1,205)	33
Provision for risks and other charges	(333)	(154)	(179)
Total amortizations and provisions	**(2,532)**	**(2,477)**	**(55)**
(Impairment losses)/Reversals on work in progress and inventories	(3,670)	(3,808)	138
Fair value changes	27,556	23,389	4,167
Total depreciations, amortizations, provisions, impairment and fair value changes	**21,354**	**17,104**	**4,250**

- Depreciation and amortization decreased by €91K due to the conclusion of the depreciation process for plant and equipment.
- The allocation to the provision for doubtful accounts came to €1,172K, a slight decrease (-€33K) with respect to the previous year. The allocation was made by evaluating the individual positions of clients in order to adjust them to estimated realizable value. See Note 23 for changes in this provision.
- Other provisions refer to the estimated outcome of three IMU (municipal property tax) disputes regarding Le Maioliche (Faenza), La Torre (Palermo) and Esp (Ravenna) shopping centers, amounting to €323K, and an administrative dispute for which €10K has been provided.
- "(Impairment losses)/reversals on work in progress" (-€3,670) cover the following: *(i) an impairment loss of €23K for the expansion of Porto Grande (see Note 17), to bring carrying value into line with the lower of cost and market value as stated in the appraisal of 31 December 2017; (ii) an impairment loss of €3,647K regarding work in progress inventory for the Porta a Mare project, to bring carrying value into line with the lower of cost and market value as stated in the appraisal of 31 December 2017 (see Note 22).*
- The item "Fair value changes" (€27,556K) covers: *(i)* a net revaluation of €28,453 (see Note 14) carried out to match the carrying value of investment property to its market value at 31 December 2017; *(ii)* two writedowns to match the carrying value of work in progress on Officine Storiche and Arco Campus to their market value (€775K and €122K, respectively), as discussed in Note 17.

Note 8) Income/(loss) from equity investments and property sales

	31/12/2017	31/12/2016	CHANGE
Resul from San Benedetto building disposal	0	3	(3)
Result from equity investment	(45)	(108)	63
Result from SGR disposal	0	(126)	126
Price adjustments on sale equity investments	0	(5)	5
Total result from equity investment and asset disposal	**(45)**	**(236)**	**191**

The overall loss of €45K derives from the results of an investment accounted for using the equity method and the writedown of an investment recognized at cost (see Note 20).

Note 9) Financial income and charges

	31/12/2017	31/12/2016	CHANGE
Bank interest income	4	202	(198)
Other interests income abd equivalents	44	26	18
Exchange gains	92	39	53
Total financial income to third parties	**140**	**267**	**(127)**
Interest income from related parties	3	5	(2)
Total financial income to related parties	**3**	**5**	**(2)**
Total financial income	**143**	**272**	**(129)**

Financial income decreased due mainly to time deposits made in 2016. Interest income from related parties is described in Note 40.

	31/12/2017	31/12/2016	CHANGE
Interest expenses on security deposits	14	28	(14)
Interest expenses on Coop Adriatica account	0	12	(12)
Total financial charges to related parties	**14**	**40**	**(26)**
Interest expenses to banks	12	238	(226)
Mortgage loan interests	3,004	9,349	(6,345)
Amortized mortgage loan costs	387	3,573	(3,186)
IRS spread	8,145	11,526	(3,381)
Amortized costs of the equity mortgage component	114	125	(11)
Bond financial charges	18,936	13,886	5,050
Bond amortized costs	2,839	2,370	469
Financial charges on leasing	56	64	(8)
Other interests and charges	979	1,109	(130)
Financial credit write-down	50	100	(50)
Total financial charges to third parties	**34,522**	**42,340**	**(7,818)**
Financial charges	**34,536**	**42,380**	**(7,844)**

Financial charges went from €42,380K in 2016 to €34,536K this year. Most of the decrease of €7,844K reflects lower interest expense due to the early repayment of loans from BNP and Banco Popolare di Verona the previous year and the termination of a mortgage loan at its natural maturity in December 2016, as well as the lesser use of short-term credit facilities and a decline in interest rates. Costs for interest rate swaps (IRS) also decreased, due in part to an IRS reaching maturity in April 2017.
On the other hand, there was an increase in financial charges relating to the €300 million bond loan issued on 31 May 2016 and the €100 million bond loan issued on 11 January 2017, along with higher rating expenses and fees for committed revolving credit facilities.
As of 31 December 2017, a loan granted to Iniziative Bologna Nord S.r.l. (in liquidation) had been written down by €50K (see Note 21).
For 2017, the average cost of debt (without considering recurring and non-recurring transaction costs) was 2.82%, down from 3.30% the previous year, while the weighted average effective cost of debt went from 3.86% to 3.13%.

Note 10) Income taxes

	31/12/2017	31/12/2016	CHANGE
Current taxes	1,356	1,117	239
IRAp tax credit	0	(326)	326
Deferred tax liabilities	900	2,276	(1,376)
Deferred tax assets	30	(111)	141
Out-of-period incom/charges - Provisions	(10)	88	(98)
Total income taxes for the period	**2,276**	**3,044**	**(768)**

Current and deferred taxes came to €2,276K, a decrease of €768K with respect to 2016.
Current taxes increased, due mainly to higher income in Romania. The amount due for IRAP, in line with the previous year, did not allow an additional conversion of the unused ACE benefit into a tax credit to be taken against IRAP.
The change in deferred tax assets and deferred tax liabilities is mostly due to their adjustment to reflect the disparity between market value and the amount valid for tax purposes, caused by fair value adjustments on certain investment properties held by subsidiaries without SIIQ status.
Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2017 and 31 December 2016.

RECONCILLIATION OF INCOME TAX APPLICABLE TO PROFIT BEFORE TAXES	31/12/2017	31/12/2016
Pre-tax profit	**88,730**	**69,948**
Theoretical tax charge (rate 24% - 2017 27,5% - 2016)	*21,295*	*19,236*
Profit resulting in the income statement	88,730	69,948
Increases:		
IMU - Property tax	7,794	7,529
Devaluation on ongoing projects and inventories	3,670	3,808
Other increases	12,926	7,604
Decreases:		
Change in tax-exempt income	(54,674)	(46,057)
Deductible depreciation	(7,331)	(7,183)
Fair value	(27,556)	(23,389)
Other changes	(14,650)	(7,846)
Taxable income	**8,909**	**4,414**
Use of past losses	**511**	**0**
Use of ACE benefit	**2,323**	**2,778**
Taxable income net of losses	**6,075**	**1,636**
Lower current taxes recognized directly in equity	**(28)**	**(33)**
Current taxes of the year	**923**	**683**
Current IRES for the year (a)	**923**	**683**
Difference between value and cost of production	**90,321**	**82,515**
Theoretical IRAP (3.9%	*3,523*	*3,218*
Difference between value and cost of production	**90,321**	**82,515**
Changes:		
Increases	13,285	16,213
Decreases	(6,936)	(6,739)
Change in exempt income	(86,634)	(79,320)
Other deductions	(8,705)	(8,041)
Taxable income for the IRAP purpose	**1,331**	**4,628**
Current IRAP for the year (b)	**433**	**434**
Total current taxes	**1,356**	**1,117**

Note 11) Earnings per share

On 12 February 2018 the extraordinary shareholders' meeting approved a reverse stock split of IGD's ordinary shares, at a ratio of 1 new ordinary share with regular entitlement per 10 existing ordinary shares, after cancellation of ordinary shares in the minimum number necessary to allow the balancing of the entire transaction, without reduction of the share capital. The reverse stock split is expected to take place before the planned capital increase. As required by IAS 33 (paragraph 66), the income statement presents the basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of IGD SIIQ S.p.A. The figures have been calculated considering the effects of both the reverse stock split for 2017 and the prior year and the treasury shares held at 31 December 2017. The information is provided on the basis of consolidated figures only, as provided for by IAS 33.

	31/12/2017	31/12/2016
Net profit attributable to Parent company shareholders	86,454	68,329
Diluted net profit attributable to Parent company shareholders	86,454	68,329
Weighted average number of ordinary shares for purposes of basic earnings per share	81,301,846	81,304,563
Weighted average number of ordinary shares for purposes of diluted earnings per share	81,301,846	81,304,563
Basic earnings per share	**1.063**	**0.840**
Diluted earnings per share	**1.063**	**0.840**

Note 12) Intangible assets with finite useful lives

	BALANCE AT 01/01/2016	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICATIONS	BALANCE AT 31/12/2016
intangible assets with finite useful lives	**74**	**14**	**0**	**(30)**	**0**	**58**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICATIONS	BALANCE AT 31/12/2017
intangible assets with finite useful lives	**58**	**3**	**0**	**(26)**	**0**	**35**

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 2015 there were no impairment losses or reversals on intangible assets. Increases refer to: *(i)* the trademark of the Città delle Stelle shopping center (€1K) and *(ii)* the purchase of business/financial software (€2K).

Note 13) Goodwill

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Goodwill	**12,662**	**0**	**0**	**0**	**12,662**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2017
Goodwill	**12,662**	**0**	**0**	**0**	**12,662**

Goodwill has been allocated to the individual cash generating units (CGUs).
Below is the breakdown of goodwill by CGU at 31 December 2017:

GOODWILL	31/12/2017	31/12/2016
Millennium s.r.l.	3,952	3,952
Winmagazin S.A.	5,409	5,409
Winmarkt management s.r.l.	1	1
Fonti del Corallo	1,300	1,300
Centro Nova	546	546
San Donà	448	448
Service	1,006	1,006
Total	**12,662**	**12,662**

Goodwill for Millennium and Winmagazin refers to consolidation differences arising upon acquisition and first-time consolidation of the corresponding legal entities. The recoverability of the goodwill allocated to these CGUs has been analyzed on the basis of the property appraisals by CBRE Valuation S.p.A., Duff&Phelps REAG S.p.A., Jones Lang LaSalle S.p.A., and Cushman & Wakefield LLP in accordance with the criteria described in Section 3 ("Use of estimates") above. Specifically, this goodwill covers the possibility to sell properties owned by the subsidiaries (through the equity investment) without incurring taxes. Therefore, recoverability derives from the tax savings that could be achieved from the investment's sale, and is measured on the basis of the deferred tax provision covering the higher book value of the property with respect to the tax-deductible amount. Goodwill for the CGUs Fonti del Corallo, Centro Nova, San Donà, Service, and Winmarkt Management pertains to business management for properties not owned by the Group, as well as services (facility management) provided at shopping centers owned by the Group and by third parties. The figures were retested for impairment during preparation of the financial statements. Value in use was calculated by projecting cash flows estimated in the 2018 budget. The discount rate (WACC) was 4.58%; the risk premium contained in the cost of equity is 5.0%, while the borrowing rate used is the average rate of competitors or 2.54%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 14) Investment property

As required by IAS 40, the following table reconciles the opening and closing value of investment property, with increases, decreases, and changes in fair value shown separately.

	BALANCE AT 01/01/2016	INCREASES	DECREASES	REVALUATIONS	IMPAIRMENT	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Investment property	**1,970,028**	**55,673**	**(390)**	**52,389**	**(27,353)**	**381**	**2,050,728**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	REVALUATIONS	IMPAIRMENT	RECLASSIFICATIONS	BALANCE AT 31/12/2017
Investment property	**2,050,728**	**2,533**	**(153)**	**42,359**	**(13,906)**	**75,615**	**2,157,176**

Changes for the year in investment property concern work carried out and completed (€2,533K) for waterproofing, fit-out work (combination/division of store space), and firefighting and electrical work at shopping centers, in particular Città delle Stelle (€408K), Centro d'Abruzzo (€220K), Conè (€159K), Le Maioliche (€154K), Clodì Retail Park (€121K), and Centro Borgo (€111K). Decreases refer mainly to the sale of a unit at Centro Commerciale Leonardo.

As for fair value adjustments, investment property was revalued in the amount of €42,359K and written down by €13,906K, for a net positive impact of €28,453K. For the calculation of fair value and breakdown of the real estate portfolio, see section 2.6 ("The real estate portfolio") of the Directors' Report and the appraisals by CBRE Valuation S.p.A., Duff&Phelps REAG S.p.A., Jones Lang LaSalle S.p.A., and Cushman & Wakefield LLP in this Annual Report.
Reclassifications refer mainly to the recognition as Investment property rather than Assets under construction of the Esp expansion, opened on 1 June 2017 (€55,161K), and the reclassification from Inventory of Palazzo Orlando (€11,850K).

Note 15) Buildings

	BALANCE AT 01/01/2016	INCREASES	DECREASES	DEPRECIATION	BALANCE AT 31/12/2016
Historical cost	10,114				10,114
Accumulated depreciation	(1,496)			(244)	(1,740)
Buildings	**8,618**	**0**	**0**	**(244)**	**8,374**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	DEPRECIATION	BALANCE AT 31/12/2017
Historical cost	10,114				10,114
Accumulated depreciation	(1,740)			(243)	(1,983)
Buildings	**8,374**	**0**	**0**	**(243)**	**8,131**

This item refers to the lease-to-own purchase of the building that houses IGD SIIQ S.p.A.'s head office. The only movement during the year was depreciation.

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

	BALANCE AT 01/01/2016							CHANGE IN CURRENCY TRANSLATION		BALANCE AT 31/12/2016		
	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**	HISTORICAL COST INCREASES		ACCUMULATED DEPRECIATIONS INCREASES	2016 DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**
Plants and machinery	2,945	(2,636)	**309**	166			(143)			3,111	(2,779)	**332**
Equipment	5,358	(3,659)	**1,699**	94		(42)	(426)	(5)	3	5,447	(4,124)	**1,323**
Leasehold improvements	2,917	(1,644)	**1,273**	22			(275)			2,939	(1,919)	**1,020**

	BALANCE AT 01/01/2017							CHANGE IN CURRENCY TRANSLATION		BALANCE AT 31/12/2017		
	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**	HISTORICAL COST INCREASES	RECLASSIFICA-TIONS	ACCUMULATED DEPRECIATIONS INCREASES	2017 DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**
Plants and machinery	3,111	(2,779)	**332**	57			(129)			3,168	(2,908)	**260**
Equipment	5,447	(4,124)	**1,323**	113	7	(54)	(353)	(35)	15	5,532	(4,516)	**1,016**
Leasehold improvements	2,939	(1,919)	**1,020**	53			(276)			2,992	(2,195)	**797**

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year and purchases worth €223K. Leasehold improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the lease.

Note 17) Assets under construction and advances

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFI-CATIONS	(IMPAIRMENT LOSSES)/ REVERSALS	FAIR VALUE CHANGES	CURRENCY TRANSLATION GAIN/LOSSES	BALANCE AT 31/12/2016
Assets under construction	46,556	21,963		5,499	(127)	(1,647)	0	72,244
Advance payments	3,977	547	(1,764)					2,760
Assets under construction and advance payments	**50,533**	**22,510**	**(1,764)**	**5,499**	**(127)**	**(1,647)**		**75,004**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFI-CATIONS	(IMPAIRMENT LOSSES)/ REVERSALS	FAIR VALUE CHANGES	CHANGE IN CONSOLI-DATION AREA	CURRENCY TRANSLATION GAIN/LOSSES	BALANCE AT 31/12/2017
Assets under construction	72,244	29,293		(63,772)	(23)	(897)	1,352	36	38,233
Advance payments	2,760	522	(1,046)					(3)	2,233
Assets under construction and advance payments	**75,004**	**29,815**	**(1,046)**	**(63,772)**	**(23)**	**(897)**	**1,352**	**33**	**40,466**

Assets under construction increased due to investments totalling €29,293K, including the following that are still underway: *(i)* expansion of Gran Rondò shopping mall in Crema (€1,638K); *(ii)* ongoing work at Officine Storiche (Porta a Mare, €2,035K); *(iii)* construction work on Arco Campus (€770K); *(iv)* roofing at Tiburtino and Centro Sarca shopping centers (€542K); *(v)* extraordinary maintenance and fit-out work at various malls in Romania (€368K) and other minor improvements of €332K, mostly for earthquake proofing at Darsena, Casilino, Gran Rondò and le Porte di Napoli. In addition, the following projects were completed during the year: construction of a multi-level parking garage at Gran Rondò shopping center (€2,203K); remodulation of retail space at Città delle Stelle shopping center (€1,180K); finishing work on the Esp expansion in Ravenna (€16,061K); earthquake proofing at Centro d'Abruzzo, Porto Grande and Città delle Stelle (€1,295K); extraordinary maintenance and fit-out work at various malls in Romania (€1,791K) and other minor improvements of €1,078K, mostly concerning Tiburtino and Porto Grande shopping centers.

Reclassifications refer to works finished during the year and reclassified to Investment property and Equipment (€63,772), mostly in connection with the Esp expansion (€55,161K), the remodulation of retail space at Città delle Stelle shopping center(€1,238K), the construction of a multi-level parking garage at Gran Rondò shopping center (€2,426K); earthquake proofing at Centro d'Abruzzo, Porto Grande, and Città delle Stelle (€532K, €524K and €349K, respectively).

The Porto Grande expansion, recognized using the adjusted cost method, was written down by €23K to bring carrying amounts into line with the lower of cost and appraised market value. Officine Storiche (Porta a Mare project) and the Arco Campus property, carried at fair value due to their advanced stage of construction, were written down by €775K and €122K, respectively.

See section 2.6 on the real estate portfolio, in the Directors' Report, for further details.

Advances received during the year amounted to €522K. The decreases shown for advances (€1,046K) mostly reflect construction progress on the Esp expansion and on Officine Storiche.

Note 18) Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities have been offset in accordance with paragraph 74 of IAS 12, given that: *(i)* the company is entitled to offset current tax assets and liabilities and *(ii)* the deferred tax assets and liabilities are associated with income taxes charged by the same tax jurisdiction. Net deferred tax assets reflect the deferred tax assets and liabilities of the Italian companies, while the deferred tax liabilities shown in the statement of financial position concern the Romanian subsidiary.

	31/12/2017	31/12/2016	CHANGE
Deferred tax assets	0	10,938	(10,938)
Deferred tax liabilities	0	(10,174)	10,174
Net deferred tax asset	**0**	**764**	**(764)**

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

	31/12/2017	31/12/2016	CHANGE
Capital operations	31	58	(27)
Taxed provisions	360	342	18
Interest rate swap operations	4,702	6,493	(1,791)
Impairment loss on inventories	2,560	2,560	0
Impairment loss on equity investments and financial receivables	271	259	12
loss from tax consolidation	1,163	1,163	0
Property investments	255	0	255
Other effects	78	63	15
Total deferred tax assets	**9,420**	**10,938**	**(1,518)**

	31/12/2017	31/12/2016	CHANGE
Property investments	12,285	10,021	2,264
Bond	9	15	(6)
Interest rate swap operations	28	0	28
Other effects	154	138	16
Total deferred tax liabilities	**12,476**	**10,174**	**2,302**

	31/12/2017	31/12/2016	CHANGE
Net defrred tax assets	0	764	(764)
Net deferred tax liabilities	(3,056)	0	(3,056)

Deferred tax assets mainly originate from:

- taxed provisions, such as the provision for doubtful accounts and the bonus provision;
- the effect of writing down inventories to market value;
- the recognition of deferred tax assets on mortgage hedging instruments (IRS);
- tax losses carried forward.

Most of the change for the 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 market value of investment property and its value for tax purposes. Most of the change relates to the decrease in the value for tax purposes of certain investment properties held by the Group companies IGD Management S.r.l. and Millennium Gallery S.r.l. as a result of depreciation for the year.

Given the likelihood of future taxable income, prior-year losses are expected to be used, so the deferred tax assets are likely to be recovered.
At 31 December 2017, for the Italian companies, the balance of deferred tax assets of €9,420K and deferred tax liabilities of €12,476K was a net liability of €3,056K.
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.

	31/12/2017	31/12/2016	CHANGE
Property investments Romania	21,721	22,665	(944)
Italian companies net deferred tax liabilities	3,056	0	3,056
Total deferred tax liabilities	**24,777**	**22,665**	**2,112**

Note 19) Sundry receivables and other non-current assets

	31/12/2017	31/12/2016	CHNAGE
Due to other	23	23	0
Security deposits	67	66	1
Total sundry receivables and other non-current assets	**90**	**89**	**1**

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

Note 20) Equity investments

	31/12/2016	INCREASES	DECREASES	REVALUATIONS/ (WRITEDOWNS)	RECLASSIFICA-TIONS	CHANGE OF CONSOLIDATION AREAS	31/12/2017
Equity investment in subsidiaries							
Consorzio Proprietari C.C.Leonardo	52						52
Consorzio Proprietari Fonti del Corallo	7						7
Consorzio C.C. i Bricchi	4						4
Consorzio Puntadiferro	6						6
Consorzio del Commendone	6						6
Arco Campus S.r.l.	1,440					(1,440)	0
Equity invesment in associates							
Rgd Ferrara 2013 S.r.l.	9	55		5			68
Consorzio Millennium Center	4						4
UnipolSai Investimenti SGR S.p.A.	0						0
Equity investment in other companies	**157**	**0**	**0**	**(50)**	**0**		**107**
Equity invesments	**1,685**	**55**	**0**	**(45)**	**0**	**(1,440)**	**254**

At 31 December 2017, the subsidiary Arco Campus S.r.l. was consolidated on a line-by-line basis (rather than using the equity method as previously), in light of the construction project now in course.
The increase of €55K in RGD Ferrara 2013 S.r.l. concerns a capital contribution settled as the partial repayment of an outstanding loan. Net impairment losses of €45K were charged during the year to reflect the results of a company consolidated at equity and the writedown of an investment carried at cost.

Note 21) Non-current financial assets

	31/12/2017	31/12/2016	CHANGE
Non current financial assets	**343**	**393**	**(50)**

This item contains the interest-free loan granted to Iniziative Bologna Nord S.r.l (in liquidation) (€243K, net of a €430K writedown) and an interest-bearing loan of €100K granted to Fondazione Virtus Pallacanestro Bologna.

Note 22) Work in progress inventory

	31/12/2016	INCREASES	DECREASES	RECLASSIFICATIONS	WRITEDOWNS	31/12/2017
Porta a Mare project	57,710	591	(5,224)	(11,850)	(3,647)	37,580
Advances	43					43
Work in progress inventory and advances	**57,753**	**591**	**(5,224)**	**(11,850)**	**(3,647)**	**37,623**

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 €591K. Specifically, construction proceeded on an underground floor for parking and utility rooms, and the old Orlando industrial sheds in the same area were definitively secured. In addition, partial progress was made on the “STU” road, which can only be completed once its final route through the Molo Mediceo areas is agreed with the local authorities; *(ii)* a decrease for the final sale of 18 properties, 18 enclosed garage units and 1 parking space (€5,224K); *(iii)* a reclassification in the amount of -€11.850K, as discussed in Note 14; and *(iv)* a writedown to adjust carrying amount to the lower of cost and appraised market value (€3,647K).

Note 23) Trade and other receivables

	31/12/2017	31/12/2016	CHANGE
Trade and other receivables	25,522	26,463	(941)
Provision for doubtful accounts	(14,107)	(14,893)	786
Trade and other receivables	**11,415**	**11,570**	**(155)**

Trade receivables, gross of the provision for doubtful accounts, decreased by €155K with respect to 31 December 2016. The provision for doubtful accounts reflects receivables not considered to be fully recoverable. The allocation for the year, €1,172K, was calculated based on the problems encountered with individual receivables recognized at 31 December 2017 and on all available information. The use of €1,908K from the provision concerns doubtful accounts/problem credits identified in previous years that were fully written off during the period.
Movements in the provision for doubtful accounts are shown below:

MOVEMENTS IN PROVISION FOR DOUBTFUL ACCOUNTS	31/12/2017	31/12/2016
Doubtful opening credits	**14,893**	**15,149**
Translation effect	(47)	(8)
Uses	(1,908)	(1,331)
Write-down/(uses) interest on late payments	(3)	18
Provisions	1,172	1,205
Darsena surplus	0	(180)
Transfers	0	40
Provisions for doubtful accounts at year-end	**14,107**	**14,893**

The following table shows receivables by geographical area:

	31/12/2017	31/12/2016
Receivables Italy	23,927	24,312
Provision for doubtful account	(12,864)	(13,091)
Net receivables Italy	**11,063**	**11,221**
Receivables Romania	1,595	2,151
Provision for doubtful account	(1,243)	(1,802)
Net receivables Romania	**352**	**349**

Note 24) Related party trade and other receivables

	31/12/2017	31/12/2016	CHANGE
Coop Alleanza 3.0 Soc. Coop.	74	157	(83)
Rgd Ferrara 2013 S.r.l.	380	348	32
Consorzio Leonardo	1	1	0
Consorzio I Bricchi	0	33	(33)
Alleanza Luce e Gas S.r.l.	14	26	(12)
Unicoop Tirreno Soc. Coop.	1,056	86	970
Consorzio del Commendone	22	35	(13)
Distribuzione Lazio Umbria S.r.l.	2	2	0
Librerie.Coop S.p.A.	8	21	(13)
Robintur S.p.A.	8	0	8
Consorzio Millenniun Center	12	12	0
Consorzio La Torre	1	1	0
Consorzio CC ESP	5	0	5
Consorzio Crema	41	131	(90)
Consorzio Porta a Mare	50	57	(7)
Consorzio Katané	356	207	149
Coop Sicilia	18	0	18
Consorzio Cone'	1	0	1
Consorzio Clodì	1	8	(7)
Consorzio Punta di Ferro	2	6	(4)
Consorzio Sarca	2	5	(3)
Related parties trade and other receivables	**2,054**	**1,136**	**918**

See Note 40 for details.

Note 25) Other current assets

	31/12/2017	31/12/2016	CHANGE
Tax credit			
VAT credits	982	10,532	(9,550)
IRES credits	391	445	(54)
IRAP credits	914	1,223	(309)
Due from others			
Advances paid to suppliers	4	3	1
Insurance credits	34	0	34
Accrued income and prepayments	471	583	(112)
Deferred costs	381	119	262
Other	166	207	(41)
Other current assets	**3,343**	**13,112**	**(9,769)**

Other current assets decreased by €9,769K, due mainly to the use of the VAT credit from 2016 resulting from the purchase of the Maremà mall.

Note 26) Financial receivables and other current financial assets

	31/12/2017	31/12/2016	CHANGE
Other financial assets	42	0	42
Financial receivables and other current financial assets	**42**	**0**	**42**
Related parties financial receivables	96	151	(55)
Financial receivables and other current financial assets - related parties	**96**	**151**	**(55)**

Other financial assets increased, reflecting a short-term credit with banks. Financial assets from related parties refer to the €150K loan granted to RGD Ferrara 2013 S.r.l., reduced by €55K for a capital contribution to that company, as well as interest calculated at the 3-month Euribor plus 350 basis points.

Note 27) Cash and cash equivalents

	31/12/2017	31/12/2016	CHANGE
Cash and cash equivalents	2,429	2,994	(565)
Cash on hand	80	90	(10)
Cash and cash equivalents	**2,509**	**3,084**	**(575)**

Cash and cash equivalents at 31 December 2017 consisted mainly of current account balances at banks.

Note 28) Net equity

	31/12/2017	31/12/2016	CHANGE
Share capital	599,760	599,760	0
Share premium reserve	29,971	29,971	0
Other reserves	**384,832**	**349,246**	**35,586**
Legal reserve	119,952	119,952	0
Merger surplus reserve	557	0	557
Treasury share reserve	(159)	0	(159)
Cash flow hedge reserve	(16,048)	(21,364)	5,316
Cash flow hedge reserve - subsidiaries	89	(673)	762
Bond issue reserve	14,865	29,596	(14,731)
Capital increase reserve	(6,156)	(6,156)	0
Recalculation of defined benefit plans	(16)	(154)	138
Recalculation of defined benefit plans - subsidiaries	(24)	(114)	90
Fair value reserve	276,316	232,522	43,794
Translation reserve	(4,544)	(4,363)	(181)
Group profit	**101,190**	**81,724**	**19,466**
Group profit (loss) carried forward	14,736	13,395	1,341
Group profit (loss) for the period	86,454	68,329	18,125
Total Group net equity	**1,115,753**	**1,060,701**	**55,052**
Non-controlling interests in capital and reserves	0	10,150	(10,150)
Non-controlling interests in profit (loss)	0	(1,425)	1,425
Capital and reserves of non-controlling interests	**0**	**8,725**	**(8,725)**
Total net equity	**1,115,753**	**1,069,426**	**46,327**

The following actions taken during the year were approved by the annual general meeting held to approve the 2016 financial statements: *(i)* allocation of the parent's 2016 profit to the fair value reserve, in the amount of €20,372K; *(ii)* distribution of €36,587K in dividends for 2016, through use of the bond issue reserve for €14,731K and profit carried forward for the remainder.
Because of the absorption of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A. by the parent, the Group's profit carried forward has been reclassified with €557K attributed to the goodwill reserve and €23,422K to the fair value reserve.
Due to the buy-back of the 20% interest in Porta Medicea S.r.l., there are no non-controlling interests. The excess price paid with respect to the value of the equity acquired (€781K) has been recognized under Group profit (loss) carried forward.
Net equity also changed due to the adjustment of cash flow hedge reserves for outstanding derivatives (+€5,316K for the parent company and +€762K for a subsidiary), the adjustment of the reserve for the redetermination of defined benefit plans (+€228K), movements in the translation reserve for the conversion of foreign currency financial statements (-€181K), the recognition of a negative reserve for treasury shares (-€159K), and the profit for the year allocable to owners of IGD SIIQ S.p.A. (€86,454K).

Reconciliation between net equity and profit of IGD SIIQ S.p.A. and the corresponding consolidated amounts:

RECONCILIATION BETWEEN THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS In €/000	NET PROFIT		NET EQUITY	
	GROUP	NON-CONTROLLING INTERESTS	GROUP	NON-CONTROLLING INTERESTS
BALANCES SHOWN IN THE PARENT'S FINANCIAL STATEMENTS	**85,368**		**1,122,817**	
Reversal of dividends	(4,254)		0	
Reversal of impairment losses on consolidated equity investments	8,889		107	
Valuation at net equity of companies recorded in the statutory financial statements at cost	5		(103)	
Carrying value of consolidated equity investments			(385,554)	
Effect of CFH reserve - subsidiaries			89	
Effect of recalculation of defined benefit plans - subsidiaries			(24)	
Net equity and net profit (loss) for the year of consolidated companies	(3,569)	0	369,053	0
Allocation of differences to the assets of consolidated companies				
- Goodwill from consolidation of Millennium			3,952	
- Goodwill from consolidation of Winmagazin S.A.			5,410	
- Goodwill from consolidation of Winmarkt Management			1	
- Sale of assets to group companies (depreciation effect)	10		0	
- Other adjustments	5		5	
BALANCE SHOWN IN THE CONSOLIDATED FINANCIAL STATEMENTS	**86,454**	**0**	**1,115,753**	**0**

Note 29) Non-current financial liabilities

This item includes the non-current portion of floating-rate loans from banks, bonds, and amounts due to other lenders, as detailed below:

	DURATION	31/12/2017	31/12/2016	CHANGE
Mortgage loans		**285,522**	**314,904**	**(29,382)**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	5,493	7,490	(1,997)
09 Interbanca IGD	25/09/2006 - 05/10/2021	43,542	57,023	(13,481)
05 BreBanca IGD MONDOVICINO (Mall)	23/11/2006 - 10/01/2023	5,515	6,560	(1,045)
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	43,116	47,102	(3,986)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	7,004	7,644	(640)
01 Unipol SARCA	10/04/2007 - 06/04/2027	65,364	68,350	(2,986)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	18,669	20,168	(1,499)
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	17,295	18,896	(1,601)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	9,751	10,680	(929)
14 MPS Palermo (Mall)	21/12/2010 - 30/11/2025	21,406	23,378	(1,972)
17 Carige Palermo IGD (Hyper)	12/07/2011 - 30/06/2027	15,165	16,770	(1,605)
15 CentroBanca Cone (Mall)	22/12/2010 - 31/12/2025	28,222	30,843	(2,621)
29 ICREA	14/12/2017 - 30/06/2021	4,980	0	4,980
Due to bonds		**676,089**	**574,141**	**101,948**
Bond 100 ML	11/01/2017 - 11/01/2024	99,417	0	99,417
Bond 150 ML	07/05/2014 - 07/01/2019	124,536	124,192	344
Bond 162 ML	21/04/2015 - 21/04/2022	153,903	152,205	1,698
Bond 300 ML	31/05/2016 - 31/05/2021	298,233	297,744	490
Due to other source of finance		**3,928**	**4,251**	**(323)**
Sardaleasing for Bologna headquarters	30/04/2009 - 30/04/2027	3,928	4,251	(323)
Non current financial liabilities		**965,539**	**893,296**	**72,243**

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, and a new unsecured syndicated loan with Iccrea Banca Impresa S.p.A. and Emilbanca Credito Cooperativo Società Cooperativa. This €5 million loan matures on 30 June 2021 and charges fixed, 1.85% annual interest payable at the end of each quarter; the principal will be paid back in a lump sum at maturity.
The average interest rate on adjustable-rate mortgage loans at 31 December 2017 was 0.89%.

Bonds

The increase in this item refers to a new €100 million bond loan issued on 11 January 2017, the terms of which are reported in section 2.5 on significant events during the year. Additional transaction costs came to €671K.
Details of outstanding bonds are presented in the table below:

DEBTS FOR BONDS	NON-CURRENT PORTION 31/12/16	CURRENT PORTION 31/12/16	BOND ISSUE /REPAYMENT	ANCILLARY SOSTS AMORTIZATION AT 31/12/17	FINANCIAL CHARGES AT 31/12/17	NON-CURRENT PORTION 31/12/17	CURRENT PORTION 31/12/17	NOMINAL INTEREST RATE	ACTUAL INTEREST RATE
Bond 150 ML	124,900					124,900			
additional transaction costs	(708)			344		(364)			
coupon rate 31.12.16		4,747			(4,747)				
paid interests					4,840				
coupon rate 31.12.17					4,747		4,747		
Total Bond 150 ML	**124,192**	**4,747**	**0**	**344**	**4,840**	**124,536**	**4,747**	**3.875%**	**4.17%**
Bond 122.90ML		6,785	(6,785)				0		
additional transaction costs		(16)		16			0		
coupon rate 31.12.16		192			(192)				
paid interests					294				
coupon rate 31.12.17					0		0		
Total Bond 122.90ML	**0**	**6,961**	**(6,785)**	**16**	**102**	**0**	**0**	**4.335%**	**5.07%**
Bond 22 ML		1,215	(1,215)				0		
additional transaction costs		(1)		1			0		
coupon rate 31.12.16		34			(34)				
paid interests					52				
coupon rate 31.12.17					0		0		
Total Bond 22 ML	**0**	**1,248**	**(1,215)**	**1**	**18**	**0**	**0**	**4.335%**	**4.63%**
Bond 162 ML	162,000					162,000			
additional transaction costs	(9,795)			1,698		(8,097)			
coupon rate 31.12.16		2,987			(2,987)				
paid interests					4,293				
coupon rate 31.12.17					2,987		2,987		
Total Bond 162 ML	**152,205**	**2,987**	**0**	**1,698**	**4,293**	**153,903**	**2,987**	**2.65%**	**3.94%**
Bond 300 ML	300,000		0			300,000			
additional transaction costs	(2,256)			489		(1,767)			
coupon rate 31.12.16		4,397			(4,397)				
paid interests					7,500				
coupon rate 31.12.17					4,397		4,397		
Total Bond 300 ML	**297,744**	**4,397**	**0**	**489**	**7,500**	**298,233**	**4,397**	**2.50%**	**2.80%***
* including the effect of of the cash flow hedge reserve									
Bond 100 ML			100,000			100,000			
additional transaction costs			(671)	88		(583)			
coupon rate 31.12.16									
paid interests					1,125				
coupon rate 31.12.17					1,058		1,058		
Total Bond 100 ML			**99,329**	**88**	**2,183**	**99,417**	**1,058**	**2.25%**	**2.35%**
Total bonds	**574,141**	**20,340**	**91,329**	**2,635**	**18,936**	**676,089**	**13,189**		
Cash Flow Hedge reserve (bond 300 ML)	**(1,476)**			**318**		**(1,158)**			
Total financial charges				**2,953**	**18,936**				

Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2017.

NAME	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	CURRENT PORTION	NON-CURRENT PORTION	COVENANT	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
04 BNL Rimini IGD	I Malatesta shopping center (hypermarket)	Loan	06/07/2021			Financial condition of IGD SIIQ S.p.A.: ratio of net debt (including derivative assets and liabilities) to difference between equity and dividends approved for the year must not exceed 2 through to maturity	0.81			
05 BreBanca IGD	Mondovicino shopping mall	Mortgage	10/01/2023							
01 Unipol Larice	Sarca shopping mall	Mortgage	06/04/2027			Certified consolidated financial statements ratio of net debt (including derivative assets and liabilities) to equity must not exceed 2.3	0.97			
06 Unipol Lungosavio IGD	Lungo Savio shopping center (mall)	Mortgage	31/12/2023							
07 Carige Nikefin Asti	I Bricchi shopping mall	Mortgage	31/03/2024							
08 Carisbo Guidonia IGD	Tiburtino shopping center	Mortgage	27/03/2024			Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity	0.97			
09 Interbanca IGD	Centro d'Abruzzo shopping center (hypermarket); Porto Grande shopping center (mall, hypermarket); Globo shopping center (hypermarket); Le Porte di Napoli shopping center (hypermarket); Il Maestrale shopping center (hypermarket); Leonardo shopping center (hypermarket); Miralfiore shopping center (hypermarket)	Loan	05/10/2021			Consolidated financial statements: ratio of net debt (including derivative assets liabilities) to equity must not exceed 2, from 31/12/2006 to maturity	0.97			
10 Mediocredito Faenza IGD	Le Maioliche shopping center (hypermarket)	Loan	30/06/2029			IGD SIIQ S.p.A. financial statements: ratio of external net debt to equity + intercompany loans must not exceed 2.7	0.93			
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 equity must not exceed 1.7; ii) loan to value ratio for the individual property must not exceed 70%	0.97	44.03%		

continue

NAME	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	CURRENT PORTION	NON-CURRENT PORTION	COVENANT	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
15 CentroBanca Conè mall	Conè shopping center (mall)	Loan	31/12/2025			Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity no higher than 2	0.97			
13 CR Veneto Mondovì	Mondovicino Retail Park	Mortgage	01/11/2024			Certified consolidated financial statements ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6	0.97			
17 Carige Palermo IGD	La Torre shopping center (hypermarket)	Mortgage	30/06/2027							
29 Iccrea Chirografario	none	Unsecured loan	30/06/2021			Consolidated financial statements: i) Ratio of net debt (excluding derivative liabilities) to equity must not exceed 1.60, from 31/12/2017 to maturity; ii) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%;	0.94	46.903%		
24 Notes 3.875% - Due 07/01/2019	unsecured	Bond	07/01/2019			i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	46.90%	3.30	14.11%	1.99
26 Notes 2.65% - 21/04/2022	unsecured	Bond	21/04/2022			i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	46.90%	3.30	14.11%	1.99
27 Notes 2.50% - 31/05/2021	unsecured	Bond	31/05/2021			i) Ratio of total assets - intangible assets 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 assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.25	46.90%	3.30	14.11%	1.99
28 Notes 2.25% - 11/01/2024	unsecured	Bond	11/01/2024			i) Ratio of total assets - intangible assets 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 assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.50	46.90%	3.30	14.11%	1.99

Note 30) Provision for employee severance indemnities

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

	BALANCE AT 01/01/2016	ACTUARIAL (GAIN)/ LOSSES	UTILIZATION	ALLOCATION	FINANCIAL CHARGES IAS 19	BALANCE AT 31/12/2016
Provisions for employee severance indemnities	**2,046**	**220**	**(57)**	**274**	**46**	**2,530**

	BALANCE AT 01/01/2017	ACTUARIAL (GAIN)/ LOSSES	UTILIZATION	ALLOCATION	FINANCIAL CHARGES IAS 19	BALANCE AT 31/12/2017
Provisions for employee severance indemnities	**2,530**	**(228)**	**(122)**	**354**	**40**	**2,574**

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	2017
Cost of living increase	1.50%
Discount rate	1.61%
Increase in total compensation	Executives 2.5%
	White collar/Middle managers 1.0%
	Blue collar 1.0%
Increase in severance indemnity provision	2.625%

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.

Additional information

- sensitivity analysis, showing the impact in absolute terms of each reasonably possible change in actuarial hypotheses at the close of the year;
- amount of contribution for the following year;
- average financial duration of the liability for defined benefit plans;
- estimated payouts.

SENSITIVITY ANALYSIS OF MAIN VARIABLES ON TFR AT 31 DECEMBER 2017	€/000
Inflation rate +0.25% - Provisions for employees severance indemnities	2,628.38
Inflation rate -0.25% - Provisions for employees severance indemnities:	2,488.30
Discount rate +0.25% - Provisions for employees severance indemnities:	2,469.68
Discount rate -0.25% - Provisions for employees severance indemnities:	2,649.30
Turnover rate +1% - Provisions for employees severance indemnities:	2,526.68
Turnover rate -1% - Provisions for employees severance indemnities:	2,592.29

	€/000
Service Cost 2018	338.16

	years
Plan duration	20.00

	€/000
Estimated payouts, year 1	158.74
Estimated payouts, year 2	76.54
Estimated payouts, year 3	84.73
Estimated payouts, year 4	206.42
Estimated payouts, year 5	138.63

Note 31) General provisions

	31/12/2016	UTILIZATION	ALLOCATIONS	31/12/2017
Provision for taxation	1,239	(15)	333	1,557
Bonus provision	942	(942)	986	986
Other general provisions	2,783			2,783
General provisions	**4,964**	**(957)**	**1,319**	**5,326**

Provision for taxation
This provision covers the charges that might arise from tax audits and other likely tax liabilities. The increase consists of an additional allocation against pending IMU/ICI (local property tax) disputes, which mainly concern new classifications and cadastral rent calculations for three shopping centers.
Bonus provision
The bonus provision covers the variable compensation that will be paid to employees in 2018 on the basis of the Group's 2017 estimated results. The utilization refers to the payment made in the first half of 2017.
Other general provisions
These cover the risks arising from litigation in course, as well as probable future expenses.
See Note 45 for further information.

Note 32) Sundry payables and other non-current liabilities

	31/12/2017	31/12/2016	CHANGE
Deferred income	5,926	5,931	(5)
Payable for substitute tax	2,913	4,405	(1,492)
Other liabilities	452	371	81
Sundry payables and other non-current liabilities	**9,291**	**10,707**	**(1,416)**

Deferred income concerns the City of Livorno for additional secondary urban infrastructure works as provided for by contract (€2,476K) and works to be delivered to Porta a Mare S.p.A. (€3,450K). The decrease of €5K is explained by progress on the urban infrastructure works, as the amounts are taken to profit or loss in proportion to the costs incurred. Payables for substitute tax consist of the non-current portion of the substitute tax on the capital gain from the sale of Centro Lame hypermarket, as well as the substitute tax on the investment property Punta di Ferro, to be paid in annual installments until 2020. The change reflects the reclassification to current liabilities of the amount payable within 12 months.

Related party payables are shown below:

	31/12/2017	31/12/2016	CHANGE
Security deposit from Coop Alleanza 3.0 Soc. Coop.	11,386	11,514	(128)
Security deposit from Unicoop Tirreno Soc. Coop.	25	1,013	(988)
Security deposit from Distribuzione Centro Sud S.r.l.	450	450	0
Security deposit from Distribuzione Lazio Umbria S.r.l.	0	942	(942)
Security deposit from Adriatica Luce e Gas S.r.l.	30	30	0
Related party sundry payables and other non current liabilities	**11,891**	**13,949**	**(2,058)**

Security deposits refer to sums received for the leasing of hypermarkets and malls. They pay interest at the rates provided for by law.
The security deposits from Unicoop Tirreno and Distribuzione Lazio Umbria decreased because they were returned in exchange for guarantees. See Note 40 for additional information.

Note 33) Current financial liabilities

	DURATION	31/12/2017	31/12/2016	CHANGE
Cassa risp. Firenze - Hot money	20/12/2017 - 15/01/2018	2,800	0	2,800
Cassa risp. Veneto - Hot money	14/12/2017 - 15/01/2018	6,500	0	6,500
Ubi Banca - Hot Money	14/12/2017 - 15/01/2018	3,000	0	3,000
Banca Pop. Emilia Romagna - Hot Money		0	31,000	(31,000)
Bnl - Bologna - Hot money	14/12/2017 - 15/01/2018	6,000	10,001	(4,001)
Carisbo - Hot Money	14/12/2017 - 15/01/2018	8,500	0	8,500
Banco Popolare - Hot Money		0	12,500	(12,500)
Cassa di Risparmio del Veneto		0	18,502	(18,502)
Mps - Hot Money		0	8,500	(8,500)
Bnl - Bologna - Hot money	14/12/2017 - 15/01/2018	11,000	8,541	2,459
Ubi Banca - Hot money	14/12/2017 - 15/01/2018	9,000	20,000	(11,000)
Popolare Emilia Romagna	a vista	386	0	386
Banca Carige	a vista	0	21	(21)
Emilbanca c/c	a vista	1,495	1,489	6
Total due to banks		**48,681**	**110,554**	**(61,873)**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	2,001	2,002	(1)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	1,065	1,009	56
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	641	603	38
09 Interbanca IGD	25/09/2006 - 05/10/2021	13,637	13,145	492
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	4,133	4,134	(1)
01 Unipol SARCA	10/04/2007 - 06/04/2027	3,017	3,049	(32)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	1,508	1,414	94
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,707	1,714	(7)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	934	934	0
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	2,013	1,962	51
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	1,606	1,572	34
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	2,642	2,640	2
Total mortgage loans with banks		**34,904**	**34,178**	**726**
Leasing IGD HQ	30/04/2009 - 30/04/2027	323	313	10
Other financial payables due to business units purchase		0	375	(375)
Total due to other source of finance		**323**	**688**	**(365)**
Bond 122,9 ML	07/05/2013 - 07/05/2017	0	6,961	(6,961)
Bond 22 ML	07/05/2013 - 07/05/2017	0	1,248	(1,248)
Bond 100 ML	11/01/2017- 11/01/2024	1,058	0	1,058
Bond 150 ML	07/05/2014 - 07/01/2019	4,747	4,747	0
Bond 162 ML	21/04/2015 - 21/04/2022	2,987	2,987	0
Bond 300 ML	31/05/2016 - 31/05/2021	4,397	4,397	0
Total due to bonds		**13,189**	**20,340**	**(7,151)**
Current financial liabilities		**97,097**	**165,760**	**(68,663)**

Current financial liabilities with third parties include the current portion of lease payments on the new head office and the current portion of outstanding mortgage and bond loans (including interest accrued).
The principal changes in current financial liabilities relate to:

- the reduction in ultra-short-term credit lines;
- the repayment of principal falling due during the period on existing mortgage loans, and the reclassification of payments due within 12 months from non-current financial liabilities;
- the repayment of the bond loan that matured on 7 May 2017.

Note 34) Net financial position

The table below presents the net financial position at 31 December 2017 and 31 December 2016. 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 €276 million, of which €225.61 million was unutilized at the close of the year.
Committed revolving credit facilities with banks, unutilized at 31 December, amount to €60 million.
See the section "Statement of financial position and financial review" of the Directors' Report for comments.

NET DEBT	31/12/2017	31/12/2016
Cash and cash equivalents	(2,509)	(3,084)
Financial receivables and other current financial assets w. related parties	(96)	(151)
Financial receivables and other current financial assets	(42)	0
LIQUIDITY	**(2,647)**	**(3,235)**
Current financial liabilities	48,681	110,929
Mortgage loans - current portion	34,904	34,178
Leasing – current portion	323	313
Bond loans - current portion	13,189	20,340
CURRENT DEBT	**97,097**	**165,760**
CURRENT NET DEBT	**94,450**	**162,525**
Non-current financial assets	(343)	(393)
Leasing – non-current portion	3,928	4,251
Non-current financial liabilities	285,522	314,904
Bond loans	676,089	574,141
NON-CURRENT NET DEBT	**965,196**	**892,903**
NET FINANCIAL POSITION	**1,059,646**	**1,055,428**

Note 35) Trade and other payables

	31/12/2017	31/12/2016	CHANGE
Trade and other payables	**13,838**	**15,634**	**(1,796)**

Trade payables decreased because fourth-quarter construction and contract work was lower than in 2016, due to the inauguration of the Esp expansion in Ravenna on 1 June 2017 and a slowdown in work on Officine Storiche caused by delays in obtaining the deviation permit.

Note 36) Related party trade and other payables

	31/12/2017	31/12/2016	CHANGE
Coop Alleanza 3.0 Soc. Coop.	179	196	(17)
Consorzio Lame	74	12	62
Consorzio La Torre	50	18	32
Consorzio Cone'	(3)	2	(5)
Consorzio CC ESP	4	0	4
Consorzio Katané	65	0	65
Consorzio Porta a Mare	7	6	1
Consorzio Centro Le Maioliche	29	1	28
Consorzio Leonardo	10	27	(17)
Consorzio I Bricchi	29	0	29
Unicoop Tirreno Soc. Coop.	1	1,013	(1,012)
Consorzio Sarca	1	29	(28)
DistribuzioneCentro Sud S.r.l.	1	1	0
Consorzio Crema	(1)	24	(25)
Consorzio prop. Fonti del Corallo	12	6	6
Distribuzione Lazio Umbria S.r.l.	1	2	(1)
Consorzio del Commendone	0	63	(63)
Consorzio Punta di Ferro	0	28	(28)
Related party trade and other payables	**459**	**1,428**	**(969)**

Related party payables decreased by €969, due mostly to payment of the balance due for the purchase of the Maremà mall (€1 million) from Unicoop Tirreno. See Note 40 for additional information.

Note 37) Current tax liabilities

	31/12/2017	31/12/2016	CHANGE
Due to tax authorities for withholdings	504	560	(56)
Irap	5	12	(7)
Ires	262	169	93
VAT	79	125	(46)
Drainage consortium	1	0	1
Other taxes	13	9	4
Substitute tax	1,536	1,521	15
Tax liabilities	**2,400**	**2,396**	**4**

Tax liabilities of €2,400K at 31 December 2017 were essentially in line with the previous year.

Note 38) Other current liabilities

	31/12/2017	31/12/2016	CHANGE
Social security	398	376	22
Accrued liabilities and deferred income	629	504	125
Insurance	8	8	0
Due to employees	716	711	5
Security deposit	5,280	5,069	211
Unclaimed dividends	1	1	0
Advances received, due within one year	533	79	454
Amounts due to directors for emoluments	207	259	(52)
Amounts due to auditors for emoluments	0	5	(5)
Other liabilities	1,184	702	482
Other current liabilities	**8,956**	**7,714**	**1,242**

These consist mainly of security deposits received from tenants. Advances received were on the rise in connection with the residential units in Livorno that have been sold under preliminary contracts. The increase in “Other liabilities” concerns the Urban Planning Agreement signed with the City of Ravenna on 24 June 2014 for the Esp expansion.

Related party payables are shown below:

	31/12/2017	31/12/2016	CHANGE
Other payables	14	21	(7)
Related parties other current liabilities	**14**	**21**	**(7)**

Current liabilities with related parties were unchanged with respect to the previous year. See Note 40 for additional information.

Note 39) Dividends paid

During the year, as resolved by the annual general meeting of shareholders held to approve the 2016 financial statements on 12 April 2017, a dividend of €0.045 was paid for each of the 813,045,631 shares outstanding, for a total of €36,587,053.40.

Note 40) Related party disclosures

Below is the information required by paragraph 18 of IAS 24.

RELATED PARTIES DISCLOSURES	RECEIVABLES AND OTHER CURRENT ASSETS	FINANCIAL RECEIVABLES	PAYABLES AND OTHER CURRENT LIABILITIES	PAYABLE AND OTHER NON-CURRENT ASSETS	FINANCIAL PAYABLES	OTHER RECEIVABLES AND OTHER NON-CURRENT ASSETS	FIXED ASSETS INCREASES	FIXED ASSETS DECREASES
Coop Alleanza 3.0 Soc. Coop.	74	0	179	11,386	0	0	3	
Robintur S.p.A.	8	0	0	0	0	0	0	
Librerie.Coop S.p.A.	8	0	0	0	0	0	0	
Allaeanza Luce e Gas S.r.l.	14	0	0	30	0	0	0	
Unicoop Tirreno Soc. Coop.	1,056	0	15	25	0	0	0	
Consorzio prop. Fonti del Corallo	0	0	12	0	0	0	1	
Consorzio Cone'	1	0	(3)	0	0	0	0	
Consorzio Clodì	1	0	0	0	0	0	0	
Consorzio Crema	41	0	(1)	0	0	0	(1)	
Consorzio CC ESP	5	0	4	0	0	0	0	
Consorzio I Bricchi	0	0	29	0	0	0	0	
Consorzio Katané	356	0	65	0	0	0	18	
Consorzio Lame	0	0	74	0	0	0	60	
Consorzio Leonardo	1	0	10	0	0	0	4	
Consorzio La Torre	1	0	50	0	0	0	3	
Consorzio Millenniun Center	12	0	0	0	0	0	0	
Consorzio Punta di Ferro	2	0	0	0	0	0	13	
Consorzio Porta a Mare	50	0	7	0	0	0	0	
Consorzio Sarca	2	0	1	0	0	0	0	
Distribuzione Centro Sud S.r.l.	0	0	1	450	0	0	0	
Distribuzione Lazio Umbria S.r.l.	2	0	1	0	0	0	0	
Iniziative Bo Nord s.r.l. in liquidazione	0	243	0	0	0	0	0	
Coop Sicilia	18	0	0	0	0	0	0	
Consorzio del Commendone	22	0	0	0	0	0	0	
Consorzio Centro Le Maioliche	0	0	29	0	0	0	0	
Rgd ferrara 2013 S.r.l.	380	96	0	0	0	0	0	
Total	**2,054**	**339**	**473**	**11,891**	**0**	**0**	**101**	**0**
Amount reported	**54,435**	**481**	**23,267**	**21,182**	**1,062,636**	**90**		
Total increase/decrease for the year							**32,574**	**1,253**
% of the total	**3.77%**	**70.48%**	**2.03%**	**56.14%**	**0.00%**	**0.00%**	**0.31%**	**0.00%**

RELATED PARTY DISCLOSURES	REVENUES AND OTHER INCOME	FINANCIAL INCOME	COSTS	FINANCIAL CHARGES
Coop Alleanza 3.0 Soc. Coop.	27,881	0	377	12
Robintur S.p.A.	246	0	0	0
Librerie.Coop S.p.A.	847	0	0	0
Allaeanza Luce e Gas S.r.l.	122	0	0	0
Unicoop Tirreno Soc. Coop.	3,345	0	83	1
Consorzio Cone'	164	0	133	0
Consorzio Clodì	54	0	82	0
Consorzio Crema	41	0	79	0
Consorzio CC ESP	119	0	139	0
Consorzio I Bricchi	112	0	543	0
Consorzio Katané	204	0	392	0
Consorzio Lame	181	0	0	0
Consorzio Leonardo	229	0	0	0
Consorzio La Torre	196	0	313	0
Consorzio Millenniun Center	107	0	38	0
Consorzio Punta di Ferro	164	0	132	0
Consorzio Porta a Mare	75	0	210	0
Consorzio Sarca	175	0	0	0
DistribuzioneCentro Sud S.r.l.	1,548	0	0	0
Distribuzione Lazio Umbria S.r.l.	2,607	0	0	1
Coop Sicilia S.p.A.	5,184	0	0	0
Consorzio del Commendone	144	0	127	0
Consorzio Centro Le Maioliche	169	0	112	0
R.P.T. Robintur Travel Partner S.r.l.	15	0	0	0
Rgd ferrara 2013 S.r.l.	517	3	0	0
Total	**44,446**	**3**	**2,760**	**14**
Amount reported	**150,207**	**143**	**43,760**	**34,536**
% of the total	**29.59%**	**2.10%**	**6.31%**	**0.04%**

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 (Coop Sicilia S.p.A., Robintur S.p.A., Librerie Coop S.p.A., R.P.T. Robintur Travel Partner S.r.l. and Adriatica Luce e Gas S.r.l.); with Unicoop Tirreno Soc. Coop., Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno Soc. Coop.) and 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 2017, including for retail premises, amounted to €27.9 million;
- the provision of IT services by Coop Alleanza 3.0. Soc. Coop.;
- security deposits received on leases.

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the year ended 31 December 2017, €246K in rent was received from Robintur S.p.A. and €15K from R.P.T. Robintur Travel Partner S.r.l.
Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the year, the Group received €847K under this arrangement.
Transactions with Adriatica Luce e Gas S.r.l. refer to the rental of part of the second floor of the building where IGD has its head office. For the year, the Group received €122K under this arrangement.
Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0. Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.) refer to the lease to those

companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.
Transactions with Coop Sicilia S.p.A., owned 100% by Coop Alleanza 3.0 Soc. Coop., concern receivables and income from the leasing of properties used as hypermarkets. In the year ended 31 December 2017 such income amounted to €5.2 million.

Transactions with Unicoop Tirreno Soc. Coop.

Transactions with Unicoop Tirreno Soc. Coop. consist of:

- security deposits received on leases;
- receivables and income for the leasing of properties used as hypermarkets. For the year, the Group received €3.3 million under these arrangements.

Transactions with Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno) refer to the lease to that company of the Casilino hypermarket and the Civita Castellana supermarket for €2.6 million, as well as security deposits received on leases.

Transactions with other Group companies

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.
The transaction with Iniziative Immobiliari Bologna Nord S.r.l. (in liquidation, held 15% through IGD Management S.r.l.) refers to an interest-free loan with a balance of €765K. The net value of this loan at 31 December 2017 was €243K as a result of the €92K in repayments made in prior years and €430K in writedowns.
Transactions with RGD Ferrara 2013 S.r.l., formed on 30 September 2013 to manage the Darsena City shopping center in Ferrara (a joint venture between IGD and Beni Stabili), consist of: *(i)* rental of the Darsena property by IGD (rent amounted to around €517K in 2017) and *(ii)* the balance of an €150K interest-bearing loan of around €95K in addition to the interest charged at the 3-month Euribor plus a spread of 350 basis points.

Note 41) Management of financial risk

In the course of business, the Group is exposed to various financial risks. To map and assess its risks, IGD SIIQ S.p.A. has developed an integrated risk management model based on the international Enterprise Risk Management standards (see section 2.11 of the Directors' Report). The Board of Directors reviews and agrees on policies to manage these risks.

Market risk

Market risk is the potential for changes in exchange rates, interest rates or prices to negatively affect the value of assets, liabilities or cash flows.

Interest rate risk

The main risk factor is the volatility of interest rates and the effect this has on borrowing and on the investment of liquid funds. The Group finances its operations through short-term borrowings, long-term mortgage loans charging adjustable interest, and bond loans, so it risks an increase in financial charges if interest rates go up or if it refinances debt at higher rates.
The Finance department monitors interest rate risk constantly, in coordination with top management, including through analysis and measurement tools developed within the Group's enterprise risk management program. It also monitors trends in the main economic and financial indicators that may affect the Group's performance. Interest rate swaps hedge 94.7% of the Group's exposure to rate fluctuations on long-term loans, including bonds. The Finance department analyzes and measures interest rate and liquidity risk while constantly evaluating the best means of implementation of the risk management model, and conducts routine scouting activities to find opportunities to reduce the cost of debt with banks and/or the capital markets.
See Note 42 for quantitative information on derivatives.
The basic objective of managing interest rate risk is to immunize the Group's net

financial income from changes in market rates, by keeping volatility in check through the consistent management of the risk/yield profile of the Group's financial liabilities.
Floating-rate instruments expose the Group to interest rate risks on cash flows, while fixed-rate instruments expose the Group to interest rate risk on fair value.
The following table presents the sensitivity analysis of interest rate risk, showing the impact on equity and profit/loss, as required by IFRS 7.
The sensitivity analysis was conducted in consideration of the financial statement items that generate interest at floating rates or that are exposed to fair value changes, assuming parallel increases or decreases in the interest rate curves of each currency.

INTEREST RATE RISK - EXPOSURE AND SENSITIVITY ANALYSIS	BENCHMARK	INCOME STATEMENT				NET EQUITY			
		SHOCK UP		SHOCK DOWN		SHOCK UP		SHOCK DOWN	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Interest-bearing assets	Euribor	24	30	-2	-3				
Ultra-short-term borrowings	Euribor	-487	-1,106	49	111				
Financial liabilities	Euribor	-3,217	-3,560	317	356				
Derivatives	Euribor								
- cash flow		2,679	2,969	-268	-297				
- fair value						12,287	10,030	-1,280	-1,043
Total		**-1,001**	**-1,667**	**96**	**167**	**12,287**	**10,030**	**-1,280**	**-1,043**

The assumptions underlying the sensitivity analysis are as follows:
- medium- and long-term mortgage loans were analyzed according to exposure at the reporting date;
- ultra-short-term borrowings and deposits were analyzed according to exposure at the end of the year;
- the initial shift in the interest rate curve was assumed to be +100/-10 basis points (unchanged since the previous year);
- in determining changes associated with floating-rate financial instruments, it was assumed that no interest rates have already been set;
- the values affecting equity have been calculated as the difference between the fair values calculated with the shock-modified curve and the fair values of derivatives at the balance sheet date;
- The analysis assumes that all other risk variables remain constant.

For the sake of comparison, the same measurement was conducted on 2012 and 2011.
The method used to analyze and determine significant variables did not change since the previous year.

Foreign exchange risk
The Group is exposed to foreign exchange risk for its operations in Romania. Fluctuations in the value of the Romanian lei could lead to the writedown of properties held or to the unsustainability of contractual obligations for tenants in Romania, At the moment, IGD mitigates this risk through constant efforts to optimize the merchandising mix and tenant mix and by supporting the value of the real estate portfolio, in part by making improvements. Weekly meetings are held to coordinate and monitor the credit situation of individual malls and tenants, to determine if any action is needed. On a monthly basis, the Company checks the amount of rent as a percentage of the tenant's revenue. Commercial policies are determined with care and with the utmost attention to local consumption styles and market demands. To that end, the Group employs a specialized team made up of head office and local professionals, to seek the right trade-off between the expertise acquired at the corporate level and knowledge of the local context.

Price risk
The Group is exposed to the risk of changes in the rent charged on leasehold properties. The domestic and international real estate market is cyclical in nature and influenced by several macroeconomic variables, relating for example to general economic conditions, interest rates, inflation, tax laws, market liquidity, and the presence of other profitable investments.

Credit risk

Credit risk takes the form of customer insolvency and difficulty collecting payments. To mitigate these risks, tenants go through a pre-contractual selection process, based on financial standing and earnings prospects.
Reviews of potential customers are performed also with the help of external specialists and aim to identify any risk factors for the company. Monthly analyses analyze the level of risk associated with each tenant and monitor their solvency.
All customers are asked for bank guarantees and/or security deposits to guarantee fulfillment of their commitments. Throughout the life of the contract, the company monitors compliance on an ongoing basis, and follows internal credit management procedures in the event any problems arise; when the business relationship is secure, measures to assist the tenant may be taken. The Group constantly monitors its credit positions and uses an ad hoc program to assess each tenant's track record, risk level and solvency, an analysis that is formally conducted every quarter but monitored on a daily basis to stay abreast of the actions taken or needed to collect receivables.

The maximum credit risk on the Group's other financial assets, including cash and cash equivalents and certain derivative instruments, is the carrying value of these assets in the event of the counterparty's insolvency. The maximum exposure is presented gross of any mitigation through the use of various kinds of hedge.

The table below presents the maximum exposure to credit risk for balance sheet components, divided into categories, including derivatives with a positive fair value.

Where financial instruments are measured at fair value, the amounts shown represent current credit risk, but not the maximum exposure to credit risk that could arise in the future due to changes in fair value.

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2017	31/12/2016
Receivables and loans		
Sundry receivables and other assets	90	89
Financial assets	42	-
Trade and other receivables	11,415	11,570
Related party trade and other receivables	2,054	1,136
Other assets	1,056	912
Cash and cash equivalents	2,429	2,994
Financial receivables and other financial assets	343	544
Due from third parties (securities)		
Hedging instruments	**-**	**-**
Guarantees		
Total	**17,429**	**17,245**

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.
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.
As for long-term loans, each bank facility finances a specific project, which reduces the risk of needing to refinance. Some long-term 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 unuti-

lized credit facilities are available.
Liquidity risk is managed prudently to avoid incurring excessive costs in the case of unforeseen events, which could have a further negative impact on market reputation and financial viability.

Maturities are broken down below on the basis of undiscounted cash flows; the amounts shown take account of the first date on which payment can be requested.

The assumptions underlying the maturity analysis are as follows:
- for the future cash flows of long-term floating-rate payables, the forward rate curve at 31 December has been used;
- for the future cash flows of the fixed-rate bonds, the contractual flows have been used;
- for derivatives, the analysis includes those representing assets at 31 December, for which both outflows and inflows are shown, as their purpose is to hedge financial liabilities. At the balance sheet date, all derivatives had a negative fair value;
- amounts include cash flows from both the interest and the principal component.

The method used to analyze and determine significant variables did not change since the previous year.

MATURITY ANALYSIS AT 31/12/2017 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	5,208	3,045	10,465	18,897	38,626	109,234	162,798	348,273
Leasing	31	63	94	190	391	1,264	2,737	4,770
Bonds	5,965	0	11,793	1125	143,783	496,629	103,375	762,670
Short-term credit lines	48,682	0	0	0	0	0	0	48,682
Total	**59,886**	**3,108**	**22,352**	**20,212**	**182,800**	**607,127**	**268,910**	**1,164,395**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	828	781	1,916	3,292	5,455	7,939	321	20,532
Total	**828**	**781**	**1,916**	**3,292**	**5,455**	**7,939**	**321**	**20,532**
EXPOSURE AT 31 DECEMBER 2017	**60,714**	**3,889**	**24,268**	**23,504**	**188,255**	**615,066**	**269,231**	**1,184,927**

MATURITY ANALYSIS AT 31/12/2016 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	5,083	3,030	10,349	18,644	37,804	118,131	186,459	379,500
Leasing	31	62	93	187	380	1,208	3,163	5,124
Bonds	4,840	0	20,140	0	16,633	465,119	166,293	673,025
Short-term credit lines	110,554	0	0	0	0	0	0	110,554
Total	**120,508**	**3,092**	**30,582**	**18,831**	**54,817**	**584,458**	**355,915**	**1,168,203**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	1,651	853	2,806	3,393	6,033	11,459	3,643	29,838
Total	**1,651**	**853**	**2,806**	**3,393**	**6,033**	**11,459**	**3,643**	**29,838**
EXPOSURE AT 31 DECEMBER 2016	**122,159**	**3,945**	**33,388**	**22,224**	**60,850**	**595,917**	**359,558**	**1,198,041**

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 0.97x at 31 December 2016 and 0.94x at the end of 2017);
2. keeping the loan-to-value ratio (net of leasing installments due for the purchase of company premises) under 50% (it was 47.36% at the close of the year, down from 48.25% at the end of 2016).

Note 42) Derivative instruments

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

FAIR VALUE - HIERARCHY	31/12/2017	31/12/2016	CHANGE	LEVEL
Derivative assets	0	0	0	2
Derivative liabilities	(20,397)	(28,748)	8,351	2
IRS - Net effect	**(20,397)**	**(28,748)**	**8,351**	

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 amount	9,602,784	9,602,784	9,602,784	9,602,784	6,560,011	9,602,784	9,602,784
Inception date	10/06/2009	10/06/2009	11/06/2009	12/06/2009	12/02/2009	27/10/2009	28/10/2009
Maturity	05/10/2021	05/10/2021	05/10/2021	05/10/2021	10/01/2023	05/10/2021	05/10/2021
IRS frequency	Quarterly	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months
Customer rate	3.42%	3.44%	3.44%	3.42%	3.35%	3.18%	3.18%

CONTRACTS IN DETAIL	IRS 16 - ALETTI 3.285%	IRS 17 - ALETTI 2.30%	IRS 14 - CARISBO 3.272%	IRS 13 - CARISBO 3.412%	IRS 15 - EX MPS 3.25%	IRS 18 - MPS 2.30%	IRS 19 - CARISBO 2.30%
Nominal amount	6,071,142	12,025,250	8,094,857	7,657,915	6,071,142	12,025,250	12,025,250
Inception date	28/04/2010	27/08/2010	28/04/2010	28/04/2010	30/04/2010	31/08/2010	27/08/2010
Maturity	31/03/2024	27/03/2024	28/03/2024	29/12/2023	28/03/2024	27/03/2024	27/03/2024
IRS frequency	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	3.29%	2.30%	3.27%	3.41%	3.25%	2.30%	2.30%

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%	IRS 30 – BINTESA 0,5925%
Nominal amount	12,025,250	8,928,572	19,275,000	15,510,000	6,204,000	9,306,000	34,250,000	34,250,000
Inception date	27/08/2010	12/07/2011	12/07/2011	12/09/2011	12/09/2011	12/09/2011	08/06/2017	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	06/04/2027
IRS frequency	Quarterly	Quarterly	Half-yearly	Quarterly	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	Euribor 3 months
Customer rate	2.29%	2.80%	3.25%	2.43%	2.43%	2.43%	0.59%	0.59%

Note 43) Subsequent events

At the date of approval, no events following the reporting date had occurred that would require the Group to adjust the figures in the financial statements or report elements not previously disclosed.
On 12 February 2018 the extraordinary shareholders' meeting resolved to increase the share capital, against payment, in divisible form, for up to Euro 150 million including the relevant share premium (if any), to be completed by 31 December 2018 through the issue of ordinary shares with no par value and regular entitlement, to be offered on a pre-emptive basis to shareholders pursuant to Article 2441(1) of the Italian Civil Code in proportion to the number of shares held.

In accordance with standard market practice, the Board of Directors will determine on or around the launch date the subscription price, the share premium (if any), the number of newly issued shares and the issue ratio.
The capital increase is aimed *(i)* at partially financing the acquisition of four going concerns encompassing four shopping malls and a retail park in Northern Italy, being sold by the group controlled by Eurocommercial Properties N.V., under the preliminary agreement executed by the Company and ECP on 15 December 2017 and announced to the market on the same date, and *(ii)* for the remaining portion (if any), at reducing the Group's debt and therefore strengthening IGD's capital and financial structure.
Coop Alleanza 3.0, IGD's majority shareholder, has undertaken to subscribe in full its portion of the capital increase, which amounts to approximately 40.92% (€61.38 million).
With regard to the remaining portion of the capital increase not to be subscribed by Coop Alleanza 3.0, the offer will be assisted by an underwriting syndicate promoted, coordinated and managed by Banca IMI S.p.A., BNP PARIBAS and Morgan Stanley & Co. International plc, who will act as joint global coordinators and joint bookrunners on the capital increase. Readers are reminded that on 15 December 2017, the Company and the joint global coordinators entered into a pre-underwriting agreement, on customary terms and conditions, pursuant to which they undertook, on terms and conditions set forth in the pre-underwriting agreement, to enter on or around the launch date into an underwriting agreement for the subscription of any newly issued shares that will remain unsubscribed.
Subject to the required authorizations from the pertinent authorities, the capital increase is expected to be completed by the end of April 2018.
The extraordinary shareholders' meeting also approved a reverse stock split of IGD's ordinary shares, at a ratio of 1 new ordinary share, with regular entitlement, per 10 existing ordinary shares, after cancellation of ordinary shares in the minimum number necessary to allow the balancing of the entire transaction, without reduction of the share capital. The reverse stock split is expected to take place before the planned capital increase.

Note 44) Commitments

At 31 December 2017 the Group had the following major commitments:

- Preliminary contract for the acquisition of four going concerns encompassing four shopping malls and a retail park in Northern Italy, for approximately €187 million plus or minus the assets/liabilities pertaining to the going concerns that will be transferred to the Company simultaneously, including mortgage loans amounting to an estimated €88.5 million as of the closing date;
- Contract for structural work, civil construction and finishing work at Arco Campus (construction of a residence), for a remaining amount of €1.8 million;
- Contract for the construction of a midsize store at Gran Rondò shopping center in Crema, for a total remaining amount of €1.3 million;
- Contract for the development of the Officine Storiche section, for a remaining amount of €21.3 million;
- Rent due for the Centro Nova, Centro Piave and Fonti del Corallo malls: the estimated liability to be settled within 12 months comes to €10,095K, in addition to €39,176K due from the second to the fifth year and €29,377K from the sixth to the tenth. See Note 1) with regard to revenue earned from these malls.

Note 45) Disputes

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

Darsena

Due to the dissolution of the joint venture with Beni Stabili S.p.A. SIIQ on 15 December 2010, resulting in the sale of 50% of RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) by Immobiliare Larice (now IGD Management S.r.l.) and the joint purchase of the Darsena City shopping center, the IGD Group has a commitment with Beni Stabili S.p.A. SIIQ to assume its share of all income and costs associated with the contracts signed on 15 March 2006 and transferred to Beni Stabili on 29 March 2007.

Actions taken by Beni Stabili S.p.A. SIIQ in agreement with IGD

Given the receivables accrued to Beni Stabili S.p.A. SIIQ, over time and in agreement with IGD, it has filed several legal actions against Magazzini Darsena S.p.A. (tenant) and Darsena FM S.r.l. (subtenant) in an effort to collect unpaid rent.
Beni Stabili S.p.A. SIIQ had also asked the Arbitration Board of Milan to determine the legitimacy of the price adjustment clause in the contract for the purchase of the Darsena City shopping center and calculate the amount of said adjustment, and to confirm the obligation of Magazzini Darsena S.p.A. and the joint obligation of Darsena FM S.r.l. and the parent company Partxco S.p.A. to pay future rent and the penalty that had accrued for the late delivery of "portion B" of the shopping center.
On 8 July 2013, the Arbitration Board issued its decision, ordering: (i) Partxco to pay a penalty of €12.5 million for Magazzini Darsena's failure to pay rent; (ii) Magazzini Darsena and Partxco to pay a penalty of €16 million for the delay in completing "Building B"; and (iii) Magazzini Darsena, Darsena FM and Partxco to accept the price adjustment of €2.5 million (which Beni Stabili S.p.A. SIIQ had already received through enforcement of the guarantee mentioned below). The adversaries were also ordered to reimburse the Company for some legal expenses and for three quarters of the arbitration costs.
In the meantime, during the course of the above disputes, the Company enforced the bank guarantee of €2.5 million that Magazzini Darsena had posted to secure payment of the price adjustment. This took place further to the decision in favor of Beni Stabili S.p.A. SIIQ after Magazzini Darsena filed for an injunction against enforcement of the guarantee, a decision that was affirmed on appeal.
In rulings dated 26 and 29 July 2013, the Court of Ferrara acted on a joint complaint from Beni Stabili S.p.A. SIIQ and IGD and declared Magazzini Darsena and Darsena FM to be bankrupt.
Further to those rulings, IGD and Beni Stabili S.p.A. SIIQ managed to reach a partial settlement with the official receiver, signed on 29 October 2013. Under the partial settlement, the companies were awarded the building by the receivership of Magazzini Darsena and through a 50-50 joint venture between IGD and Beni Stabili S.p.A. they acquired the business (with its commercial permits) from the receivership of Darsena FM for the price of €255K plus taxes, terminated the preliminary contract to purchase the adjacent property ("Building B") and the associated agreements, and obtained Magazzini Darsena's definitive acceptance of the price reduction of €2,500K for the purchase of "Building A" (the amount Beni Stabili S.p.A. SIIQ had already collected through enforcement of the guarantee).
Under the settlement, the companies did not waive their right to the receivables accrued up to the date of bankruptcy and resulting from court decisions against the bankrupt firms, nearly all of which were therefore registered as claims.
The receivables due under the arbitration judgment have been claimed and accepted as payable via the bankruptcy process of Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A..
On 3 May 2016 the Court of Ferrara concluded the bankruptcy procedure, acknowledging the final allocation of assets.
On 12 June 2014 Partxco contested the July 2013 arbitration judgment before the Appeals Court of Milan and petitioned for its immediate suspension, requesting that it be declared null and void in accordance with CCP Art. 829(1)(5) and 829(1)(11). With the challenge pending, the Court of Ferrara declared Partxco S.p.A. bankrupt in a ruling filed on 24 June 2014 (entry no. 52/2014 in the Register of Bankruptcies.
At the initial hearing of 2 December 2014 the Court of Appeals, acknowledging the bankruptcy of Partxco S.p.A., interrupted the challenge in accordance with CCP Art. 301.
On 27 February 2015, Partxco S.p.A.'s receiver petitioned the Appeals Court to set a date for resumption of the challenge.
With decision no. 4140/2015 published on 29 October 2015, the Appeals Court ruled in favor of Beni Stabili S.p.A. SIIQ on the grounds that resumption of the challenge of the arbitration judgment had been requested beyond the three-month deadline set by CCP Art. 305,ordering Partxco's receivership to reimburse Beni Stabili S.p.A. SIIQ for court fees in the amount of €15,000 plus expenses at 15% and the tax and social security charges provided for by law.
On 11 February 2016, Partxco served notice of its appeal to the Court of Cassation, to which Beni Stabili S.p.A. SIIQ filed a response on 31 March. The decision of the Court of Cassation is therefore pending; at a hearing in chambers on 14 February 2018, the public prosecutor filed comments arguing that the complaint is unfounded and that the appeal should therefore be rejected. We await the Court's decision.

Actions against IGD

In 2012 IGD was summoned to court by Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A. regarding the management agreement of Darsena City shopping center. IGD appeared in court and filed a statement and related pleadings. Because IGD's legal advisors believe that the plaintiff's claims are not supported by sufficient evidence or legal grounds, the Company has recognized no liability in this regard. On 17 July 2013, the Court of Ferrara filed its decision rejecting the plaintiff's demands and ordering Magazzini Darsena, Darsena FM and Partxco to reimburse IGD SIIQ S.p.A.'s legal expenses in the amount of €20,000.00.
Further to that decision, on 8 October

2013 IGD was summoned to the Court of Bologna for an appeal filed by Partxco against the ruling to indemnify IGD. At the initial hearing on 4 March 2014, a court date of 18 December 2018 was set for the announcement of conclusions. With Partxco declared bankrupt on 24 June 2014, this proceeding will also be suspended at the next hearing scheduled for the presentation of conclusions, subject to resumption by the receiver. IGD's lawyers are confident that the appeal will be rejected and the initial decision confirmed, given the logical arguments on which that decision was based and the documentation submitted as proof of IGD's proper and complete fulfillment of all obligations.

Iniziative Immobiliari Siciliane S.r.l.

During the first half of 2015, Iniziative Immobiliari Siciliane S.r.l. (**IIS**) filed a lawsuit in Ravenna against IGD concerning the purchase of a mall, within the broader purchase of the Katanè shopping center in Gravina di Catania, under a contract signed on 29 October 2009. At issue is whether IIS should receive a supplement on the agreed price, under Art. 2 of the purchase contract, to be quantified after the fifth anniversary of the shopping center's grand opening on the basis of certain variables.
The dispute is over what to include in the calculation of rent for the purpose of determining the price supplement (if any), and what to include in the initial calculation of rent to determine whether it increased.
Specifically, IIS has asked the Court of Ravenna to find that for the purposes of calculating a price supplement, certain items should be included which in IGD's opinion should not.
On 25 June 2015, IGD filed an appearance and response contesting all of its opponent's claims, stating that it owes no price supplement to IIS, as the amount of rent for the purposes of this calculation had not increased with respect to the threshold agreed.
On the basis of the arguments filed, IGD asked the Court of Ravenna to reject all demands made by IIS. As a subordinate measure, IGD objected that a different interpretation of the clause on how to quantify a price supplement should be considered null and void, as the object of the clause would be undetermined and undeterminable.
The hearing, set for 15 July 2015 in the summons, was postponed by the court to 20 July. On that date, the deadlines were set in accordance with Art. 183(6) of the Code of Civil Procedure and the case was adjourned until 15 December 2015, at which time IIS dropped its petition for preliminary expert testimony pursuant to CCP Art. 696 *bis* at the express request of the court.
After the standard exchange of pleadings, the court set the discovery hearing for 6 April 2016. Deciding on an outstanding issue, on 6 June the Ravenna judge ruled that IIS would not be allowed the interrogatories and witness testimony it had requested, while the witness testimony requested by IGD would be granted. The judge also allowed an expert witness to be hired to quantify the rent valid for calculating whether the price supplement was due under the contract, indicating the variables the expert should consider for this purpose, and scheduled a hearing for 6 July 2016 to swear in the expert and question the witnesses listed by IGD (those listed by the plaintiff were not admitted).
Although the wording of the queries (and therefore the parameters for computing rent in order to quantify any price supplement) clarifies a number of issues, it is indeed somewhat ambiguous and leaves other issues open to debate. At the hearing of 6 July 2016, the judge questioned the witnesses called by IGD and formally engaged the services of the expert witness, who was sworn in as required by law.
After the expert report was filed, at the court session of 23 May 2017 (previously set for the purpose of discussing the findings of the expert witness), both IGD and IIS complained—for different reasons—about the methodology used by the expert witness and the content of the resulting report, and asked the court to order a review. The court agreed to consider the matter and on 3 August announced that it would call the expert witness to the hearing of 26 September 2017 in order to clarify the matters brought up by IGD. Following the hearing of 26 September, the court at first withheld judgment and then, on 25 November 2017, ordered the expert witness to perform additional steps as requested by IGD and scheduled a review of the findings for 14 March 2018. The expert witness filed the supplementary report on 7 February 2018 and added additional information on 12 February.
The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

Note 46) Tax litigation

On 23 December 2015 the regional tax authorities of Emilia Romagna served IGD 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 under a contract between the two companies. After reviewing the papers and looking into the matter carefully, IGD's advisors concluded that the assessments are unfounded and filed settlement requests for both with the Emilia Romagna

regional office.
During the subsequent debate phase, the company presented its arguments against the assessments to the Emilia Romagna authorities, who decided to consider IGD's arguments regarding IRES and IRAP but to uphold the complaint regarding VAT. Nevertheless, as the deadline approached for contesting the two assessments and no reversal notice had been received from the regional authorities, the company decided to prevent them from becoming definitive and on 6 June 2016 filed a formal appeal against each with the Provincial Tax Commission of Bologna.
On 30 November 2016 the Emilia Romagna regional authorities annulled the IRES assessment in full, while the IRAP/VAT assessment was annulled for the IRAP portion only and the VAT violation was confirmed.
In session on 25 January 2017, the Provincial Tax Commission of Bologna sided with IGD: with decision no. 253/17 filed on 28 February it definitively cleared the IRES and IRAP assessments, and with decision no. 254/17 (also filed on 28 February) it accepted IGD's arguments concerning VAT and annulled that assessment as well.
For both proceedings, the Commission ordered the revenue office to reimburse IGD's legal expenses in the amount of €6,000.00 total.
On 29 September 2017 the Emilia Romagna regional authorities appealed the VAT decision (254/17) and on 28 November IGD filed its counterarguments against that appeal.
On 17 March 2016 the Ravenna provincial office initiated a tax audit for 2013, which concluded with an audit report served to the Company on 6 July. The report calls for:
(i) a portion of net income to be reallocated from exempt to taxable operations (increasing theoretical taxable income by €418,674.70 for IRES purposes and €877,469.93 for IRAP);
(ii) the disallowance of an €80,000 deduction for IRES purposes;
(iii) reduction of the allowed deduction for the *Aiuto alla Crescita Economica* program by €14,780.29, for total taxes of about €132,000.00 (IRES) and €34,000.00 (IRAP).
With respect to IRES, the Group's tax loss for 2013 has not yet been absorbed and is sufficient to cover the full amount alleged to be due. The finding stated in point (i) is deemed to be baseless, and the Group will appeal if it leads to a formal assessment.

Note 47) IFRS 7 - Financial Instruments: Disclosures

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with IAS 39.
For this purpose, financial assets are split into four categories:
- Financial assets measured at fair value through profit and loss: at 31 December 2017 the Group had no financial instruments in this category;
- Held to maturity investments: the Group has no financial instruments belonging to this category;
- Loans and receivables: in this category the Group has trade, financial and other receivables, and cash and deposits. They mature within 12 months and are therefore carried at face value (net of any impairment).
- Available for sale financial assets: the Group has no financial instruments belonging to this category.

There are only two categories of financial liability:
- Financial liabilities measured at fair value through profit and loss. At 31 December 2017 the Group had no financial instruments in this category;
- Financial liabilities measured at amortized cost.

Classification in the statement of financial position

The Group's financial instruments are included in the statement of financial position as follows.
The item "Other non-current assets" covers sundry receivables and other non-current assets, including derivative instruments.

The item “Current assets” includes trade receivables, other current receivables, and cash and cash equivalents. “Cash and cash equivalents” include bank and post office deposits and cash and valuables on hand. The other assets consist of investments outstanding at the balance sheet date.
The item “Non-current liabilities” includes mortgage loans from banks, derivatives, the bond loan, sundry payables and security deposits.
The item “Current liabilities” covers short-term payables to banks, the current portion of medium/long-term loans, trade payables and other current payables.

The items in the statement of financial position are classified below according to the categories required by IAS 39 at 31 December 2017 and 31 December 2016:

CLASSIFICATION 31/12/2017	CARRYING VALUE										
	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			90					90		90	90
Equity investments			254					254		254	254
Non-current financial assets			343					343		343	343
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			11,415					11,415	11,415		11,415
Related party trade and other receivables			2,054					2,054	2,054		2,054
Other current assets			1,056					1,056	1,056		1,056
Related party financial receivables and other current financial assets			0					0	0		0
Financial receivables and other current financial assets				42				42	42		42
Cash and cash equivalents			2,509					2,509	2,509		2,509
TOTAL FINANCIAL ASSETS	**0**	**0**	**17,721**	**42**	**0**	**0**	**0**	**17,763**	**17,076**	**687**	**17,763**
LIABILITIES											
Financial liabilities											
Derivative liabilities							20,397	20,397		20,397	20,397
Due to banks						48,681		48,681	48,681		48,681
Leasing						4,251		4,251	323	3,928	4,131
Bonds						689,278		689,278	13,189	676,089	705,504
Due to other sources of finance											0
Mortgage loans						320,426		320,426	34,904	285,522	309,032
Non-current liabilities											
Sundry payables and other non-current liabilities						6,378		6,378		6,378	6,378
Related party sundry payables and other non-current liabilities						11,891		11,891		11,891	11,891
Current liabilities											
Trade and other payables						13,838		13,838	13,838		13,838
Related party trade and other payables						459		459	459		459
Other current liabilities						7,842		7,842	7,842		7,842
Related party other current liabilities						14		14	14		14
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,103,058**	**20,397**	**1,123,455**	**119,250**	**1,004,205**	**1,128,167**

	CARRYING VALUE										
CLASSIFICATION 31/12/2016	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			89					89		89	89
Equity investments			1,685					1,685		1,685	1,685
Non-current financial assets			393					393		393	393
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			11,570					11,570	11,570		11,570
Related party trade and other receivables			1,136					1,136	1,136		1,136
Other current assets			912					912	912		912
Related party financial receivables and other current financial assets			151					151	151		151
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			3,084					3,084	3,084		3,084
TOTAL FINANCIAL ASSETS	**0**	**0**	**19,020**	**0**	**0**	**0**	**0**	**19,020**	**16,853**	**2,167**	**19,020**
LIABILITIES											
Financial liabilities											
Derivative liabilities							28,748	28,748		28,748	28,748
Due to banks						110,554		110,554	110,554		110,554
Leasing						4,564		4,564	313	4,251	4,442
Bonds						594,481		594,481	20,340	574,141	622,469
Due to other sources of finance						375		375	375	0	375
Mortgage loans						349,082		349,082	34,178	314,904	336,965
Non-current liabilities											
Sundry payables and other non-current liabilities						6,302		6,302		6,302	6,302
Related party sundry payables and other non-current liabilities						13,949		13,949		13,949	13,949
Current liabilities											
Trade and other payables						15,634		15,634	15,634		15,634
Related party trade and other payables						1,428		1,428	1,428		1,428
Other current liabilities						6,627		6,627	6,627		6,627
Related party other current liabilities						21		21	21		21
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,103,017**	**28,748**	**1,131,766**	**189,470**	**942,296**	**1,147,514**

For each financial instrument, both carrying value and fair value are indicated. The two values coincide for most instruments, as their maturity is short term. They differ for long-term instruments, such as mortgage loans, leasing installments and bonds. To calculate the fair value of liabilities measured at amortized cost, the Group has discounted future cash flows to present value using a risk-free (zero coupon) curve estimated at 31 December, as reported by Bloomberg. The calculation takes account of the credit spread that banks would currently grant to IGD. The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market. The fair value of financial liabilities was calculated using the credit spread that banks would grant to IGD SIIQ S.p.A. as of the measurement date. At 31 December 2017 the estimated credit spread was 2.15% (2% the previous year).

Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

COLLATERAL GIVEN	CARRYING VALUE	
	31/12/2017	31/12/2016
Security deposits		
- Sundry receivables and other assets	90	89

The following table shows the impairment of trade receivables:

IMPAIRMENT	IMPAIRMENT OF TRADE RECEIVABLES	
	31/12/2017	31/12/2016
Opening balance	**14,893**	**15,149**
Allocations		
- for individual writedowns	1,169	1,223
Utilizations	-1,908	-1,331
Impairment reversals		
Other movements	-47	-147
Total	**14,107**	**14,893**

Gains and losses from financial instruments

The table below reports the gains and losses from financial instruments held. These derive from the impairment of trade receivables and hedge derivatives.
For hedge derivatives, the table shows the amount of the differentials paid and collected. The effects of *fair value* changes charged to the cash flow hedge reserve under equity (net of the tax effects) came to +€5,316K in 2016 and +€567K in 2017. The effects of *fair value* changes in the derivatives held by consolidated subsidiaries, charged to a separate cash flow hedge reserve under equity (net of the tax effects), amounted to +€762K in 2016 and +€2,524K the previous year.

	CARRYING VALUE						
2017 INCOME STATEMENT NET GAIN (LOSS)	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	HELD FOR TRADING FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	RECEIVABLES AND LOANS	HELD TO MATURITY FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	HEDGING INSTRUMENTS
Financial assets/liabilities							-8,145
Trade and other receivables			-1,169				
Total	**0**	**0**	**-1,169**	**0**	**0**	**0**	**-8,145**

	CARRYING VALUE						
2016 INCOME STATEMENT NET GAIN (LOSS)	FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	HELD FOR TRADING FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	RECEIVABLES AND LOANS	HELD TO MATURITY FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	HEDGING INSTRUMENTS
Financial assets/liabilities							-11,526
Trade and other receivables			-1,223				
Total	**0**	**0**	**-1,223**	**0**	**0**	**0**	**-11,526**

The next table shows income and charges from financial assets and liabilities not measured at fair value:

INTEREST INCOME	2017	2016
Interest income on financial assets not measured at fair value		
- Deposits	48	228
- From affiliates	3	5

INTEREST EXPENSE	2017	2016
Interest expense on financial assets not measured at fair value		
- Security deposits	14	28
- Sundry payables and other liabilities	989	1,187
- To parent	-	12
- Financial liabilities		
- Mortgage loans	3,391	12,922
- Leasing	56	64
- Bonds	21,889	16,381
- Interest capitalized	0	0
- Short-term borrowings	12	238

4.7

MANAGEMENT AND COORDINATION

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. (until 31 December 2015 Coop Adriatica S.c.a.r.l.) of Villanova di Castenaso (province of Bologna) and is under the management and coordination of that company.

Pursuant to Article 2497 *bis* (4) of the Italian Civil Code, key figures from the latest approved financial statements of Coop Alleanza 3.0 Soc. Coop. (31 December 2016) and Coop Adriatica S.c.a.r.l. (31 December 2015) are presented below):

FINANCIAL STATEMENTS COOP ALLEANZA 3.0	YEAR 2016	YEAR 2015
BALANCE SHEET (ex art. 2424 C.C.)		
ASSETS		
A) - SUBSCRIBED CAPITAL UNPAID		
B) - FIXED ASSETS	4,255,955,528	1,591,312,173
C) - CURRENT ASSETS	4,740,933,677	2,445,022,612
D) - ACCRUED INCOME AND PREPAYMENTS	11,581,372	25,762,338
TOTAL ASSETS	**9,008,470,577**	**4,062,097,123**
LIABILITIES		
A) - NET EQUITY	2,469,479,621	1,011,913,246
B) - GENERAL PROVISIONS	65,854,158	16,129,769
C) - PROVISIONS FOR EMPLOYEES SEVERANCE INDEMINITIES	148,178,844	64,600,031
D) - PAYABLES	6,306,986,503	2,968,228,114
E) - ACCRUED LIABILITIES AND DEFERRED INCOME	17,971,451	1,225,964
TOTAL LIABILITIES AND NET EQUITY	**9,008,470,577**	**4,062,097,123**
MEMORANDUM ACCOUNT		
INCOME STATEMENT (ex art. 2425 C.C.)		
A) - PRODUCTION VALUE	4,098,875,015	2,004,317,386
B) - PRODUCTION COSTS	-4,193,478,002	-2,025,080,877
C) - FINANCIAL INCOME AND CHARGES	197,959,354	136,006,232
D) - ADJUSTMENT TO THE VALUE OF FINANCIAL ASSETS	-99,197,940	-73,157,449
E) - EXTRAORDINARY INCOME AND CHARGES		5,466,941
Income taxes	2,460,159	-12,446,018
PROFIT (LOSS) FOR THE YEAR	**6,618,586**	**35,106,215**

4.8
LIST OF SIGNIFICANT EQUITY INVESTMENTS

Below is a full list of significant equity investments held by IGD SIIQ S.p.A. at 31 December 2017.

NAME	REGISTERED OFFICE	COUNTRY	HELD BY	% HELD DIRECTLY	% HELD INDIRECTLY	PERCENT OF SHARE CAPITAL HELD
IGD MANAGEMENT S.R.L.	Ravenna, via Villa Glori 4	Italy	IGD SIIQ S.p.A.	100.00%		100.00%
MILLENNIUM GALLERY S.R.L	Ravenna, via Villa Glori 4	Italy	IGD SIIQ S.p.A.	100.00%		100.00%
PORTA MEDICEA S.R.L.	Bologna Via Trattati Comunitari Europei 1957-2007 13	Italy	IGD Management S.r.l.		100.00%	100.00%
WIN MAGAZIN S.A.	Bucharest	Romania	IGD Management S.r.l.		99.90%	100.00%
			IGD SIIQ S.p.A.	0.10%		
WINMARKT MANAGEMENT S.R.L.	Bucharest	Romania	Win Magazin S.A.		100.00%	100.00%
ARCO CAMPUS S.R.L.	Bologna, via dell'Arcoveggio 49/2	Italy	IGD SIIQ S.p.A.	99.98%		99.98%
MILLENNIUM CENTER SOC. CONS. R.L.	Rovereto (Trento), via del Garda 175	Italy	Millennium Gallery Srl		35.40%	35.40%
RGD FERRARA 2013 S.R.L.	Rome, via Piemonte 38	Italy	IGD SIIQ S.p.A.	50%		50.00%

4.9

INFORMATION PURSUANT TO ART. 149 *duodecies* OF CONSOB'S REGULATIONS FOR ISSUERS

The following chart, prepared in accordance with Art. 149 duodecies of Consob's regulations for issuers, shows the fees pertaining to 2017 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Amounts in thousands of Euro	SERVICE PROVIDER	RECIPIENT	FEES IN 2017
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	133
Auditing	PricewaterhouseCoopers S.p.A.	Subsidiaries IGD Management S.r.l., Millennium Gallery S.r.l., Porta Medicea S.r.l.	34
Auditing	PricewaterhouseCoopers Audit S.r.l.	Subsidiaries Romania	22
Sustainability report auditing	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	25
Other services	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	2
Total			**216**

In the context of the capital increase approved on 12 February 2018, PricewaterhouseCoopers S.p.A. has been granted assignments totalling €234K.

4.10 CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

pursuant to Art. 81 ter of the Consob Regulation adopted with Resolution 11971 of 14 May 1999, as amended

We, the undersigned, Claudio Albertini as chief executive officer and Grazia Margherita Piolanti as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:

- the adequacy of in relation to the characteristics of the business; and
- the company's due compliance with

the administrative and accounting procedures for the preparation of the consolidated financial statements during the year 2017.

2. We also confirm that:

2.1. the consolidated financial statements:

a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;
b) correspond to the ledgers and accounting entries;
c) provide fair and truthful disclosure of the financial status and performance of the issuer and the companies included in the consolidation;

2.2 the directors' report contains a reliable analysis of the performance, results, and current situation of the issuer and the companies in the consolidation, along with a description of the main risks and uncertainties to which they are exposed.

Bologna, 22 February 2018

Claudio Albertini
Chief Executive Officer

Grazia Margherita Piolanti
Financial Reporting Officer

4.11
EXTERNAL AUDITORS' REPORT

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the Shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "IGD Group"), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of IGD Group as of 31 December 2017 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of Immobiliare Grande Distribuzione SIIQ SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of investment properties, assets under construction and work in progress inventory *See notes 14, 17 and 22 and paragraphs "Summary of accounting standards" and "Use of estimates" of the notes to the consolidated financial statements as of 31 December 2017.* As of 31 December 2017, IGD's investment properties and work in progress inventory are equal to, respectively, Euro 2,197.7 million (of which Euro 40.5 million relating to assets under construction) and Euro 37.6 million, totaling Euro 2,235.3 million, which represented 98.1% of total consolidated assets. Investment properties are measured at fair value in accordance with IAS 40 as endorsed by the European Union and work in progress inventory is measured at the lower of cost and net realisable value. Assets under construction are valued at cost less impairments, or at fair value if the procedure for obtaining administrative permits has been completed and construction is underway. The fair value of IGD Group's investment properties and work in progress inventory, which is based on appraisals carried out by independent experts (hereinafter, also "Appraisers"), was of particular importance in auditing the Company's consolidated financial statements and is a key audit matters of the audit as it is based on a complex process of estimate as well as on the use of assumptions that are impacted by future market conditions, specifically in relation to estimated rental value and estimated vacancy rates (i.e. the forecast percentage of investment property space that remains vacant), the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount the cash flows relating to each investment property.	Our approach in auditing such financial statements items firstly included the understanding and evaluating of the methodologies and procedures defined by IGD Group and approved by the Board of Directors on 19 December 2013 to verify the independence and competence of the independent expert appraisers engaged to determine the fair value of investment properties and work in progress inventory, as well as the procedures dealing with the selection and rotation of the Appraisers and the sharing of information between Group Management responsible for managing the real estate portfolio and the Appraisers. The audit approach therefore included testing of controls of the Company over the aforementioned processes and procedures to verify the fair value measurement models used by the Appraisers as well as the results of such models. Based on our understanding, evaluating and testing of aforementioned controls, we therefore planned and performed substantive auditing tests on such financial statement items. In that respect, we highlight that the tests of details on the real estate portfolio were performed on a sample of investments considered to be significant based on the risk and size of each investments, with the aim to cover all kinds of investments and all Appraisers, as well as to rotate the real estate portfolio selected by us. Specifically, we verified the reasonableness of the methodologies adopted and of the main assumptions reflected in the valuation models (discounted cash flow) through review and

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	analysis of the appraisals prepared by the independent experts and discussions with Company Management and the independent experts; such analyses and discussions were conducted involving the PwC experts in real estate valuation. Particular emphasis was placed on verifying the reasonableness of those variables that have the most significant impact in determining the fair value, like the estimated rental value, the estimated vacancy rate, the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount cash flows related to each investment property, with respect to the best practices normally adopted for the valuation of similar investment properties in the real estate sector of IGD Group. With regard to assets under construction, we also verified the consistency between the estimated costs to complete the constructions, included in the valuation model, and the budget of costs approved by the Company's Board of Directors. We also verified on a sample basis the consistency between cash flows included in the valuation models and rents included in the contracts signed with tenants, and between figures relating to insurance costs and the IMU property tax and related supporting documentation. For those investments selected, we also verified the mathematical accuracy of the valuation models prepared by the independent external experts. Finally, taking into account that the fair value measurement of investment properties and work in progress inventory is based on the use of measurement models with unobservable inputs (Level 3 in the fair value hierarchy included in IFRS 13 as endorsed by the European Union), we verified the Company's disclosures in the notes to the consolidated financial statements regarding the methodology adopted to determine fair value, the estimate of inputs, the results of valuations and the sensitivity analysis performed.

Other matters

As required by law, the Company included in the notes to the consolidated financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005 and, in the terms prescribed by law, for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the IGD Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, Management uses the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the IGD Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IGD Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- We concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the IGD Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the IGD Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the IGD Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) n° 537/2014

On 18 April 2013, the shareholders of Immobiliare Grande Distribuzione SIIQ SpA in general meeting engaged us to perform the statutory audit of the Company's consolidated and separate financial statements for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010 and article 123-bis, paragraph 4, of Legislative Decree n° 58/1998

Management of Immobiliare Grande Distribuzione SIIQ SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the IGD Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/1998, with the consolidated financial statements of the IGD Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 2 March 2018

PricewaterhouseCoopers SpA

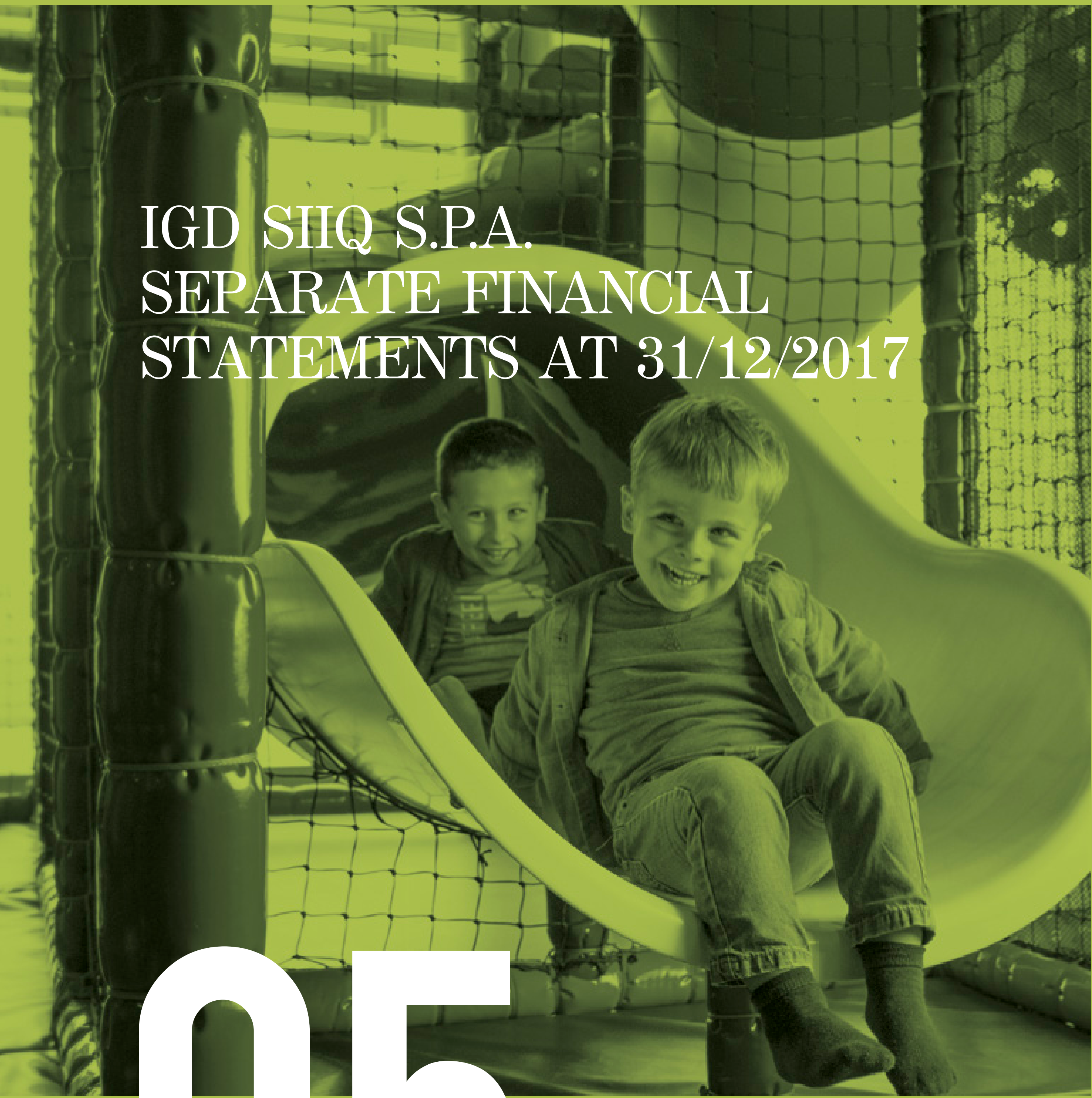
Signed by
Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

LE PORTE DI NAPOLI
NEAPLES

Opening 1999
Extension 2014
Mall GLA sq.m. 16,983
Food anchor GLA sq.m. 9,570

4,277,733 visitors in 2017



IGD SIIQ S.P.A. SEPARATE FINANCIAL STATEMENTS AT 31/12/2017

05

5.1
INCOME STATEMENT

INCOME STATEMENT (amounts in Euro)	Note	31/12/2017 (A)	31/12/2016 (B)	CHANGE (A-B)
Revenues:	**1**	**111,579,300**	**74,803,975**	**36,775,325**
- from third parties		66,615,703	40,585,385	26,030,318
- from related parties		44,963,597	34,218,590	10,745,007
Other income:	**2**	**1,020,002**	**2,049,632**	**(1,029,630)**
- from third parties		652,009	426,453	225,556
- from related parties		367,993	1,623,179	(1,255,186)
Total revenues and operating income		**112,599,302**	**76,853,607**	**35,745,695**
Service costs	3	13,237,637	11,552,761	1,684,876
- from third parties		10,596,014	9,847,638	748,376
- from related parties		2,641,623	1,705,123	936,500
Personnel costs	4	5,173,205	5,023,402	149,803
Other operating costs	5	8,421,211	5,756,552	2,664,659
Total operating costs		**26,832,053**	**22,332,715**	**4,499,338**
(Amortization and provisions)		(1,558,052)	(1,259,400)	(298,652)
(Impairment losses)/Reversals on work in progress		(23,498)	(127,158)	103,660
Fair value changes - increases/(decreases)		34,252,378	9,485,445	24,766,933
Total amortization, provisions, impairment loss and fair value changes	**6**	**32,670,828**	**8,098,887**	**24,571,941**
EBIT		**118,438,077**	**62,619,779**	**55,818,298**
Resuls from equity investments and assets disposals	**7**	**(45,961)**	**8,729,237**	**(8,775,198)**
Finanicial income:		**192,497**	**422,387**	**(229,890)**
- from third parties		33,423	193,218	(159,795)
- from related parties		159,074	229,169	(70,095)
Financial charges:		**33,049,588**	**29,390,308**	**3,659,280**
- from third parties		33,035,281	29,346,638	3,688,643
- from related parties		14,307	43,670	(29,363)
Net financial income	**8**	**(32,857,091)**	**(28,967,921)**	**(3,889,170)**
PRE-TAX PROFIT		**85,535,025**	**42,381,095**	**43,153,930**
Income taxes for the period	9	166,886	152,408	14,478
NET PROFIT FOR THE PERIOD		**85,368,139**	**42,228,687**	**43,139,452**

5.2

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME (amounts in Euro)	31/12/2017	31/12/2016
NET PROFIT FOR THE PERIOD	**85,368,139**	**42,228,687**
Recalculation of defined benefit plans	137,715	(135,908)
Total comprehensive income that will not be reclassified to profit or loss for the period, net of tax effects	**137,715**	**(135,908)**
Other comprehensive income that will be reclassified to profit or loss		
Hedge derivatives' effects on net equity	6,894,075	1,212,309
Hedge derivatives' tax effects on net equity	(1,578,245)	(645,004)
Total other comprehensive income that will be reclassified to profit or loss for the period, net of tax effect	**5,315,830**	**567,305**
Total comprehensive profit/(loss) for the period	**90,821,684**	**42,660,084**

5.3

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION (amounts in Euro)	Note	31/12/2017 (A)	31/12/2016 (B)	CHANGE (A-B)
NON CURRENT ASSETS:				
Intangible assets				
Intangible assets with finite useful lives	10	22,512	33,060	(10,548)
Goodwill	11	1,300,000	1,300,000	0
		1,322,512	**1,333,060**	**(10,548)**
Tangible assets				
Investment property	12	1,829,951,389	1,239,357,298	590,594,091
Building	13	8,130,978	8,374,484	(243,506)
Plants and machinery	14	79,119	37,000	42,119
Equipments and other assets	14	274,806	340,874	(66,068)
Improvement on leasehold assets	14	11,008	11,062	(54)
Assets under construction and deposits	15	29,076,179	59,633,405	(30,557,226)
		1,867,523,479	**1,307,754,123**	**559,769,356**
Other non-current assets				
Deferred tax assets	16	5,992,107	7,534,352	(1,542,245)
Sundry receivables and other non-current assets	17	50,029	20,424	29,605
Equity investments	18	186,446,078	518,051,100	(331,605,022)
Non-current financial assets	19	100,000	100,000	0
		192,588,214	**525,705,876**	**(333,117,662)**
TOTAL NON-CURRENT ASSETS (A)		**2,061,434,205**	**1,834,793,059**	**226,641,146**
CURRENT ASSETS:				
Trade and other receivables	20	7,017,607	5,712,278	1,305,329
Related parties trade and other receivables	21	1,644,663	871,265	773,398
Other current assets	22	2,814,785	12,183,707	(9,368,922)
Related parties other current assets	23	181,427	208,648	(27,221)
Related parties financial receivables and other current financial assets	24	90,529,742	187,018,210	(96,488,468)
Cash and cash equivalents	25	1,460,490	1,125,370	335,120
TOTAL CURRENT ASSETS (B)		**103,648,714**	**207,119,478**	**(103,470,764)**
TOTAL ASSETS (A+B)		**2,165,082,919**	**2,041,912,537**	**123,170,382**
NET EQUITY				
Share capital		599,760,278	599,760,278	0
Share premium reserve		29,971,151	29,971,151	0
Other reserves		389,311,632	354,396,513	34,915,119
Profts		103,773,553	42,229,060	61,544,493
TOTAL NET EQUITY (C)	**26**	**1,122,816,614**	**1,026,357,002**	**96,459,612**
NON-CURRENT LIABILITIES:				
Derivative liabilities	41	20,362,400	27,062,806	(6,700,406)
Non-current financial liabilities	27	900,174,780	824,946,282	75,228,498
Provisions for employee severance indemnities	28	1,602,347	1,563,146	39,201
General provisions	29	4,941,489	4,426,362	515,127
Sundry payables and other non-current liabilities	30	2,923,498	84,442	2,839,056
Related party sundry payables and other non-current liabilities	30	11,891,499	9,822,965	2,068,534
TOTAL NON-CURRENT LIABILITIES (D)		**941,896,013**	**867,906,003**	**73,990,010**
CURRENT LIABILITIES:				
Current financial liabilities	31	78,579,487	112,835,598	(34,256,111)
Related party current financial liabilities	31	1,487,851	18,170,927	(16,683,076)
Trade and other payables	33	11,428,177	10,363,410	1,064,767
Related party trade and other payables	34	464,675	1,366,358	(901,683)
Tax liabilities	35	1,907,554	460,514	1,447,040
Other current liabilities	36	6,345,827	4,113,656	2,232,171
Related party other current liabilities	37	156,721	339,069	(182,348)
TOTAL CURRENT LIABILITIES (E)		**100,370,292**	**147,649,532**	**(47,279,240)**
TOTAL LIABILITIES (F = D + E)		**1,042,266,305**	**1,015,555,535**	**26,710,770**
TOTAL NET EQUITY AND LIABILITIES (C + F)		**2,165,082,919**	**2,041,912,537**	**123,170,382**

5.4

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM RESERVES	OTHER RESERVE	PROFITS	NET EQUITY
Balance at 01/01/2016	**599,760,278**	**39,971,151**	**331,475,850**	**45,011,306**	**1,016,218,585**
Net profit for the period	0	0		42,228,687	42,228,687
Cash flow derivative evaluation			567,305	0	567,305
Other comprehensive income (losses)		0	(135,908)	0	(135,908)
Total comprehensive income (losses)	**0**	**0**	**431,397**	**42,228,687**	**42,660,084**
Other effetcs				158	158
Allocation of 2015 profits:					
- distributed dividends	0	0	(6,828,836)	(25,692,989)	(32,521,825)
- to legal reserve	0	(10,000,000)	10,000,000	0	0
- to other reserve	0	0	19,318,102	(19,318,102)	0
Balance at 31/12/2016	**599,760,278**	**29,971,151**	**354,396,513**	**42,229,060**	**1,026,357,002**

	SHARE CAPITAL	SHARE PREMIUM RESERVES	OTHER RESERVE	PROFITS	NET EQUITY
Balance at 01/01/2017	**599,760,278**	**29,971,151**	**354,396,513**	**42,229,060**	**1,026,357,002**
Net profit for the period	0	0		85,368,139	85,368,139
Cash flow derivative evaluation			5,315,830	0	5,315,830
Other comprehensive income (losses)		0	137,715	0	137,715
Total comprehensive income (losses)	**0**	**0**	**5,453,545**	**85,368,139**	**90,821,684**
Other effetc				191	191
Merger by incorporation effect			23,978,777	18,404,580	42,383,357
Purchase of trasury shares			(158,567)	0	(158,567)
Allocation of 2016 profit					
- distributed dividends	0	0	(14,730,760)	(21,856,293)	(36,587,053)
- to legal reserve	0	0	0	0	0
- to other reserve	0	0	20,372,124	(20,372,124)	0
Balance at 31/12/2017	**599,760,278**	**29,971,151**	**389,311,632**	**103,773,553**	**1,122,816,614**

5.5 STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOW (In Euro)	31/12/2017	31/12/2016
CASH FLOW FROM OPERATING ACTIVITIES		
Pre-tax profit	**85,535,025**	**42,381,095**
Adjustments to reconcile net profit for the period with cash flow generated (absorbed) by operating activities		
Non-cash items	4,034,634	6,962,065
(Amortization and provisions)	1,558,052	1,259,400
(Impairment losses)/Reversals on assets under construction	23,498	127,158
Change in fair value - Increases/(Decreases)	(34,252,378)	(9,485,445)
Capital gains / Losses from equity investments	50,000	11,370
CASH FLOW FROM OPERATING ACTIVITIES	**56,948,832**	**41,255,643**
Current taxes	(130,127)	(253,862)
CASH FLOW FROM OPERATING ACTIVITIES NET OF TAXES	**56,818,705**	**41,001,781**
Net change in current assets and liabilities with third parties	10,001,936	(6,180,962)
Net change in current assets and liabilities with related parties	(1,064,640)	(5,200,732)
Net change in non-current assets and liabilities with third parties	(1,356,873)	33,076
Net change in non-current assets and liabilities with related parties	(2,057,218)	(7,188)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**62,341,910**	**29,645,975**
(Investments) in fixed assets	(34,649,494)	(72,604,556)
Disposals in fixed assets	152,000	315,114
Disposals in equity investments	0	4,465,737
(Investments) in fixed assets	0	(18,780)
CASH FLOW FROM INVESTING ACTIVITIES	**(34,497,494)**	**(67,842,485)**
Change in financial receivables and other current financial assets with related parties	(29,343,214)	(135,570,801)
Purchase of treasury shares	(158,566)	0
Cash flow hedge reserve	0	(1,658,500)
Dividends distribution	(36,587,053)	(32,521,825)
Change in current financial debt with third parties	(35,082,864)	(82,842,534)
Change in current financial debt with related parties	1,005,284	16,170,838
Change in non-current financial debt with third parties	72,239,283	267,172,996
CASH FLOW FROM FINANCING ACTIVITIES	**(27,927,130)**	**30,750,174**
NET INCREASE (DECREASE) IN CASH BALANCE	**(82,714)**	**(7,446,336)**
CASH BALANCE AT THE BEGINNING OF THE YEAR	**1,125,370**	**8,571,706**
Cash from subsidiaries merger	417,834	0
CASH BALANCE AT THE END OF THE YEAR	**1,460,490**	**1,125,370**

5.6
NOTES TO THE FINANCIAL STATEMENTS

1. General information

The draft separate financial statements of Immobiliare Grande Distribuzione SIIQ S.p.A. at 31 December 2017 were approved and authorized for publication by the Board of Directors on 22 February 2018.

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. Summary of accounting standards

→ 2.1 Preparation criteria

Statement of compliance with
International Accounting Standards

The separate financial statements for 2017 have been prepared in accordance with the IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and approved by the European Union, and with instructions issued in compliance with Art. 9 of Legislative Decree 38/2005. The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC), that as of the reporting date had been endorsed following the procedure specified in Regulation (EC) 1606/2002. The IFRS have been applied consistently to all reporting periods presented.

Reporting formats

The items in the statement of financial position have been classified as current or non-current, and those in the income statement by type.
The statement of comprehensive income shows the net profit or loss along with income and charges that by express requirement of IFRS are recognized directly in equity.
The statement of changes in equity presents comprehensive income and charges, transactions with shareholders and other changes in shareholders' equity.
The statement of cash flows is prepared using the indirect method, adjusting the profit for non-cash items.
The financial statements, tables and explanatory notes are expressed in euro (EUR), unless specified otherwise.

Changes in accounting standards

a) New accounting standards

The accounting standards used to prepare the separate financial statements are the same as those employed in the annual financial statements for the year ended 31 December 2016, with the exception of the following new standards and interpretations applicable from 1 January 2017.

COMMISSION REGULATION (EU)	TITLE
2017/1990	Adopts the amendments to IAS 7 Statement of cash flows – Disclosure initiative, designed to clarify IAS 7 for the sake of improving financial statement disclosures about an entity's financing activities. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2017. Its adoption has had no material effect on the Company's financial statements.
2017/1989	Adopts the amendments to IAS 12 Income taxes – Recognition of deferred tax assets for unrealized losses. These are designed to clarify the accounting of deferred tax assets for debt instruments measured at fair value. Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2017. This standard does not apply to the Company's financial statements.

b) Accounting standards, amendments, and interpretations not yet effective and not applied in advance by the Group

The table below reports the international accounting standards, or amendments to existing standards, that were approved by the European Union in 2017 but were not yet mandatory for financial periods beginning on 1 January 2017. The Company has not opted for early adoption.

COMMISSION REGULATION (EU)	TITLE
2017/1988	Adopts the amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. The amendments to IFRS 4 aim to remedy the temporary accounting consequences of the gap between the effective date of IFRS 9 and the effective date of the new accounting standard on insurance policies that replaces IFRS 4 (IFRS 17). Financial conglomerates as defined in Article 2(14) of Directive 2002/87/EC may elect for all entities within the insurance sector within the meaning of Article 2(8)(b) of that Directive not to apply IFRS 9 in the consolidated financial statements for financial years beginning before 1 January 2021, where all of the following conditions are met: a) after 29 November 2017, no financial instruments shall be transferred between the insurance sector and any other sector of the financial conglomerate, other than financial instruments measured at fair value with fair value changes recognized in profit or loss by both sectors involved in such transfers; b) the financial conglomerate states in the consolidated financial statements which insurance entities in the group are applying IAS 39; c) the disclosures required by IFRS 7 are provided separately for the insurance entities applying IAS 39 and the rest of the group applying IFRS 9. The amendments to IFRS 4 are effective from the first day of the financial year beginning on or after 1 January 2018. However, if the above conditions are met, financial conglomerates may choose to apply the amendments to IFRS 4 from the first day of the financial year beginning on or after 1 January 2018.
2017/1987	Adopts the amendments to IFRS 15: Revenue from contracts with customers – Clarifications to IFRS 15. The amendments specify some requirements and provide further transitional assistance to entities that apply the standard.Companies must apply the amendments, at the latest, from the first day of the financial period beginning on or after 1 January 2018.
2017/1986	Adopts IFRS 16 *Leasing*, which aims to improve the financial reporting of leasing contracts. Companies must apply the standard, at the latest, from the first day of the financial period beginning on or after 1 January 2019.

As from 1 January 2018, entities are required to follow the new accounting standards **IFRS 15** on revenue recognition and **IFRS 9** on financial instruments.

From an initial review of contracts with customers, it appears that the Group will not be affected by IFRS 15.

With respect to IFRS 9, our analyses suggest a potential impact from section B5.4.6, which determines how the amortized cost of financial liabilities is affected by changes in their cash flow plans, due to either revised estimates or new contractual terms and conditions. In essence, this section states that if estimated payments for financial liabilities are revised, the entity must discount future cash flows at the original effective interest rate (EIR) and recognize in profit or loss the difference between the present value of future cash flows determined using the original EIR and the carrying amount of the liability. According to the IASB interpretation, the rule stated in section B5.4.6 of IFRS 9 must be applied to all revised payment estimates, including cash flow changes due to the modification of contractual terms (renegotiation) of the financial liability.

The application of IFRS 9 will affect the value of certain financial liabilities (bond loans) that the company has renegotiated in recent years. Specifically, the impact as of 1 January 2018 will be to increase the value of the €162 million bond loan maturing on 21 April 2022 by around €5 million, to recognize an equity reserve of the same amount, and to decrease financial charges by around €5 million throughout the duration of that bond loan.

From 1 January 2019, **IFRS 16** will apply in place of IAS 17. Upon first-time application of the new standard, which applies to the lease on the Fonti di Corallo mall, the usage right for that mall will be recognized under investment property in the statement of financial position, with the same amount booked as a financial liability. The Company is currently analyzing the quantitative impact the new standard is likely to have.

During the year, the IASB made changes to some previously issued IAS/IFRS and published new international accounting standards.

DATE	IASB PUBLICATION
13 January 2017	The IASB published for consultation an exposure draft on proposals for *Annual Improvements to IFRSs 2015-2017 Cycle,* concerning IAS 12 *Income Taxes,* IAS 23 *Borrowing Costs* and IAS 28 *Investments in Associates and Joint Ventures.*
30 March 2017	The IASB published for consultation an exposure draft *Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34).*
31 March 2017	The IASB published for consultation a discussion paper *Disclosure Initiative—Principles of Disclosure,* to render financial statement disclosures more effective.
24 April 2017	The IASB proposed some changes to IFRS 9 *Financial Instruments,* aimed at allowing the measurement at amortized cost of financial assets featuring a prepayment option with "negative compensation."
18 May 2017	The IASB published IFRS 17 *Insurance Contracts.* The standard aims to improve investors' and other parties' understanding of the risk exposure, profitability and financial position of insurers. IFRS 17 supersedes IFRS 4, issued in 2004 as an interim standard. It is effective from 1 January 2021; early adoption is permitted.
26 May 2017	The IASB published a *Request for information: Post-implementation Review—IFRS 13 Fair Value Measurement* in order to collect stakeholders' input on any issues with the application of IFRS 13 on how to determine the fair value of assets and liabilities. The intention is to understand whether there is a need for further guidance on the fair value measurement of biological assets and unlisted equity instruments.
8 June 2017	The IASB published IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments,* providing guidance on how to make income tax accounting reflect uncertainties in the tax treatment of a given issue. IFRIC 23 is effective from 1 January 2019.
12 October 2017	The IASB published amendments to IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures* in order to favor their implementation. The changes to IFRS 9 ("Prepayment features with negative compensation") allow the measurement at amortized cost or at fair value through other comprehensive income (OCI) of financial assets featuring a prepayment option with "negative compensation." The changes to IAS 28 clarify that IFRS 9 applies to long-term investments in associates and joint ventures that, in substance, form part of the net investment in the associate or joint venture. The IASB also published an example of how the provisions of IFRS 9 and IAS 28 apply to long-term investments in associates and joint ventures.
12 December 2017	The IASB published the *Annual Improvements to IFRSs 2015-2017 Cycle,* which include changes to IAS 12 *Income Taxes,* IAS 23 *Borrowing Costs,* IFRS 3 *Business Combinations,* and IFRS 11 *Joint Arrangements.* These amendments will take effect on 1 July 2019. Early adoption is permitted.

None of these changes were used to prepare the financial statements as they have not yet been approved by the European Commission.

→ 2.2 Intangible assets

Intangible assets are recognized at cost when it is likely that use of the asset will generate future economic benefits and when its cost can be reliably determined. Intangible assets acquired through business combinations are recognized at the market value defined as of the acquisition date, if that value can be reliably determined.
After their initial recognition, intangible assets are carried at cost. The useful life of intangibles can be either finite or indefinite. Intangible assets with indefinite useful lives are not amortized but are subject to impairment testing each year, or more frequently, whenever there is any indication of impairment. Further to such testing, if the recoverable value of an asset is less than its book value, the latter is reduced to recoverable value. This reduction constitutes an impairment loss, which is immediately posted to the income statement. An asset's recoverable value is the higher of its net sale value or value in use. Value in use is the present value of expected cash flows generated by the asset. In order to assess losses in value, assets are aggregated to the lowest cash generating unit, i.e. the lowest level for which independent cash flows can be separately identified. In the case of an indicator implying recovery of the value lost, the asset's recoverable value is re-determined and the book value is increased to that new value. However, the increase in book value can never exceed the net book value that the fixed asset would have had if no impairment had occurred.

→ 2.3 Business combinations and goodwill

Business combinations are accounted for using the purchase method. This requires the recognition at market value of the identifiable assets (including intangible assets previously not recognized) and identifiable liabilities (including contingent liabilities but excluding future restructuring) of the entity acquired. Transaction costs are recognized as soon as they are incurred.
Goodwill acquired in a business combination, which in the separate financial statements is incorporated into the value of the investment acquired, is calculated as the excess of the total consideration transferred, minority interests in net equity and the fair value of any previously held interest in the company over the acquisition-date fair value of the net assets acquired and the liabilities assumed. If the acquisition-date fair value of the net assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, minority interests in net equity and the fair value of any previously held interest in the acquiree, the excess is recognized

immediately as income arising from the transaction.
Minority interests in net equity, as of the acquisition date, can be measured at fair value or as a pro-quota proportion of the value of the net assets recognized for the acquiree. This choice is made on a case-by-case basis.
Any contingent consideration provided for in the acquisition agreement is measured at its acquisition-date fair value, and included in the value of the consideration transferred in the business combination for the purpose of determining goodwill. Subsequent changes in fair value that qualify as adjustments arising during the measurement period are included in goodwill retrospectively. Such changes are those caused by additional information, obtained during the measurement period (not to exceed one year from the business combination), regarding facts and circumstances that existed on the acquisition date.
In the case of business combinations achieved in stages, the interest previously held by the Group is remeasured at fair value as of the date control is acquired, and any resulting gain or loss is recognized in the income statement. Any amounts deriving from the previously held interest and reported in other comprehensive income or losses are reclassified to profit or loss as if the interest had been sold.
If the initial values of a business combination are incomplete at the end of the financial period in which it occurred, in the consolidated financial statements the Group uses provisional amounts for those elements that cannot be measured in full. The provisional amounts are adjusted during the measurement period to take account of new information on facts and circumstances existing on the acquisition date which, if known, would have affected the acquisition-date value of the assets and liabilities recognized.
Business combinations occurring before 1 January 2010 are reported according to the previous version of IFRS 3.
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the acquirer's individual cash generating units or to the groups of cash generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than a segment based on either the primary or secondary reporting format determined in accordance with IFRS 8 - Segment Reporting;
- when goodwill is part of a cash generating unit or group of cash generating units and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill transferred under these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

If the disposal concerns a subsidiary, the difference between the sale price and net assets plus accumulated translation differences and goodwill is recognized in profit or loss.
After first-time recognition, goodwill is decreased by accumulated impairment losses, determined as described below.
The recoverable amount of goodwill is determined each year, or more frequently in the case of events or changes in circumstances that may indicate impairment. Impairment is identified through tests based on the ability of each cash generating unit to produce cash flows suitable for recovering the portion of goodwill that has been allocated to it, following the procedures specified in the section on property, plant and equipment. If the amount recoverable by the cash generating unit is lower than the carrying value attributed, then an impairment loss is recognized. Impairment losses on goodwill cannot be reversed in subsequent years. The Company tests goodwill for impairment at 31 December of each year.

→ 2.4 Investment property and assets under construction

Investment property is real estate held in order to earn rent while appreciating in value over time.
Investment property is initially recognized at cost, including transaction expenses (as well as borrowing costs, where applicable), and is subsequently measured at fair value with changes reported in the income statement.
Any work on the properties is added to their carrying value only if it is likely to produce future economic benefits and if the cost can be reliably determined. Other maintenance and repair costs are recognized in the income statement when incurred.
The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this expenditure.
The market value of properties includes the value of their plant and machinery, as well as goodwill acquired.
Investment property is derecognized on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses from the withdrawal or disposal of investment property are recognized to profit or loss in the period in which the withdrawal or disposal takes place.
Assets under construction, consisting of deposits and advance payments, are valued at cost. For land and accessory works on which investment property will be developed, once the building permits are obtained and/or the urban planning agreements signed, and once the procedure for obtaining administrative permits is completed and construction is underway, fair value can be reliably determined and the fair value method is therefore used. Until that time, the asset is recognized at cost, which is compared with recoverable amount at each reporting date in order to determine any loss in value. When construction or development of an investment property is completed, it is restated to "investment property".

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of investment property in accordance with IFRS 13 must reflect, among other things, rental income from current leases and other reasonable and supportable assumptions that market participants would use when pricing the asset under current market conditions.
As stated in paragraph 27 of IFRS 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest

and best use.
The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- a use that is physically possible takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property);
- a use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property);
- a use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

Highest and best use is determined from the perspective of market participants. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximize the value of the asset.
According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.
The specific valuation policies used, as certified in the appraisal report, were as follows:

- For malls, the City Center Project and offices: discounted cash flow projections based on net rental income for the next *n* years. According to this method, at the end of the given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate of return for similar investments.
- For hypermarkets and supermarkets: discounted cash flow projections based on net rental income for the next *n* years. According to this method, at the end of the given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate of return for similar investments.
- For other properties: income method (DCF).
- For construction in progress (extensions and new constructions), the transformation method was used, based on the discounting of future rental income for the property net of construction costs and other expenses.

The above methods were applied individually to each property, according to their specific features.

→ 2.5 IAS 23 - Borrowing costs

Borrowing costs directly attributable to the purchase and construction of investment property relating to both new constructions and extensions, are added to the carrying value of the property in question. Interest is capitalized provided that the augmented carrying amount of the asset does *not* increase *beyond market value.*

→ 2.6 Plant, machinery and equipment

Plant, machinery and equipment that are owned by IGD and are not attributable to investment property are recognized at cost, less commercial discounts and rebates, considering directly attributable expenses as well as an initial estimate of the cost of dismantling and removing the asset and restoring the site where it was located. Costs incurred after purchase are capitalized only if they increase the future economic benefits expected of the asset. All other costs (including financial expenses directly attributable to the purchase, construction or production of the asset) are recognized to profit or loss when incurred. The capitalized charge is recognized to profit and loss throughout the useful life of the tangible asset by means of depreciation. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, as follows:

CATEGORY	RATE
Wiring, sprinkler system, compressed air	10 %
HVAC system	15 %
Fittings	20 %
Plant management computer	20 %
Special communication systems – telephone	25 %
Special plant	25 %
Alarm/security system	30 %
Sundry equipment	15 %
Office furnishings	12 %
Cash registers and EDP machines	20 %
Personal computers and accessories	40 %

An asset is subject to impairment testing whenever events or changes in circumstances indicate that its carrying value cannot be fully recovered. If the carrying value exceeds the recoverable amount, the asset is written down to reflect the impairment. An asset's recoverable value is the higher of its net sale value or value in use.
In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate sufficiently independent cash flows, the value is determined in relation to the cash generating unit to which the asset belongs. Impairment is charged to the income statement as depreciation. Impairment is reversed if the reasons cease to apply.
When an asset is sold or when its use is no longer expected to produce future economic benefits, it is derecognized and any loss or gain (calculated as the difference between the sale value and carrying value) is taken to profit or loss the year the asset is eliminated.

→ 2.7 Leasing

Goods held under finance leases, in which the Company assumes all of the risks and benefits of ownership, are capitalized from the inception of the lease at the fair value of the leased good or, if lower, at the present value of the minimum lease payments, including the price of the redemption option.
The liability is recognized under financial payables. Leasing installments are divided into principal and interest so as to obtain a constant interest rate applicable to the remaining principal due. The financial charges are recognized to profit and loss.
Leased investment property is recognized at market value, on the same basis as investment property owned by IGD.

→ 2.8 Equity investments

Equity investments in subsidiaries and associates are recognized at cost less any impairment. The positive difference, at the time of the acquisition, between the purchase cost and IGD's share of net equity at present values is therefore included in the carrying value of the investment.
Should IGD's share of the acquiree's losses exceed the carrying value of the investment, the investment is written off, and the Company's share of further losses is recognized as a liability provision if IGD is liable for this.

→ 2.9 Other non-current assets

Other non-current assets consist of deferred tax assets, financial assets relating to derivatives, and miscellaneous. Receivables and other financial assets other than derivatives, to be held until maturity, are recognized at cost which corresponds to the fair value of the initial consideration paid plus transaction costs. The initial value recognized is subsequently adjusted to take account of the reimbursement of principal, any impairment losses, and amortization of the difference between the redemption value and the initial carrying value. Amortization is charged at the effective interest rate, corresponding to the rate which, upon first-time recognition, makes the present value of projected cash flows equal to the initial carrying amount (amortized cost method).

→ 2.10 Trade and other receivables

Receivables are shown at fair value, which coincides with their face value less any impairment. For trade receivables, an impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the Company will not be able to recover all amounts due under the original terms and conditions. The carrying amount of the receivable is reduced by means of a separate provision. Impaired receivables are written off when they are found to be irrecoverable.

→ 2.11 Cash and cash equivalents

Cash and cash equivalents are recognized, depending on their nature, at face value or amortized cost.
Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with an original maturity of no more than three months.

→ 2.12 Financial receivables and other current financial assets

These consist mainly of financial assets held to maturity. This category includes financial assets with fixed or determinate payments and a set maturity, that the company plans and is able to hold until that time. They are initially valued at cost, and subsequently at amortized cost.

→ 2.13 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. Any gains or losses generated by their subsequent sale are recognized in equity.

→ 2.14 Financial liabilities

Financial liabilities consist of borrowings, trade payables and other payables.
They are initially recognized at fair value plus transaction costs; subsequently, they are carried at amortized cost which corresponds to their initial value, net of principal reimbursed, and adjusted upward or downward for the amortization of any differences between initial value and value at maturity (using the effective interest method).

→ 2.15 General provisions

General provisions cover liabilities of a definite nature that are certain or likely to arise, but whose amount or timing were unknown at the close of the year. Provisions are recognized when they cover a present obligation (legal or constructive) that stems from a past event, if settlement of the obligation will likely involve an outflow in an amount that can be reliably estimated.
The provision covers the best estimate of the amount the company would pay to settle the obligation or transfer it to third parties at the close of the financial period. If the effect is significant, provisions are determined by discounting projected cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When cash flows are discounted, the increase in the provision due to the passing of time is recorded as a financial charge.

→ 2.16 Employee benefits

Employee termination indemnities, which are mandatory for Italian companies pursuant to Law 297/1982 (*trattamento di fine rapporto* or TFR), qualify as defined benefit plans and are based, among other factors, on employees' working lives and on the compensation they receive during a pre-determined period of service. The liability for a defined benefit plan, net of any assets servicing the plan, is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the amount of service required to receive the benefits; the liability is valued by independent actuaries. Gains and losses arising from the actuarial calculation are taken to the statement of comprehensive income under "other comprehensive income". The Company does not offer compensation in the form of share-based payments, as employees do not render services in exchange for shares or options on shares. In addition, the Company does not offer employee incentive plans in the form of share participation instruments.

→ 2.17 Revenue

Revenue is recognized to the extent the Company is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the market value of the consideration received, excluding discounts, rebates and taxes. The following recognition criteria must always be satisfied before revenue is posted to the income statement.
- Rent and business lease revenue
Rental income and business lease revenue from the Company's freehold and leasehold properties is recorded on an accruals basis, according to the rental and leasing contracts in force.
- Service income
Service income is recorded with reference to the state of completion of the transaction and only when the outcome of the service can be reliably estimated.

→ 2.18 Interest

Interest income and expense is recorded on an accruals basis with reference to the net value of the financial assets and liabilities concerned, using the effective interest rate.

→ 2.19 Dividends

Dividends are recognized when the Company is entitled to their receipt.

→ 2.20 Income taxes

a) Current taxes
Current tax liabilities for the present and previous years are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date.
Other taxes not related to income, such as those on property and capital, are booked to operating expenses.

b) Deferred taxes
Deferred taxes are calculated on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences, except when they derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
The carrying value of a deferred tax asset is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on current tax rates and those in effect or substantively in effect by the balance sheet date, and considering the manner in which the temporary differences are expected to reverse.
Income taxes relating to items that are credited or charged directly to equity are also charged or credited directly to equity and not to profit or loss.

→ 2.21 Derecognition of financial assets and financial liabilities

a) Financial assets
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Company still has the right to receive cash flows from the asset, but has a contractual obligation to pay these immediately and in full to a third party;
- the Company has transferred the right to receive cash flows from the asset and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company has transferred the right to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, then the asset is recognized to the extent of the Company's continuing involvement. Continuing involvement, which takes the form of a guarantee on the transferred asset, is recognized at the lower of the initial carrying value of the asset and the maximum amount that IGD could be required to pay.

b) Financial liabilities

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged.
Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

→ 2.22 Derivative financial instruments

The Company holds derivative financial instruments for the purpose of hedging its exposure to the risk of interest rate changes affecting specific recognized liabilities.
In accordance with IAS 39, derivative financial instruments used for hedging qualify for hedge accounting only if:

a) at the inception of the hedge there is formal designation and documentation of the hedging relationship;
b) the hedge is expected to be highly effective;
c) the effectiveness of the hedge can be reliably measured;
d) the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivative financial instruments are measured at fair value. When the financial instruments qualify for hedge accounting, the following rules apply:
Fair value hedge - If a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or liability attributable to a particular risk, the gain or loss arising from subsequent fair value accounting of the hedge is recognized in profit or loss. The part of the gain or loss from remeasuring the hedged item at fair value that is attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.
Cash flow hedge - If a financial instrument is designated as a hedge against exposure to variations in the cash flows of a recognized asset or liability or a forecast transaction that is highly probable, the effective portion of the gain or loss from remeasuring the instrument at fair value is recognized in a separate equity reserve. The cumulative gain or loss is reversed from the equity reserve and transferred to profit or loss the same year that the effects of the hedged transaction are recognized in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. If a hedging instrument is closed but the hedged transaction has not yet taken place, the cumulative gains and losses remain in the equity reserve and are restated to profit or loss when the transaction is realized or when a loss in value occurs. If the transaction is no longer expected to occur, the unrealized gains or losses still recognized in the equity reserve are immediately reclassified to profit or loss.
If hedge accounting does not apply, the gains or losses arising from measurement at fair value of the derivative financial instrument are recognized directly to profit or loss.

→ 2.23 SIIQ status

A company with SIIQ (Società di Investimento Immobiliare Quotata) status, applicable to IGD since 1 January 2008, can exclude rental income and the equivalent for the purposes of IRES (corporate income tax) and IRAP (regional business tax) (see also section 2.8 of the Directors' report).
At 31 December 2017, as at the end of previous years, IGD satisfied both the "asset test" and the "profit test" required to retain SIIQ status.
In accordance with the SIIQ rules, the company does maintain marginal operations other than property rental and the equivalent ("taxable operations").
Therefore, income from taxable operations has been subject to the standard rules of computation, while the SIIQ rules have been followed for income from exempt operations.
To determine the results of separate operations, subject to different accounting and tax treatment in accordance with paragraph 121 of Law 296/06, IGD SIIQ S.p.A. has kept separate accounts for exempt rental operations and taxable marginal operations.
Income from exempt operations therefore include revenue and costs typical of the property rental business, as well as those typical of operations considered to be equivalent.
Likewise, revenue and costs stemming from the company's remaining activities have been allocated to taxable operations.
Due to changes to the SIIQ rules introduced by Law 164 of 11 November 2014 *("Conversion into law, with amendments, of Decree 133 of 12 September 2014")*, **capital gains and losses** on **rental properties** (whether realized or implicit in fair value measurements) are also included in exempt operations.
In accordance with paragraph 121 of Law 296/06 and with the clarifications contained in Revenue Office Circular 8/E of 7 February 2008, general, administrative and financial costs that cannot be directly attributed to exempt or taxable operations or allocated on the basis of objective parameters have been split according to the ratio of exempt revenue/income/dividends to total revenue/income/dividends.
As for properties (owned or held on the basis of other corporeal rights) forming part of rental package deals, the accurate and objective determination of the portion of fees pertaining to the real estate component has been ensured by making the exempt/taxable allocation on the basis of an expert appraisal to quantify the fair value of fees at each property that pertain to rent.
Likewise, the costs common to package deals as a whole (such as shopping center promotion and advertising costs) have been allocated to exempt and taxable operations in the same proportions used for rent. In this specific case, such a policy was thought to be more reliable and objective than an allocation based on the company's total revenue. Since these costs relate directly to the package deals and not to IGD's operations as a whole, their correlation with contractual fees is immediate and objective.

The tables below show the breakdown of profit into exempt and taxable income, as well as the calculations made to verify satisfaction of the asset test and profit test of the property rental and equivalent businesses (also see Section 2.8 of the Directors' Report):

INCOME STATEMENT OF TAXABLE AND EXEMPT INCOME (amounts in Euro)	31/12/2017 TOTAL	31/12/2017 EXEMPT INCOME	31/12/2017 TAXABLE INCOME
Total revenues and operating income	**112,599,302**	**104,538,890**	**8,060,412**
Total operating costs	**26,832,053**	**22,385,234**	**4,446,819**
(Amortization and provisions)	(1,558,052)	(1,347,513)	(210,539)
(Impairment losses)/Reversals on work in progress	(23,498)	(23,498)	0
Fair value changes - increases/(decreases)	34,252,378	34,252,378	0
EBIT	**118,438,077**	**115,035,023**	**3,403,054**
Investment management results	**(45,961)**	**0**	**(45,961)**
Financial income	192,497	6,033	186,464
Financial charges	33,049,588	31,186,466	1,863,122
Financial management result	**(32,857,091)**	**(31,180,433)**	**(1,676,658)**
PRE-TAX PROFIT	**85,535,025**	**83,854,590**	**1,680,435**
Income taxes for the period	166,886		166,886
NET PROFIT FOR THE PERIOD	**85,368,139**	**83,854,590**	**1,513,549**

CONFIRMATION OF THE ECONOMIC CONDITIONS	31/12/2017
Rental and equivalent income (exempt income) (A)	104,538,890
Positive components (B)	112,795,837
Income ratio (A/B)	**92.68%**

CONFIRMATION OF FINANCIAL CONDITIONS		31/12/2017
Rental properties		1,829,951,389
Properties under construction		29,076,179
Total rental properties, properties under construction and investments in SIINQ	A	**1,859,027,568**
TOTAL ASSETS	B	**2,165,082,919**
Elements excluded from the ratio	C	**(116,788,240)**
Cash and cash equivalents		(1,460,490)
Group companies loans		(90,529,742)
Trade receivables		(8,662,270)
IGD SIIQ Headquarters		(8,130,978)
Derivative assets		0
Deferred tax assets		(5,992,107)
Tax credit		(2,012,653)
Total adjusted assets B - C = D	D	**2,048,294,679**
FINANCIAL RATIO A/D		**90.76%**

3. Use of estimates

The preparation of the separate financial statements and notes in accordance with IFRS requires Management to follow accounting policies and methods that in some cases depend on difficult subjective quantifications and estimates based on past experience, and assumptions that are considered reasonable and realistic on a case-by-case basis. These affect the carrying values of assets and liabilities and disclosures of contingent assets and liabilities as of the reporting date. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss. Because assumptions about future performance are highly uncertain, actual results may differ from those forecast, and may require sizable adjustments that cannot presently be foreseen or estimated.

The critical valuation processes and key assumptions used by management in the process of applying IFRS that may significantly impact the amounts presented in the financial statements or that may in the future lead to material differences with respect to the carrying amount of assets and liabilities are summarized below.

→ Investment property

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

segment, and (iii) reputability and independence. The selection of the independent appraisers is by resolution of the Board of Directors. In line with recommendations from the supervisory authorities and the various industry best practices, the company has long followed a specific procedure that governs the selection rules for independent appraisers and the handling of information flows used in the process of assessing the properties' fair value.
To appraise the real estate portfolio at 31 December 2017, the following independent firms were selected: (i) CBRE Valuation S.p.A., (ii) Duff&Phelps Reag S.p.A. (formerly Real Estate Advisory Group S.p.A.), (iii) Cushman & Wakefield LLP and (iv) Jones Lang LaSalle S.p.A. Given their specialized expertise in the retail segment, IGD believes that the findings and assumptions used by the independent appraisers are representative of the market.
The properties in the portfolio are appraised individually, using for each one the appraisal techniques specified below in accordance with IFRS 13.

According to IFRS 13, an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value is measured on the basis of observable transactions in an active market, and is adjusted, if necessary, to take account of the specific characteristics of the individual real estate investment. If that information is not available, to determine the fair value of an investment property, the company uses the discounted cash flow method (over a variable period of time depending on the duration of outstanding leases) relating to the future net rental income from the property. At the end of that period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate of return for similar investments.

The appraisal methods used, as specified in the individual certificates, are as follows:

- for malls and retail parks, the City Center Project, offices, hypermarkets and supermarkets: discounted cash flow (DCF) method based on net rental income for the next n years. According to this method, at the end of the given period it is assumed that the property will be sold at a value obtained by capitalizing the final year's net rental income at an applicable market rate of return for similar investments;
- for construction in progress (extensions and new constructions): transformation method, based on the discounting of future rental income for the property net of construction costs through to completion and other expenses.

With the DCF method, the market value of an investment property is the sum of the present values of the net cash flows it will generate for a number of years depending on the duration of the outstanding contracts. During the period, when the contracts expire, the rent used to compute revenue is replaced with the estimated rental value (ERV) determined by the appraiser, taking account of the contractual rent received, so that in the final year of the DCF revenue consists entirely of ERV. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.
With the transformation method, the market value of a property in the planning or construction phase is calculated by discounting the future income from renting the property, net of construction and other costs to be incurred, for a number of years depending on the duration of plans. At the end of the period it is assumed that the property will be sold at a value obtained by capitalizing the final year's rental income at an applicable market rate (gross cap out rate) for similar investments.
In both methods based on the discounting of future income, the key elements are:

1) the amount of net cash flow:
   a. for finished properties: rent received less property costs,
   b. for construction in progress: estimated future rent less construction costs and property costs.
2) the distribution of cash flows over time:
   a. for finished properties: generally even distribution over time
   b. for construction in progress: construction costs come before future rental income,
3) the discount rate,
4) the gross cap out rate.

In appraising the different types of properties in the real estate portfolio, the independent experts base their considerations primarily on:

1. information received from IGD SIIQ, as follows:
   (i) for finished properties: data on the rental status of each unit in each shopping center, as specified in the Company's internal procedure; property taxes; insurance and operating costs for the shopping centers; and any likely incremental costs;
   (ii) for construction in progress: the start and end dates of the work, the status of building permits and authorizations, remaining costs, the state of progress, the ribbon-cutting date and projected rentals.
2. assumptions used by the independent appraisers, such as inflation, discount rates, cap out rates and ERVs, determined through their own professional judgment upon careful observation of the market. The following are taken into account when determining the capitalization and discounting rates used to value individual properties:
   - the type of tenant currently occupying the property or responsible for complying with rental obligations and the possible future occupants of vacant properties, as well as the market's general perception of their creditworthiness;
   - the division of responsibilities for insurance and maintenance between the lessor and the lessee;
   - the remaining economic life of the property.

The information provided by IGD to the independent appraisers and the latters' assumptions and appraisal methods are approved by the head of Real Estate Development and Management, who is responsible for organizing and coordinating the appraisal and for monitoring and verifying results before they are incorporated into the financial statements. The entire process is governed in detail by IGD SIIQ's internal procedure.
Disclosures on the fair value hierarchy are provided below in accordance with IFRS 13. The fair value hierarchy classifies into three levels the inputs to valuation techniques used to

measure fair value. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). More specifically:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
  - (a) quoted prices for similar assets or liabilities in active markets;
  - (b) quoted prices for identical or similar assets or liabilities in markets that are not active;
  - (c) inputs other than quoted prices that are observable for the asset or liability, for example:
    - (i) interest rates and yield curves observable at commonly quoted intervals;
    - (ii) implied volatilities; and
    - (iii) credit spreads;
  - (d) market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability.

IGD's real estate portfolio has been measured according to Level 3 fair value models as the inputs directly and indirectly unobservable in the market, used in the valuation models, are greater than the observable inputs.
The following table shows IGD SIIQ investment property by type, measured at fair value at 31 December 2017. It does not include construction in progress (Porto Grande expansion, listed with assets under construction), which is measured at the lower of cost and appraised market value as opposed to fair value.

→ Recoverable amount of goodwill

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

→ Recoverability of deferred tax assets

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

→ Fair value of derivative instruments

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

FAIR VALUE MEASUREMENTS AT 31/12/2017 (amounts in Euro)	QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES (LEVEL 1)	SIGNIFICANT INPUTS OBSERVABLE IN THE MARKET (LEVEL 2)	SIGNIFICANT INPUTS NOT OBSERVABLE IN THE MARKET (LEVEL 3)
Investment property Italy:			
Italian shopping malls			1,176,156,914
Hypermarkets and supermarkets			647,196,685
Residual portions of property			6,597,791
Total investment property Italy			**1,829,951,389**
Total development initiatives			**0**
Total IGD investment property measured at fair value			**1,829,951,389**

See chapter 4, section 3 ("Use of estimates") for further information.

→ Variable revenue

Variable revenue at 31 December is determined on the basis of annual earnings reports from the individual tenants, if available, and otherwise on the basis of monthly reports.

→ Provision for doubtful accounts

The provision for doubtful accounts reflects estimated losses on receivables. Management closely monitors the quality of the receivables portfolio and the current and prospective conditions of the economy and IGD's markets. Estimates and assumptions are reviewed on a regular basis and any changes are reflected in the income statement of the pertinent year.

→ Contingent liabilities

The Company recognizes a liability for pending disputes and legal actions when it believes that a financial outlay is likely and when the amount of the resulting losses can be reasonably estimated. If a financial outlay becomes possible but its amount cannot be determined, this is reported in the notes to the financial statements. The Company is involved in lawsuits and tax disputes concerning difficult, complex issues that present varying degrees of uncertainty, including with regard to the facts and circumstances of each case, matters of jurisdiction, and different applicable laws. Therefore, it is difficult to reach an accurate prediction of any outlays resulting from these disputes, and the provisions set aside for such matters may vary according to future developments.
The Company monitors the status of such litigation and consults with its attorneys and with experts in law and taxation.

4. Segment reporting

The income statement and statement of financial position are broken down below by business segment, in accordance with IFRS 8.

INCOME STATEMENT	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
	CORE BUSINESS PROPERTIES		SERVICES		SHARED		TOTAL	
Revenue and other income	**111,579,300**	**74,803,975**	**1,020,002**	**2,049,632**	**0**	**0**	**112,599,302**	**76,853,607**
Direct costs (a) (excluding provision for doubtful accounts)	16,602,247	12,587,223	131,980	251,133	0	0	16,734,227	12,838,356
G&A expenses (b)					10,097,826	9,494,359	10,097,826	9,494,359
Total operating costs (a)+(b)	**16,602,247**	**12,587,223**	**131,980**	**251,133**	**10,097,826**	**9,494,359**	**26,832,053**	**22,332,715**
(Depreciation, amortization and provisions)	(1,300,644)	(996,221)	0	0	(257,408)	(263,179)	(1,558,052)	(1,259,400)
(Impairment losses)/reversals on work in progress and inventory	(23,498)	(127,158)	0	0	0	0	(23,498)	(127,158)
Fair value changes	34,252,378	9,485,445	0	0	0	0	34,252,378	9,485,445
Total depreciation, amortization, provisions, impairment and fair value changes	**32,928,236**	**8,362,066**	0	0	**(257,408)**	**(263,179)**	**32,670,828**	**8,098,887**
EBIT	**127,905,289**	**70,578,818**	**888,022**	**1,798,499**	**(10,355,234)**	**(9,757,538)**	**118,438,077**	**62,619,779**
Income/(loss) from equity investments and property sales					**(45,961)**	**8,729,237**	**(45,961)**	**8,729,237**
Financial income:					**192,497**	**422,387**	**192,497**	**422,387**
- third parties					33,423	193,218	33,423	193,218
- related parties					159,074	229,169	159,074	229,169
Financial charges:					**33,049,588**	**29,390,308**	**33,049,588**	**29,390,308**
- third parties					33,035,281	29,346,638	33,035,281	29,346,638
- related parties					14,307	43,670	14,307	43,670
Net financial income (charges)					**(32,857,091)**	**(28,967,921)**	**(32,857,091)**	(28,967,921)
PRE-TAX PROFIT	**127,905,289**	**70,578,818**	**888,022**	**1,798,499**	**(43,258,286)**	**(29,996,222)**	**85,535,025**	**42,381,095**
Income taxes					166,886	152,408	166,886	152,408
NET PROFIT	**127,905,289**	**70,578,818**	**888,022**	**1,798,499**	**(43,425,172)**	**(30,148,630)**	**85,368,139**	**42,228,687**

BALANCE SHEET	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
	CORE BUSINESS PROPERTIES		SHARED		TOTAL	
- Investment property	1,829,951,389	1,239,357,298	0	0	1,829,951,389	1,239,357,298
- Assets under construction	29,076,179	59,633,405	0	0	29,076,179	59,633,405
Intangible assets	1,300,000	1,300,001	22,512	33,060	1,322,512	1,333,061
Other property, plant and equipment	364,934	388,936	8,130,978	8,374,484	8,495,912	8,763,421
- Sundry receivables and other non-current assets	0	0	50,029	20,424	50,029	20,424
- Equity investments	186,411,949	517,967,126	34,129	83,974	186,446,078	518,051,100
NWC	(8,644,473)	2,332,890	0	0	(8,644,473)	2,332,890
Funds	(6,543,836)	(5,989,508)	0	0	(6,543,836)	(5,989,508)
Non-current payables and other liabilities	(14,814,997)	(9,907,408)	0	0	(14,814,997)	(9,907,408)
Net deferred tax (assets)/liabilities	5,992,107	7,534,352	0	0	5,992,107	7,534,352
Total use of funds	**2,023,093,252**	**1,812,617,093**	**8,237,648**	**8,511,942**	**2,031,330,900**	**1,821,129,035**
Total net equity	1,122,816,615	1,026,357,002	0	0	1,122,816,615	1,026,357,002
Net derivative (assets)/liabilities	20,362,400	27,062,806	0	0	20,362,400	27,062,806
Net financial position	879,914,237	759,197,285	8,237,648	8,511,942	888,151,885	767,709,227
Total sources	**2,023,093,252**	**1,812,617,093**	**8,237,648**	**8,511,942**	**2,031,330,900**	**1,821,129,035**

5. Merger disclosures

On 1 April 2017, the wholly-owned subsidiaries IGD Property SIINQ S.p.A. and Punta di Ferro SIINQ S.p.A. were absorbed by IGD SIIQ with effect for tax and accounting purposes from 1 January 2017.
In order to clearly represent the accounting effects of the merger, the following tables show the income statements and the statements of financial position of the companies involved, in side-by-side columns as follows:
a) 2016 financial statements of IGD SIIQ S.p.A.
b) 2016 financial statements of the former subsidiaries
c) merger adjustments
d) figures for IGD SIIQ S.p.A. as a result of the merger.

INCOME STATEMENT (in €/000)	IGD SIIQ S.P.A.	IGD PROPERTY SIINQ S.P.A.	PUNTA DI FERRO SIINQ S.P.A.	MERGER ADJUSTMENTS	IGD SIIQ S.P.A. POST-MERGER
	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016
Revenue:	**74,803,975**	**22,800,988**	**7,479,555**	**0**	**105,084,518**
- from third parties	40,585,385	12,232,643	7,469,555		60,287,584
- from related parties	34,218,590	10,568,345	10,000		44,796,935
Other income:	**2,049,632**	**12,892**	**20,827**	**(1,259,459)**	**823,892**
- from third parties	426,453	12,892	20,827		460,172
- from related parties	1,623,179	0	0	(1,259,459)	363,720
Revenue and other income	**76,853,607**	**22,813,880**	**7,500,382**	**(1,259,459)**	**105,908,410**
Service costs:	**11,552,761**	**1,681,837**	**642,148**	**(1,259,459)**	**12,617,287**
- third parties	9,847,638	515,283	260,265		10,623,186
- related parties	1,705,123	1,166,554	381,883	(1,259,459)	1,994,101
Payroll costs	**5,023,402**	**0**	**0**		**5,023,402**
Other operating expense	**5,756,552**	**1,956,077**	**342,258**		**8,054,887**
Total operating costs	**22,332,715**	**3,637,914**	**984,406**	**(1,259,459)**	**25,695,575**
(Depreciation, amortization and provisions)	(1,259,400)	(124,450)	(75,238)		(1,459,088)
(Impairment losses)/reversals on work in progress and inventory	(127,158)	0	0		(127,158)
Fair value changes	9,485,445	15,913,369	3,446,114		28,844,928
Total depreciation, amortization, impairment and fair value changes	**8,098,887**	**15,788,919**	**3,370,876**	**0**	**27,258,682**
Operating profit	**62,619,779**	**34,964,885**	**9,886,852**	**0**	**107,471,516**
Income/(loss) from equity investments and property sales	8,729,237	0	0	(8,738,581)	(9,344)
Income/(loss) from equity investments and property sales	**8,729,237**	**0**	**0**	**(8,738,581)**	**(9,344)**
Financial income	**422,387**	**5,894**	**33,263**	**(71,925)**	**389,619**
- third parties	193,218	4,188	22,868		220,274
- related parties	229,169	1,706	10,395	(71,925)	169,345
Financial charges	**29,390,308**	**8,941,579**	**36,280**	**(71,925)**	**38,296,241**
- third parties	29,346,638	8,873,523	36,280		38,256,441
- related parties	43,670	68,056	0	(71,925)	39,801
Net financial income (charges)	**(28,967,921)**	**(8,935,685)**	**(3,017)**	**0**	**(37,906,623)**
Pre-tax profit	**42,381,095**	**26,029,200**	**9,883,835**	**(8,738,581)**	**69,555,549**
Taxes	152,408	117,760	(40,631)		229,537
Net profit	**42,228,687**	**25,911,440**	**9,924,466**	**(8,738,581)**	**69,326,011**

BALANCE SHEET (in €/000)	IGD SIIQ S.P.A.	IGD PROPERTY SIINQ S.P.A.	PUNTA DI FERRO SIINQ S.P.A.	MERGER ADJUSTMENTS	ALLOCATION OF MERGER SURPLUS	IGD SIIQ S.P.A. POST-MERGER
	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2016
Non-current assets:						
Intangible assets						
- Intangible assets with finite useful lives	33,060	2,453	0			35,513
- Goodwill	1,300,000	0	0			1,300,000
	1,333,060	**2,453**	**0**	**0**	**0**	**1,335,513**
Property, plant, and equipment						
- Investment property	1,239,357,298	363,914,888	128,500,000			1,731,772,186
- Buildings	8,374,484	0	0			8,374,484
- Plant and machinery	37,000	0	0			37,000
- Equipment and other assets	340,874	20,449	0			361,323
- Leasehold improvements	11,062	0	0			11,062
- Assets under construction	59,633,405	53,891	0			59,687,296
	1,307,754,123	**363,989,228**	**128,500,000**	**0**	**0**	**1,800,243,350**
Other non-current assets						
- Deferred tax assets	7,534,352	1,242	71,517			7,607,111
- Sundry receivables and other non-current assets	20,424	5,000	24,500			49,924
- Equity investments	518,051,100	155	6,234	(331,616,411)		186,441,078
- Non-current financial assets	100,000	0	0			100,000
	525,705,876	**6,397**	**102,251**	**(331,616,411)**	**0**	**194,198,113**
Total non-current assets (A)	**1,834,793,059**	**363,998,078**	**128,602,251**	**(331,616,411)**	**0**	**1,995,776,976**
Current assets:						
Trade and other receivables	5,712,278	1,098,596	456,406			7,267,279
Related party trade and other receivables	871,265	837	6,100	(116,533)		761,669
Other current assets	12,183,707	52,973	84,517			12,321,198
Related party other current assets	208,648	0	24,309	(127,115)		105,842
Financial receivables and other current financial assets with related parties	187,018,210	0	17,688,361	(143,465,043)		61,241,528
Cash and cash equivalents	1,125,370	222,507	195,326			1,543,204
Total current assets (B)	**207,119,478**	**1,374,913**	**18,455,019**	**(143,708,691)**	**0**	**83,240,720**
Total assets (A + B)	**2,041,912,537**	**365,372,991**	**147,057,270**	**(475,325,102)**	**0**	**2,079,017,696**
Net equity:						
Share capital	599,760,278	50,000,000	87,202,912	(137,202,912)		599,760,278
Share premium reserve	29,971,151	142,167,074	0	(142,167,074)		29,971,151
Other reserves	121,874,062	10,000,000	7,740,134	(17,740,134)		121,874,062
Restricted fair value reserve	232,522,451	5,977,464	31,075,360	(37,052,825)	23,421,600	255,944,051
Merger surplus				42,383,357	(41,826,180)	557,177
Retained earnings	42,229,060	25,688,410	14,148,414	(39,836,824)	18,404,580	60,633,640
Total net equity (C)	**1,026,357,002**	**233,832,948**	**140,166,820**	**(331,616,411)**	**0**	**1,068,740,359**
Non-current liabilities:						
Derivative liabilities	27,062,806	0	0			27,062,806
Non-current financial liabilities	824,946,282	0	0			824,946,282
Provision for employee severance indemnities	1,563,146	0	0			1,563,146
General provisions	4,426,362	0	198,440			4,624,802
Sundry payables and other non-current liabilities	84,442	5,000	4,326,147			4,415,589
Related party sundry payables and other non-current liabilities	9,822,965	4,125,751	0			13,948,716
Total non-current liabilities (D)	**867,906,003**	**4,130,751**	**4,524,587**	**0**	**0**	**876,561,341**
Current liabilities:						
Current financial liabilities	112,835,598	0	0			112,835,598
Related party current financial liabilities	18,170,927	125,776,682	0	(143,465,043)		482,566
Trade and other payables	10,363,410	636,997	62,120			11,062,528
Related party trade and other payables	1,366,358	11,879	144,760	(116,533)		1,406,463
Current tax liabilities	460,514	21,211	1,475,366			1,957,090
Other current liabilities	4,113,656	859,717	677,384			5,650,757
Related party other current liabilities	339,069	102,806	6,234	(127,115)		320,994
Total current liabilities (E)	**147,649,532**	**127,409,292**	**2,365,863**	**(143,708,691)**	**0**	**133,715,996**
Total liabilities (F = D + E)	**1,015,555,535**	**131,540,043**	**6,890,450**	**(143,708,691)**	**0**	**1,010,277,337**
Total net equity and liabilities (C + F)	**2,041,912,537**	**365,372,991**	**147,057,270**	**(475,325,102)**	**0**	**2,079,017,696**

The following figures show the calculation of the merger surplus produced by cancelling the equity investments and its allocation in IGD's financial statements, in keeping with the nature of the individual profit items that comprise it, considering both the mandatory allocation to the fair value reserve and the division between income from exempt operations and income from taxable operations.

IGD PROPERTY

Share capital	50,000,000
Share premium reserve	142,167,074
Legal reserve (formed with share premium reserve)	10,000,000
Net equity as of date formed	**202,167,074**
(Losses) carried forward for taxable operations in 2013 and 2012	-223,030
Fair value reserve	5,977,464
2016 profit from exempt operations to be allocated to fair value reserve	13,998,022
2016 residual profit carried forward from exempt operations	11,913,418
Total profits earned post-formation	**31,665,875**
Total net equity	**233,832,948**
Value of investment	**202,167,074**
Merger surplus allocated to:	**31,665,874**
Restricted fair value reserve	19,975,486
Profits carried forward	11,690,388

PUNTA DI FERRO

Share capital	87,202,912
Reserves pre-acquisition	42,803,602
Net equity as of acquisition date	**130,006,514**
2015 profit carried forward from taxable operations post-acquisition	235,840
2016 profit carried forward from taxable operations	351,738
2016 profit from exempt operations to be allocated to fair value reserve	3,446,114
2016 residual profit carried forward from exempt operations	6,126,614
Total profits earned post-acquisition	**10,160,306**
Total net equity	**140,166,820**
Value of investment	**129,449,337**
Merger surplus allocated to:	**10,717,483**
Merger surplus	557,177
Restricted fair value reserve	3,446,114
Retained earnings	6,714,192

Notes to the financial statements

As reported in the disclosures above, a merger took place in 2017 and had an impact on several financial statement items. The merger will be mentioned in these notes whenever doing so will clarify such items and improve year-to-year comparability. As a result of the merger, IGD SIIQ S.p.A. now owns the following properties: the mall at Punta di Ferro shopping center, the mall and hypermarket at Esp, Borgo and Casilino shopping centers, the mall at Katanè shopping center, the hypermarket at Lamé shopping center, and the stores at Aquileia and Miralfiore.

Note 1) Revenue

		31/12/2017	31/12/2016	CHANGE
Freehold hypermarkets - lease and business rents to related parties	**a.1**	**38,315,383**	**27,950,682**	**10,364,701**
Freehold supermarkets - lease and business rents to related parties	**a.2**	**1,703,257**	**1,699,203**	**4,054**
TOTAL HYPERMARKETS/SUPERMARKETS	**a**	**40,018,640**	**29,649,885**	**10,368,755**
Freehold malls, offices and city center	**b.1**	**65,657,062**	**40,360,839**	**25,296,223**
Rents		**7,632,491**	**6,262,210**	**1,370,281**
To related parties		4,104,756	4,125,400	(20,644)
To third parties		3,527,735	2,136,810	1,390,925
Business lease		**58,024,571**	**34,098,629**	**23,925,942**
To related parties		762,148	357,179	404,969
To third parties		57,262,423	33,741,450	23,520,973
Leasehold malls	**b.2**	**3,441,577**	**3,285,146**	**156,431**
Rents		**192,475**	**193,011**	**(536)**
To related parties		31,552	31,376	176
To third parties		160,923	161,635	(712)
Business lease		**3,249,102**	**3,092,135**	**156,967**
To related parties		46,502	50,250	(3,748)
To third parties		3,202,600	3,041,885	160,715
Other contracts and temporary rents revenues	**b.3**	**2,462,021**	**1,508,105**	**953,916**
Other contracts and temporary rents revenues		2,462,021	1,503,605	958,416
Related party other contracts and temporary rents revenues		0	4,500	(4,500)
TOTAL MALLS	**b**	**71,560,660**	**45,154,090**	**26,406,570**
GRAND TOTAL	**a+b**	**111,579,300**	**74,803,975**	**36,775,325**
of which related parties		44,963,598	34,218,590	10,745,008
of which third parties		66,615,702	40,585,385	26,030,317

Rent and business lease revenue increased since the previous year (+€36,775,325).
The merger increased both rent and business lease revenue due to the full-year contribution of the assets that in 2016 were managed by the merged companies. Another positive impact came from the full-year contribution of rent and business lease revenue from the mall at Maremà shopping center, opened in October 2016, and the opening on 1 June 2017 of the expanded Esp center which helped increase business lease income.

Note 2) Other income

	31/12/2017	31/12/2016	CHANGE
Various refunds	450	9,030	(8,580)
Contigent assets/liabilities	(804)	(4,214)	3,410
Portfolio management and rent management revenues	188,829	7,000	181,829
Pilotage and construction revenues	455,213	327,748	127,465
Other revenues	8,321	86,889	(78,568)
Other income from third parties	**652,009**	**426,453**	**225,556**
Related parties various refunds	41,148	50,839	(9,691)
Related parties pilotage and construction revenues	198	4,600	(4,402)
Related parties portfolio management and rent management revenues	35,647	35,740	(93)
Related parties administrative services	291,000	1,532,000	(1,241,000)
Other income from related parties	**367,993**	**1,623,179**	**(1,255,186)**
Other income	**1,020,002**	**2,049,632**	**(1,029,630)**

Other income decreased by €1,029,630, the net result of opposite-sign trends in its two components. Other income from third parties was up by €225,556, due essentially to an increase in facility management and pilotage revenue, most notably at the newly opened expansion of the Esp shopping center. Other income from related parties, on the other hand, decreased by €1,255,186 due mainly to the merger, which eliminated income for administrative services from the merged companies Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A.

Note 3) Service costs

	31/12/2017	31/12/2016	CHANGE
Third parties service costs	**10,596,014**	**9,847,638**	**748,376**
Rents and payable leases	3,468,814	3,468,740	74
Promotional and advertising expenses	406,552	497,452	(90,900)
Facility management costs due to vacant	697,656	841,804	(144,148)
Facility management costs due to cap on tenants' expenses	1,323,079	995,761	327,318
Insurances	567,385	425,924	141,461
Professional fees	123,891	106,549	17,342
Directors and statutory auditors fees	700,148	754,270	(54,122)
External auditing fees	159,951	104,291	55,660
Investor Relations, Consob, Monte Titoli fees	406,710	375,574	31,136
Pilotage and construction costs	369,400	198,200	171,200
Consulting	564,987	607,268	(42,281)
Fees for appraisals	313,000	274,900	38,100
Maintenance and repairs	347,407	192,036	155,371
Other service costs	1,147,034	1,004,869	142,165
Related parties service costs	**2,641,623**	**1,705,123**	**936,500**
Rents and payable leases	2,400	2,400	0
Promotional and advertising expenses	50,000	0	50,000
Service	306,236	295,592	10,644
Facility management costs due to vacant	647,846	521,987	125,859
Facility management costs due to cap on tenants' expenses	1,414,672	752,598	662,074
Insurances	68,161	33,046	35,115
Directors and statutory auditors fees	152,308	99,500	52,808
Service costs	**13,237,637**	**11,552,761**	**1,684,876**

Service costs rose by €1,684,876 for the year.
The largest increases concerned pilotage and shopping center management costs. Pilotage costs rose mainly in connection with the opening of the Esp expansion. The merger is the main reason for the increase in management costs, with

both third parties and related parties, as IGD SIIQ S.p.A. is now responsible for the cost of operating shopping centers managed by the merged companies in 2016. Rent paid refers mainly to the Fonti del Corallo mall in Livorno, rented since 2014 from BNP Paribas Real Estate Investment Management Italy SGR S.p.A., under a 24-year lease ending on 25 February 2038 (with an early withdrawal option at the halfway mark on 25 February 2026) that will automatically renew upon expiration for another six years (until 25 February 2044). Rent is set at €3,325,000 for six years and will then be adjusted by 100% of the ISTAT index.
The following table provides details of directors' and statutory auditors' fees for their work at the company. The fees indicated refer to compensation for 2017.

DIRECTORS AND STATUTORY AUDITORS	TITLE	DATES IN OFFICE IN 2017	END OF TERM	FEES
BOARD OF DIRECTORS				
Gilberto Coffari	Chairman	01/01/17-12/04/17		21,250
	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Elio Gasperoni	Chairman	19/04/17-31/12/17	2017 FY appr.	52,808
	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Fernando Pellegrini	Director	01/01/17-31/12/17	2017 FY appr.	16,500
	Vice Chairman	01/01/17-31/12/17	2017 FY appr.	50,000
Claudio Albertini	Director	01/01/17-31/12/17	2017 FY appr.	16,500
	Chief Executive Officer	01/01/17-31/12/17	2017 FY appr.	375,000
Leonardo Caporioni	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Aristide Canosani	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Andrea Parenti	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Elisabetta Gualandri	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Livia Salvini	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Milva Carletti	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Rossella Saoncella	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Matthew David Lentz	Director	01/01/17-14/06/17		7,460
Luca Dondi Dall'Orologio	Director	01/01/17-31/12/17	2017 FY appr.	16,500
Matteo Cidonio	Director	04/08/17-31/12/17	2017 FY appr.	6,781
BOARD OF STATUTORY AUDITORS				
Anna Maria Allievi	Chairman	01/01/17-31/12/17	2017 FY appr.	24,750
Roberto Chiusoli	Standing Auditor	01/01/17-31/12/17	2017 FY appr.	16,500
Pasquina Corsi	Standing Auditor	01/01/17-31/12/17	2017 FY appr.	16,500
CONTROL AND RISKS COMMITTEE				
Elisabetta Gualandri	Director (Chairman)	01/01/17-31/12/17	when no longer director	12,000
Livia Salvini	Director	01/01/17-31/12/17	when no longer director	8,000
Rossella Saoncella	Director	01/01/17-31/12/17	when no longer director	8,000
COMPLIANCE COMMITTEE				
Fabio Carpanelli	External (Chairman)	01/01/17-31/12/17	2017 FY appr.	12,000
Riccardo Sabadini	External	01/01/17-31/12/17	2017 FY appr.	8,000
Alessandra De Martino	External	01/01/17-31/12/17	2017 FY appr.	8,000
NOMINATIONS AND COMPENSATION COMMITTEE				
Andrea Parenti	Director (Chairman)	01/01/17-31/12/17	when no longer director	3,750
Milva Carletti	Director	01/01/17-31/12/17	when no longer director	3,750
Elisabetta Gualandri	Director	01/01/17-31/12/17	when no longer director	3,750
CHAIRMAN'S COMMITTEE				
Gilberto Coffari	Chairman	01/01/17-12/04/17		0
Elio Gasperoni	Director	01/01/17-19/04/17	when no longer director	0
	Chairman	19/04/17-31/12/17	when no longer director	0
Fernando Pellegrini	Vice Chairman	01/01/17-31/12/17	when no longer director	0
Claudio Albertini	Chief Executive Officer	01/01/17-31/12/17	when no longer director	0
RELATED PARTIES COMMITTEE				
Rossella Saoncella	Director (Chairman)	01/01/17-31/12/17	when no longer director	0
Andrea Parenti	Director	01/01/17-31/12/17	when no longer director	0
Matthew David Lentz	Director	01/01/17-14/06/17		
Matteo Cidonio	Director	04/08/17-31/12/17	when no longer director	0

For further details, see the Remuneration Report prepared in accordance with the law.

Note 4) Cost of labor

The cost of labor is detailed below:

	31/12/2017	31/12/2016	CHANGE
Wage and salaries	3,601,940	3,591,677	10,263
Social security	1,086,977	1,028,971	58,006
Severance pay	269,847	232,759	37,088
Other cost	214,441	169,995	44,446
Personnel cost	**5,173,205**	**5,023,402**	**149,803**

The slight increase in the cost of labor is due to the full-fledged impact of contractual adjustments. Severance pay includes contributions to supplementary funds in the amount of €73,223.
The workforce is broken down by category below:

DIVISION OF WORKFORCE BY CATEGORY	31/12/2017	31/12/2016
Executives	6	6
Middle managers	13	13
White Collars	53	51
TOTAL	**72**	**70**

Note 5) Other operating costs

	31/12/2017	31/12/2016	CHANGE
IMU/TASI property tax	7,503,549	5,066,431	2,437,118
Other taxes	104,082	65,685	38,397
Ordinary out-of-period (income)/charges	(7,863)	(12,475)	4,612
Contracts registration	311,176	226,935	84,241
Membership fees	139,103	126,460	12,643
Loss on receivables	52,238	32,184	20,054
Fuel and tolls	133,062	116,586	16,476
Other costs	185,864	134,746	51,118
Other operating costs	**8,421,211**	**5,756,552**	**2,664,659**

The increase in other operating costs is due essentially to the municipal tax on properties, which went up steeply as a result of the merger, as IGD now owns various properties previously held by the merged companies and is required to pay taxes on them.

Note 6) Depreciation, amortization, provisions and fair value changes

	31/12/2017	31/12/2016	CHANGE
Intangible assets amortization	(13,902)	(19,673)	5,771
Tangible assets amortization	(445,344)	(463,809)	18,465
Doubtful accounts	(765,521)	(581,643)	(183,878)
Other provisions	(333,285)	(194,275)	(139,010)
Total amortization and depreciation	**(1,558,052)**	**(1,259,400)**	**(298,652)**
(Impairment losses)/Reversals on assets under construction	**(23,498)**	**(127,158)**	**103,660**
Fair Value Change	**34,252,378**	**9,485,445**	**24,766,933**
Total amortization, provision, impairment and fair value change	**32,670,828**	**8,098,887**	**24,571,941**

- Depreciation and amortization decreased by €24,236 due to the conclusion of the depreciation and amortization process for software and equipment.
- The allocation to the provision for doubtful accounts, €765,521, was higher than the previous year's by €183,878 due chiefly to the merger, which required additional provisions reflecting the assessment of disputes with tenants at the shopping centers the merged companies had managed. The allocation was made by evaluating the individual positions of clients in order to adjust them to estimated realizable value. See Note 20 for changes in this provision.
- Other provisions refer to the estimated outcome of three IMU (municipal property tax) disputes regarding Le Maioliche (Faenza), La Torre (Palermo) and Esp (Ravenna) shopping centers.
- "Impairment losses/(reversals) on work in progress" (-€23,498; see Note 15) concern the impairment loss on the Porto Grande expansion, listed under assets under construction and carried at the lower of cost and appraised fair value.
- The item "Fair value changes" (€34,252,378) covers a revaluation of €41,323,557 and a writedown of €7,071,179 (Note 12) carried out to match the carrying value of investment property to appraised market value at 31 December 2017.

Note 7) Income/(loss) from equity investments and property sales

	31/12/2017	31/12/2016	CHANGE
Dividends from subsidiaries	4,000	8,740,581	(8,736,581)
Dividends from other companies	39	26	13
Capital loss from the sale of San Benedetto building/(Rizzoli 2015)	0	3,053	(3,053)
Equity investment writedowns	(50,000)	(107,358)	57,358
Result from the sale of SGR	0	92,935	(92,935)
Total results of equity investments and asset disposals	**(45,961)**	**8,729,237**	**(8,775,198)**

This item refers to dividends received and the writedown of an investment carried at cost. The change in dividends from subsidiaries is an effect of the merger.

Note 8) Financial income and charges

	31/12/2017	31/12/2016	CHANGE
Bank interests income	1,568	174,088	(172,520)
Other interest income	31,855	19,130	12,725
Third party financial income	**33,423**	**193,218**	**(159,795)**
Interest income from related party	159,074	229,169	(70,095)
Related party financial income	**159,074**	**229,169**	**(70,095)**
Financial income	**192,497**	**422,387**	**(229,890)**

Financial income decreased from both third parties and related parties. For related party transactions, the decrease was caused by the merger (reflecting income from the merged companies in 2016) and by the continued reduction in interest rates on loans to subsidiaries. The trend in financial income from third parties reflects the temporary excess cash that had produced interest in 2016.

	31/12/2017	31/12/2016	CHANGE
Interest expenses to subsidiaries	693	12,174	(11,481)
Interest expenses on security deposits	13,614	19,556	(5,942)
Interest expenses to Coop Adriatica	0	11,940	(11,940)
Related party financial charges	**14,307**	**43,670**	**(29,363)**
Interest expenses to banks	7,625	148,297	(140,672)
Mortgage loan interest expenses	2,851,170	3,403,217	(552,047)
Loans amortized costs	372,556	394,486	(21,930)
IRS spread	6,941,453	8,111,716	(1,170,263)
Amortized costs of bond equity component	113,745	125,131	(11,386)
Bond interests and charges	18,936,033	13,885,969	5,050,064
Bonds amortized costs	2,838,583	2,369,880	468,703
Financial charges on leasing	55,928	63,648	(7,720)
Other interests and charges	918,188	844,294	73,894
Third party financial charges	**33,035,281**	**29,346,638**	**3,688,643**
Financial charges	**33,049,588**	**29,390,308**	**3,659,280**

The increase in financial charges primarily relates to the bond loans. More specifically, the higher charges concern:

- the full-year contribution of the cost of the €300 million bond loan issued on 31 May 2016;
- the cost of the €100 million bond loan issued on 11 January 2017.

This was partially offset by decreased financial charges resulting from:

- the termination of a mortgage loan at its natural maturity in December 2016;
- the lesser use of short-term credit facilities and a decline in interest rates;
- IRS spreads.

Note 9) Income taxes

	31/12/2017	31/12/2016	CHANGE
Current taxes	165,505	54,000	111,505
In detail:			
Ires	*(97,243)*	*33,279*	*(130,522)*
Irap	*262,748*	*252,451*	*10,297*
Irap tax credit	*0*	*(231,730)*	*231,730*
Deferred tax liabilities	(5,855)	(521)	(5,334)
Deferred tax assets	14,491	(2,482)	16,973
Out-of-period income/charges - Provisions	(7,255)	101,411	(108,666)
Income taxes of the period	**166,886**	**152,408**	**14,478**

Current and deferred tax increased to €166,886. In 2017, unlike the previous year, the tax consolidation scheme produced income that was eliminated in part through the use of tax losses from 2015 and 2016 for which no deferred tax assets had been recognized, and in part through the transfer to the consolidation of a portion of IGD SIIQ S.p.A.'s unused ACE benefit.
Because of the slight increase in IRAP for the year, there was no additional transformation of the unused ACE benefit into a tax credit to be taken against IRAP, as there had been in 2016. See Note 16 for movements in deferred tax liabilities and deferred tax assets. Below is a reconciliation between theoretical income tax and actual income tax for the years ended 31 December 2017 and 31 December 2016.

INCOME TAX RECONCILIATION APPLICABLE TO PRE-TAX PROFIT	31/12/2017	31/12/2016
Pre-tax profit	**85,535,025**	**42,381,095**
Theoretical tax charge (24% tax rate in 2017 - tax rate in 27.5%)	20,528,406	11,654,801
Profit resulting from the income statement	85,535,025	42,381,095
Increases:		
IMU (Property taxes)	7,200,881	4,789,583
Negative fair value	7,071,179	20,185,687
Impairment losses on assets under construction	23,498	127,158
Other increases	2,975,125	5,615,305
Decreases:		
Change in exempt income	(54,673,800)	(37,404,740)
Amortization	(1,161,658)	(1,273,392)
Positive fair value	(41,323,557)	(29,671,132)
Other changes	(3,436,495)	(2,459,150)
Taxable income	**2,210,198**	**2,290,414**
Use of Ace benefit	**2,210,198**	**2,290,414**
Taxable income net of losses	**0**	**0**
Lower current taxes charged directly to equity	***(28,123)***	***(33,279)***
Current taxes	***28,123***	***33,279***
Income from fiscal consolidated	***(125,366)***	***0***
Irap tax credit	***0***	***(231,730)***
Total current taxes for the year	***(97,243)***	***(198,451)***
Difference between value and cost of production	**90,646,844**	**58,645,317**
Theoretical IRAP (3.9%)	3,535,227	2,287,167
Difference between value and cost of production	**90,646,844**	**58,645,317**
Changes:		
Increases	8,044,838	5,705,173
Decreases	(80,018)	(519,048)
Change in exempt income	(86,634,123)	(52,533,281)
Other deductions	(5,296,150)	(4,871,531)
Taxable income for IRAP purpose	**6,681,391**	**6,426,630**
Current IRAP for the year	***262,748***	***252,451***

Note 10) Intangible assets with finite useful lives

	BALANCE AT 01/01/2016	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICA-TIONS		BALANCE AT 31/12/2016
Intangible assets with finite useful lives	**39,779**	**12,954**	**0**	**(19,673)**	**0**		**33,060**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	AMORTIZATION	RECLASSIFICA-TIONS	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017
Intangible assets with finite useful lives	**33,060**	**900**	**0**	**(13,902)**	**0**	**2,454**	**22,512**

Intangible assets with finite useful lives consist of expenses incurred for the design and registration of company trademarks and for business software. Trademarks are amortized over ten years and software over three years. In 2015 there were no impairment losses or reversals on intangible assets. The increases of €900 concern the trademark of Città delle Stelle shopping center. The increase as a result of the merger can be broken down into: *(i)* 1,374 for the trademark of the merged company IGD Property SIINQ S.p.A.; *(ii)* €1,080 for the trademark of Borgo shopping center.

Note 11) Goodwill

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2016
Goodwill	**1,300,000**	**0**	**0**	**0**	**1,300,000**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFICATIONS	BALANCE AT 31/12/2017
Goodwill	**1,300,000**	**0**	**0**	**0**	**1,300,000**

Goodwill has been allocated to the individual cash generating units (CGUs).
No changes took place during the year.
Below is the breakdown of goodwill by CGU at 31 December 2017:

GOODWILL	31/12/2017	31/12/2016
Fonti del Corallo	1,300,000	1,300,000
Total	**1,300,000**	**1,300,000**

The figures were retested for impairment during preparation of the financial statements. Value in use was calculated by projecting cash flows estimated in the budget for 2018, the last year of the approved business plan. The discount rate (WACC) was 4.58%; the risk premium contained in the cost of equity is 5.2%, while the borrowing rate used is the average rate of competitors or 2.54%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 12) Investment property

As required by IAS 40, the following table reconciles the opening and closing value of investment property, with increases, decreases, and changes in fair value shown separately.

	BALANCE AT 01/01/2016	INCREASES	DECREASES	REVALUATION	IMPAIRMENT	RECLASSIFICATIONS		BALANCE AT 31/12/2016
Investment property	**1,180,382,983**	**51,356,450**	**(312,061)**	**28,100,627**	**(20,185,687)**	**14,986**		**1,239,357,298**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	REVALUATION	IMPAIRMENT	RECLASSIFICATIONS	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017
Investment property	**1,239,357,298**	**2,367,466**	**(152,000)**	**41,323,557**	**(7,071,179)**	**61,711,359**	**492,414,888**	**1,829,951,389**

Changes for the year in investment property include increases of €2,367,466 for fit-out work and extraordinary maintenance at the Città delle Stelle (Ascoli), Centro d'Abruzzo, Conè, Clodì, Centro Borgo and Le Maioliche shopping centers.
Reclassifications refer to works capitalized in prior years that were completed in 2017, for a total of €61,711,359, including: *(i)* the expansion of Esp shopping center, inaugurated on 1 June 2017; *(ii)* the restyling of Città delle Stelle shopping center, inaugurated on 23 November 2017.
Decreases concern the sale of a property unit inside Leonardo shopping center, carried at €150,000, which along with other minor decreases reduced investment

property by €152,000.
As for fair value adjustments, investment property was revalued in the amount of €41,323,557 and written down by €7,071,179, for a net positive impact of €34,252,378.
For the calculation of fair value and an analysis of the real estate portfolio, see section 2.6 ("The real estate portfolio") in this Annual Report.

Note 13) Buildings

	BALANCE AT 01/01/2016	INCREASES	DECREASES	AMORTIZATIONS	BALANCE AT 31/12/2016
Historical cost	10,114,243	0	0		10,114,243
Accumulated depreciation	(1,496,253)	0	0	(243,506)	(1,739,759)
Net carrying value	**8,617,990**	**0**	**0**	**(243,506)**	**8,374,484**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	AMORTIZATIONS	BALANCE AT 31/12/2017
Historical cost	10,114,243	0	0		10,114,243
Accumulated depreciation	(1,739,759)	0	0	(243,506)	(1,983,265)
Net carrying value	**8,374,484**	**0**	**0**	**(243,506)**	**8,130,978**

This item refers to the purchase of the building that houses the head office. As in 2016, the only movement during the year was depreciation.

Note 14) Plant and machinery, equipment, and leasehold improvements

	BALANCE AT 01/01/2016			INCREASES	HISTORICAL COST DECREASES	ACCUMULATED DEPRECIATIONS - DECREASE	DEPRECIATION 2016	BALANCE AT 31/12/2016		
	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**					HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**
Plant and machinery	105,859	(96,238)	**9,621**	33,613			(6,234)	139,472	(102,472)	**37,000**
Equipments	2,311,330	(1,765,986)	**545,344**	9,284	(93)	93	(213,754)	2,320,521	(1,979,647)	**340,874**
Leasehold improvements	4,400	(130)	**4,270**	7,107			(315)	11,507	(445)	**11,062**

	BALANCE AT 01/01/2017			INCREASES	HISTORICAL COST DECREASES	ACCUMULATED DEPRECIATIONS - DECREASE	DEPRECIATION 2017	MERGER BY INCORPORATION EFFECT	MERGER BY INCORPORATION EFFECT	BALANCE AT 31/12/2017		
	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**					HISTORICAL COST	ACCUMULATED DEPRECIATION	HISTORICAL COST	ACCUMULATED DEPRECIATION	**NET CARRYING VALUE**
Plant and machinery	139,472	(102,472)	**37,000**	51,525			(9,406)			190,997	(111,878)	**79,119**
Equipments	2,320,521	(1,979,647)	**340,874**	105,388			(191,904)	365,523	(345,075)	2,791,432	(2,516,626)	**274,806**
Leasehold improvements	11,507	(445)	**11,062**	474			(528)			11,981	(973)	**11,008**

Most of the changes in plant and machinery, equipment, and leasehold improvements reflect depreciation for the year (€201,838) and purchases worth €157,387. Leasehold improvements consist of structural work on properties not owned by IGD and are amortized over the duration of the lease.

Note 15) Assets under construction

	BALANCE AT 01/01/2016	INCREASES	DECREASES	RECLASSIFI-CATION	(IMPAIRMENT) /REVERSALS	FAIR VALUE CHANGE	BALANCE AT 31/12/2016
Assets under construction	27,086,653	15,529,025		(14,986)	(127,158)	1,570,505	44,044,039
Advances	8,933,242	7,175,160	(519,036)				15,589,366
Assets under construction and advances	**36,019,895**	**22,704,185**	**(519,036)**	**(14,986)**	**(127,158)**	**1,570,505**	**59,633,405**

	BALANCE AT 01/01/2017	INCREASES	DECREASES	RECLASSIFI-CATION	(IMPAIRMENT) /REVERSALS	FAIR VALUE CHANGE	MERGER BY IN-CORPORATION EFFECT	BALANCE AT 31/12/2017
Assets under construction	44,044,039	24,259,638		(61,711,359)	(23,498)	0	53,891	6,622,711
Advances	15,589,366	7,175,108	(311,006)					22,453,468
Assets under construction and advances	**59,633,405**	**31,434,746**	**(311,006)**	**(61,711,359)**	**(23,498)**	**0**	**53,891**	**29,076,179**

Assets under construction increased due to investments totalling €24,259,638, including: the expansion of Gran Rondò shopping mall in Crema; roofing work at Tiburtino shopping center; construction of a multi-level parking garage at Gran Rondò; the remodulation of retail space at Città delle Stelle shopping center; completion of the Esp expansion in Ravenna; earthquake proofing at Centro d'Abruzzo, Porto Grande and Città delle Stelle and other minor improvements, mostly for earthquake proofing at Darsena, Casilino, Gran Rondò and le Porte di Napoli.
Reclassifications refer to works begun in prior years that were completed in 2017 and thus reclassified to investment property, consisting mostly of the Esp expansion and the restyling of the mall at Città delle Stelle.
The increase of €7,175,108 in Advances refers to down payments made during the year under the preliminary agreement for the purchase from a related party (Porta Medicea) of the retail "Officine storiche" portion. Decreases pertain to advances paid in 2016 for the expansion of the Esp shopping center.
The Porto Grande expansion was written down by €23,498 to bring its carrying value into line with the lower of cost and appraised market value.
See section 2.6 on the real estate portfolio for further details.

Note 16) Net deferred tax assets

Deferred tax assets and liabilities have been offset in accordance with paragraph 74 of IAS 12, given that: *(i)* the company is entitled to offset current tax assets and liabilities and *(ii)* the deferred tax assets and liabilities are associated with income taxes charged by the same tax jurisdiction. Therefore, "net deferred tax assets" reflect deferred tax assets and liabilities.

	31/12/2017	31/12/2016	CHANGE
Deferred tax assets	6,000,802	7,548,903	(1,548,101)
Deferred tax liabilities	(8,695)	(14,551)	5,856
Net deferred tax assets and liabilities	**5,992,107**	**7,534,352**	**(1,542,245)**

Deferred tax assets are shown in detail below:

	31/12/2017	31/12/2016	CHANGE
Capital operation	30,193	58,316	(28,123)
Taxed provisions	100,389	37,315	63,074
IAS 19	4,479	9,286	(4,807)
IRS operations	4,702,304	6,280,549	(1,578,245)
Loss from tax consolidation	1,163,437	1,163,437	0
Deferred tax assets	**6,000,802**	**7,548,903**	**(1,548,100)**

Deferred tax assets mainly originate from:

- taxed provisions, such as the provision for doubtful accounts and the bonus provision;
- transaction costs for capital increases;
- the recognition of deferred tax assets on mortgage hedging instruments (IRS);
- tax losses carried forward.

Most of the change for the year stems from: *(i)* the reversal of deferred tax assets on mortgage hedging instruments (IRS) due to the decrease in their negative fair value.
Given the likelihood of future taxable income, prior-year losses are expected to be used, so the deferred tax assets are likely to be recovered.

DEFERRED TAX ASSETS	BALANCE AT 31/12/2016								BALANCE AT 31/12/2017	
	TEMPORARY DIFFERENCE	DEFERRED TAX ASSETS	MERGER BY INCORPORATION EFFECT - TEMPORARY DIFFERENCE	MERGER BY INCORPORATION EFFECT - DEFERRED TAX ASSETS	INCREASES	DECREASES	INCREASES	REVERSAL	TEMPORARY DIFFERENCE	DEFERRED TAX ASSETS
					TEMPORARY DIFFERENCE		DEFERRED TAX ASSETS			
IAS 19 tax effect	339,738	9,286				84,756		4,807	254,982	4,479
Doubtful accounts	683,246	21,981	302,323	72,759	173,004	195,373	41,521	46,890	963,200	89,371
Variable salary	658,314	15,334			627,172	658,314	11,018	15,334	627,172	11,018
Tax consolidation loss	4,847,647	1,163,437							4,847,647	1,163,437
Irs operation*	26,168,953	6,280,549				6,576,020		1,578,245	19,592,933	4,702,304
Costs for capital increase 2013*	82,273	662				82,273		662	0	0
Sale of treasury shares*	9,613	256				4,806		128	4,807	128
2014 DRO costs*	152,656	4,055				76,328		2,027	76,328	2,028
Costs for capital increase 2014*	1,699,320	45,147				849,660		22,573	849,660	22,574
2015 capitalized costs on 2014 capital increase reserve*	65,048	1,303				21,683		435	43,365	868
Costs for capital increase 2015*	343,976	6,893				114,659		2,298	229,317	4,595
TOTAL	**35,050,784**	**7,548,903**	**302,323**	**72,759**	**800,176**	**8,663,872**	**52,539**	**1,673,399**	**27,489,411**	**6,000,802**

* effect charged or credited directly to equity

Below are the details of deferred tax liabilities:

	31/12/2017	31/12/2016	CHANGE
Bond	8,695	14,551	(5,856)
Deferred tax liabilities	**8,695**	**14,551**	**(5,856)**

Deferred tax liabilities refer to temporary differences regarding the value for tax purposes of the bond loans.

DEFERRED TAX LIABILITIES	BALANCE AT 31/12/2016						BALANCE AT 31/12/2017	
	TEMPORARY DIFFERENCE	DEFERRED TAX LIABILITIES	INCREASES	DECREASES	INCREASES	REVERSAL	TEMPORARY DIFFERENCE	DEFERRED TAX LIABILITIES
			TEMPORARY DIFFERENCE		DEFERRED TAX LIABILITIES			
Bond	608,730	14,551		113,745		5,856	494,985	8,695
Total	**608,730**	**14,551**	**-**	**113,745**	**-**	**5,856**	**494,985**	**8,695**

Note 17) Sundry receivables and other non-current assets

	31/12/2017	31/12/2016	CHANGE
Due from others	3	3	0
Security deposits	50,026	20,421	29,605
Sundry receivables and other non-current assets	**50,029**	**20,424**	**29,605**

The increase in this item reflects security deposits paid by the merged companies.

Note 18) Equity investments

Equity investments are detailed in the table below:

	31/12/2016	INCREASES	DECREASES	RECLASSIFI-CATIONS	IMPAIRMENT	MERGER BY INCORPORATION EFFECT	31/12/2017
Equity investments in subsidiaries							
IGD Management S.r.l.	170,183,477						170,183,477
Millennium Gallery S.r.l.	14,463,025						14,463,025
Consorzio Proprietari Fonti del Corallo	6,800						6,800
Consorzio Proprietari C.C.Leonardo	52,000						52,000
Winmagazin S.A.	185,618						185,618
Consorzio I Bricchi	4,335						4,335
IGD Property SIINQ S.p.A.	202,167,074					(202,167,074)	0
Punta di ferro SIINQ S.p.A.	129,449,337					(129,449,337)	0
Consorzio del Commendone	6,039						6,039
Consorzio Puntadiferro	0					6,234	6,234
Arco campus S.r.l.	1,440,509						1,440,509
Equity investments in associates							
Rgd Ferrara 2013 S.r.l.	8,912	55,000					63,912
UnipolSai Investimenti SGR S.p.A.	0						0
Equity investments in other companies	**83,974**	**0**	**0**	**0**	**(50,000)**	**155**	**34,129**
Total	**518,051,100**	**55,000**	**0**	**0**	**(50,000)**	**(331,610,022)**	**186,446,078**

The decrease in this item is due primarily to the merger. Of note are the increased value of the investment in Rgd Ferrara S.r.l. due to the forgiveness of the €55,000 loan it was granted in order to cover losses incurred, and the writedown of €50,000 of an investment carried at cost.
For investments deemed to be significant, the equity value (enterprise value + NFP) was determined and compared with the carrying value. Enterprise value was calculated using the cash flow projections for each company, derived from estimates in the 2018 budget. The discount rate (WACC) was 4.58%; the risk premium contained in the cost of equity is 5.2%, while the borrowing rate used is the average rate of competitors or 2.54%. A perpetual growth rate (g) of 1% was assumed in the projection. The test did not suggest the need to adjust the amounts reported.

Note 19) Non-current financial assets

	31/12/2017	31/12/2016	CHANGE
Non current financial assets	**100,000**	**100,000**	**0**

These refer to an interest-bearing loan of €100,000 to Fondazione Virtus Pallacanestro.

Note 20) Trade and other receivables

	31/12/2017	31/12/2016	CHANGE
Trade and other receivables	18,015,723	16,112,549	1,903,174
Provision for doubtful accounts	(10,998,116)	(10,400,271)	(597,845)
Trade and other receivables	**7,017,607**	**5,712,278**	**1,305,330**

Net trade receivables increased as a result of the merger. They are shown net of the provision for doubtful accounts, which reflects recovery estimates on problem credits.
Movements in the provision for doubtful accounts are shown below:

MOVEMENT IN PROVISION FOR DOUBTFUL ACCOUNT	31/12/2017	31/12/2016
Provision for doubtful account at the beginning of the year	**10,400,271**	**10,622,920**
Uses	(1,217,976)	(629,735)
Devaluation /(Uses) Default interests	(4,316)	5,390
Provisions	765,521	581,643
Merger by incorporation effect	1,054,616	0
Darsena provision surplus	0	(179,947)
Provision for doubtful account at the end of the year	**10,998,116**	**10,400,271**

Receivables are written down based on an analysis of each tenant's position.

Note 21) Related party trade and other receivables

	31/12/2017	31/12/2016	CHANGE
Coop Alleanza 3.0 Soc. Coop.	(267)	127,273	(127,540)
Rgd Ferrara 2013 S.r.l.	380,189	347,554	32,635
IGD Management S.r.l.	31,432	30,908	524
Porta Medicea S.r.l.	0	38,839	(38,839)
Consorzio CC ESP	4,662	0	4,662
R.P.T. Robintur Travel Partner S.r.l.	0	3	(3)
Punta di ferro SIINQ S.p.A.	0	116,533	(116,533)
Win Magazin S.A.	8,000	8,192	(192)
Winmarkt Management S.r.l.	60,842	27,952	32,890
Consorzio I Bricchi	0	32,683	(32,683)
Adriatica Luce e Gas S.r.l.	13,704	26,020	(12,316)
Viaggia con noi S.r.l.	0	66	(66)
Consorzio Clodì	1,038	7,315	(6,277)
Unicoop Tirreno Soc. Coop.	1,056,079	32,463	1,023,616
Distribuzione Lazio Umbria S.r.l.	1,958	1,356	602
Arco Campus S.r.l.	1,736	32	1,704
Librerie.Coop S.p.A.	8,144	21,465	(13,321)
Robintur S.p.A.	8,020	147	7,873
Coop Sicilia	17,638	0	17,638
Consorzio Punta di Ferro	1,708	0	1,708
Consorzio del Commendone	0	1,281	(1,281)
Consorzio Centro Le Maioliche	(220)	0	(220)
Consorzio La Torre	0	437	(437)
Consorzio Porta a Mare	50,000	50,583	(583)
Consorzio Katané	0	163	(163)
Related party trade and other receivables	**1,644,663**	**871,265**	**773,398**

See Note 39 for comments.

Note 22) Other current assets

	31/12/2017	31/12/2016	CHANGE
Tax credits			
VAT credits	838,215	10,154,817	(9,316,602)
Ires credits	390,933	444,936	(54,003)
Irap credits	783,505	961,871	(178,366)
Due from others			
Accrued income and prepayments	355,581	424,879	(69,298)
Deferred costs	337,372	102,642	234,730
Other	109,179	94,562	14,617
Other current assets	**2,814,785**	**12,183,707**	**(9,368,922)**

Other current assets decreased by €9,368,922, due mainly to a steep reduction in the VAT credit, whose high amount at the end of 2016 reflected the purchase of the Maremà mall.
Deferred costs (€337,372) rose by €234,730 and include costs for the purchase of four ongoing concerns to be finalized in the first half of 2018 (see section 2.5 of the Directors' Report for further details).

Note 23) Related party other current assets

	31/12/2017	31/12/2016	CHANGE
Receivables from tax consolidation	**181,427**	**208,648**	**(27,221)**
In detail:			
IGD Management S.r.l.	152,549	0	152,549
Millennium Gallery S.r.l.	28,878	105,842	(76,964)
IGD Property SIINQ S.p.A.	0	102,806	(102,806)
Total receivables from tax consolidation	**181,427**	**208,648**	**(27,221)**

This item consists of the amount due from Millennium Gallery S.r.l. and IGD Management S.r.l. The decrease reflects the transfer of their 2017 taxable income and IRES credits to the tax consolidation.

Note 24) Financial receivables and other current financial assets

	31/12/2017	31/12/2016	CHANGE
Associates	95,759	151,226	(55,467)
Other related parties	90,433,983	186,866,984	(96,433,001)
Related party financial receivables and other financial assets	**90,529,742**	**187,018,210**	**(96,488,468)**

The amount due from associates refers to the €150,000 loan granted in 2013 to RGD Ferrara 2013 S.r.l., plus interest calculated at the 3-month Euribor plus 350 basis points. The decrease in 2017 is due mainly to the forgiveness of €55,000 in principal for the reasons mentioned in Note 18.
Receivables from other related parties consist of loans granted to the subsidiaries Millennium Gallery S.r.l., IGD Management S.r.l. and Arco Campus S.r.l., all of them charging interest at the 3-month Euribor plus 50 basis points, as follows:

- loan granted to Millennium Gallery S.r.l. in previous years: €300,000;
- loan granted to Millennium Gallery S.r.l. in previous years: €4,988,000;
- loan granted to IGD Management S.r.l. in previous years: €15,000,000;
- loan granted to IGD Management S.r.l.: €69,314,000. In addition to the €39,800,000 outstanding at the end of 2016, during the year an additional €47,000,000 was disbursed and the subsidiary made payments of €17,486,000;
- loan granted to Arco Campus S.r.l.: €670,000.

There is also a receivable arising from the use of a pooled account (Group treasury), due from Millennium Gallery S.r.l. for €38,407 and from Porta Medicea S.r.l. for €87,709.

Note 25) Cash and cash equivalents

	31/12/2017	31/12/2016	CHANGE
Cash and cash equivalents	1,424,257	1,085,973	338,284
Cash on hand	36,233	39,397	(3,164)
Cash and cash equivalents	**1,460,490**	**1,125,370**	**335,120**

Cash and cash equivalents at 31 December 2017 consisted mainly of current account balances at banks.

Note 26) Net equity

	31/12/2017	31/12/2016	CHANGE
Share capital	599,760,278	599,760,278	0
Share premium reserve	29,971,151	29,971,151	0
Other reserves	**389,311,632**	**354,396,513**	**34,915,119**
Legal reserve	119,952,056	119,952,056	0
Merger surplus reserve	557,177	0	557,177
Treasury shares reserve	(158,567)	0	(158,567)
Cash Flow Hedge reserve	(16,047,780)	(21,363,610)	5,315,830
Bond issue reserve	14,864,755	29,595,515	(14,730,760)
Share capital increase costs reserve	(6,155,903)	(6,155,903)	0
Recalculation of defined benefit plan	(16,281)	(153,996)	137,715
Fair Value reserve	276,316,175	232,522,451	43,793,724
Profits	**103,773,553**	**42,229,060**	**61,544,493**
New net profit (loss)	18,405,414	373	18,405,041
Net profit (loss) for the period	85,368,139	42,228,687	43,139,452
Total net equity	**1,122,816,614**	**1,026,357,002**	**96,459,612**

The following actions taken during the year were approved by the annual general meeting held to approve the 2016 financial statements: *(i)* allocation of €20,372,124 in net profit to the fair value reserve; *(ii)* allocation of €270 to profit carried forward from exempt operations; *(iii)* distribution of €36,587,053 in dividends for 2016, through the use of the bond issue reserve (€14,730,761) and available profit carried forward (€21,856,292). The merger produced the following movements: *(i)* recognition of a merger surplus of €557,177; *(ii)* recognition of fair value reserves of €23,421,600; *(iii)* recognition of retained earnings of €18,404,580.
Net equity also changed due to the adjustment of cash flow hedge reserves for outstanding derivatives (+€5,315,830), the adjustment of the reserve for the redetermination of defined benefit plans (+€137,715), and net profit for the year (€85,368,139).
Pursuant to Civil Code Article 2427, paragraph 7 *bis,* the components of net equity are shown along with their origin, possibility for use and eligibility for distribution. The fair value reserve incorporates the revaluation reserve pursuant to Law 266/2005, for €150,411,622 net of the substitute tax of €20,510,676. Utilizations of the share premium reserve and the Euro conversion reserve over the past three years have gone into the legal reserve, which needs to reach a certain balance in accordance with Art. 2430 of the Italian Civil Code.

ITEM/DESCRIPTION €/000	AMOUNT	ELIGIBILITY FOR USE	AMOUNT AVAILABLE	SUMMARY OF THE USES MADE IN THE PAST THREE YEARS	
				FOR LOSS COVERAGE	FOR OTHER REASONS
Share capital	**599,760,278**				
Capital reserves:					
Share premium reserve	29,971,151	A, B, C	29,971,151	(10,178,232)	(107,580,905)
Euro conversion reserve	0	A, B			(23,113)
Treasury share reserve	(158,567)	---	(158,567)		
Bond issue reserve	14,864,755	A, B, C	14,864,755		
Total capital reserve	**44,677,339**		**44,677,339**		
Profit reserve					
Legal reserve*	119,952,056	B			107,604,018
Merger surplus reserve	557,177	A, B, C	557,177		
Fair value reserve	276,316,175	B			
Cash Flow Hedge reserve	(16,047,780)	---	(16,047,780)		
Share capital increase costs reserve	(6,155,903)	---	(6,155,903)		
Recalculation of defined benefit plans	(16,281)	---	(16,281)		
New net profit/loss	18,405,414	A, B, C	18,405,414		
Total profit reserve	**393,010,858**		**(3,257,373)**		
Total reserve	**437,688,197**		**41,419,966**		
Non-distributable portion			0		
Remaining distributable amount			**41,419,966**		

Legend: A: for capital increase - B: for loss coverage - C: for sharheolders distribution - * Legal reserve contains capital reserve for Euro 107,604,018

Note 27) Non-current financial liabilities

This item includes the non-current portion of floating-rate loans from banks, bonds, and amounts due to other lenders, as detailed below:

	DURATION	31/12/2017	31/12/2016	CHANGE
Mortgages with banks		**220,160,413**	**246,554,453**	**(26,394,040)**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	5,492,433	7,490,280	(1,997,847)
09 Interbanca IGD	25/09/2006 - 05/10/2021	43,543,217	57,023,248	(13,480,031)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	5,515,424	6,560,009	(1,044,585)
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	43,116,117	47,102,364	(3,986,247)
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	7,005,015	7,643,950	(638,935)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	18,669,094	20,167,526	(1,498,432)
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	17,294,625	18,896,332	(1,601,707)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	9,751,324	10,680,426	(929,102)
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	21,406,332	23,377,568	(1,971,236)
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	15,164,514	16,770,185	(1,605,671)
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	28,222,268	30,842,565	(2,620,297)
29 ICREA	14/12/2017 - 30/06/2021	4,980,050	0	4,980,050
Total payables for bonds		**676,086,774**	**574,141,038**	**101,945,736**
Bond 100 ML	11/01/2017 - 11/01/2024	99,415,642	0	99,415,642
Bond 150 ML	07/05/2014 - 07/01/2019	124,535,503	124,191,951	343,552
Bond 162 ML	21/04/2015 - 21/04/2022	153,903,206	152,205,210	1,697,996
Bond 300 ML	31/05/2016 - 31/05/2021	298,232,423	297,743,877	488,546
Due to other sources of finance		**3,927,593**	**4,250,791**	**(323,198)**
Sardaleasing for Bologna HQ	30/04/2009 - 30/04/2027	3,927,593	4,250,791	(323,198)
Non current financial liabilities		**900,174,780**	**824,946,282**	**75,228,498**

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 and a new unsecured syndicated loan with Iccrea Banca Impresa S.p.A. and Emilbanca Credito Cooperativo Società Cooperativa. This €5,000,000 million loan matures on 30 June 2021 and charges fixed, 1.85% annual interest payable at the end of each quarter; the principal will be paid back in a lump sum at maturity.

Bonds

The increase in this item refers to a new €100 million, non-convertible, unsecured bond loan reserved to qualified investors, issued on 11 January 2017, the terms of which are reported in section 2.4 on significant events during the year. Additional transaction costs came to €670,923.
Details of outstanding bonds are presented in the table below:

DUE TO BONDS	NON,CURRENT PORTION 31/12/2016	CURRENT PORTION 31/12/2016	BOND ISSUANCE/ REPAYMENT	ANCILLARY COSTS AMORTIZATION AT 31/12/2017	FINANCIAL CHARGES AT 31/12/2017	NON,CURRENT PORTION 31/12/2017	CURRENT PORTION 31/12/2017	NOMINAL INTEREST RATE	ACTUAL INTEREST RATE
Bond 150 ML	124,900,000					124,900,000			
Ancillary costs	(708,049)			343,552		(364,497)			
Coupon rate 31.12.2016		4,747,350			(4,747,350)				
Interest paid					4,839,875				
Coupon rate 31.12.2017					4,747,097		4,747,097		
Total Bond 150 ML	**124,191,951**	**4,747,350**	**0**	**343,552**	**4,839,621**	**124,535,503**	**4,747,097**	**3.875%**	**4.17%**
Bond 122,90ML		6,785,369	(6,785,369)				0		
Ancillary costs		(16,429)		16,429			0		
Coupon rate 31.12.2016		191,799			(191,799)				
Interest paid					294,146				
Coupon rate 31.12.2017					0		0		
Total Bond 122,90ML	**0**	**6,960,739**	**(6,785,369)**	**16,429**	**102,347**	**0**	**0**	**4.335%**	**5.07%**
Bond 22 ML		1,214,631	(1,214,631)				0		
Ancillary costs		(1,186)		1,186			0		
Coupon rate 31.12.2016		34,333			(34,333)				
Interest paid					52,654				
Coupon rate 31.12.2017									
Total Bond 22 ML	**0**	**1,247,778**	**(1,214,631)**	**1,186**	**18,321**	**0**	**0**	**4.335%**	**4.63%**
Bond 162 ML	162,000,000					162,000,000			
Ancillary costs	(9,794,790)			1,697,996		(8,096,794)			
Coupon rate 31.12.2016		2,987,458			(2,987,458)				
Interest paid					4,293,000				
Coupon rate 31.12.2017					2,987,458		2,987,458		
Total Bond 162 ML	**152,205,210**	**2,987,458**	**0**	**1,697,996**	**4,293,000**	**153,903,206**	**2,987,458**	**2.65%**	**3.94%**
Bond 300 ML	300,000,000		0			300,000,000			
Ancillary costs	(2,256,123)			488,546		(1,767,577)			
Coupon rate 31.12.2016		4,397,260			(4,397,260)				
Interest paid					7,500,000				
Coupon rate 31.12.2017					4,397,260		4,397,260		
Total bond 300 ML	**297,743,877**	**4,397,260**	**0**	**488,546**	**7,500,000**	**298,232,423**	**4,397,260**	**2.50%**	**2.80%***
*including the effect of the Cash Flow Hedge reserve									
Bond 100 ML			100,000,000			100,000,000			
Ancillary costs			(670,923)	86,565		(584,358)			
Coupon rate 31.12.2016									
Interest paid					1,125,000				
Coupon rate 31.12.2017					1,057,745		1,057,745		
Total Bond 100 ML			**99,329,077**	**86,565**	**2,182,745**	**99,415,642**	**1,057,745**	**2.25%**	**2.35%**
Total bonds	**574,141,038**	**20,340,585**	**91,329,077**	**2,634,274**	**18,936,033**	**676,086,774**	**13,189,560**		
Cash Flow Hedge reserve (Bond 300 ml)	**(1,475,208)**			**318,054**		**(1,157,154)**			
Total financial charges				**2,952,328**	**18,936,033**				

Covenants

The following table presents covenants on outstanding loans. All of the covenants were satisfied at 31 December 2017.

NAME	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	CURRENT PORTION	NON-CURRENT PORTION	COVENANT	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
04 BNL Rimini IGD	I Malatesta shopping center (hypermarket)	Loan	06/07/2021			Financial condition of IGD SIIQ S.p.A.: ratio of net debt (including derivative assets and liabilities) to difference between equity and dividends approved for the year must not exceed 2 through to maturity	0.81			
05 BreBanca IGD	Mondovicino shopping mall	Mortgage	10/01/2023							
06 Unipol Lungosavio IGD	Lungo Savio shopping center (mall)	Mortgage	31/12/2023							
07 Carige Nikefin Asti	I Bricchi Shopping Mall	Mortgage	31/03/2024							
08 Carisbo Guidonia IGD	Tiburtino Shopping Center	Mortgage	27/03/2024			Financial condition of IGD Group: ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6 through to maturity	0.97			
09 Interbanca IGD	Centro d'Abruzzo shopping center (hypermarket); Porto Grande shopping center (mall, hypermarket); Globo shopping center (hypermarket); Le Porte di Napoli shopping center (hypermarket); Il Maestrale shopping center (hypermarket); Leonardo shopping center (hypermarket); Miralfiore shopping center (hypermarket)	Loan	05/10/2021			Consolidated financial statements: ratio of net debt (including derivative assets liabilities) to equity must not exceed 2, from 31/12/2006 to maturity	0.97			
10 Mediocredito Faenza IGD	Le Maioliche shopping center (hypermarket)	Loan	30/06/2029			IGD SIIQ S.p.A.: ratio of external net debt to equity + intercompany loans must not exceed 2.7	0.93			
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 equity must not exceed 1.7; ii) loan to value ratio for the individual property must not exceed 70%	0.97	44.03%		
15 CentroBanca Conè mall	Conè shopping center (mall)	Loan	31/12/2025			Consolidated financial statements: ratio of net debt (including derivative assets and liabilities) to equity no higher than 2	0.97			
13 CR Veneto Mondovì	Mondovicino Retail Park	Mortgage	01/11/2024			Certified consolidated financial statements ratio of net debt (including derivative assets and liabilities) to equity must not exceed 1.6	0.97			
17 Carige Palermo IGD	La Torre shopping center (hypermarket)	Mortgage	30/06/2027							

continue

NAME	GUARANTEES GIVEN	TYPE OF PRODUCT	END DATE	CURRENT PORTION	NON-CURRENT PORTION	COVENANT	INDICATOR I)	INDICATOR II)	INDICATOR III)	INDICATOR IV)
29 Iccrea Chirografario	none	Unsecured loan	30/06/2021			Consolidated financial statements: i) Ratio of net debt (excluding derivative liabilities) to equity must not exceed 1.60, from 31/12/2017 to maturity; ii) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%;	0.94	46.903%		
24 Notes 3.875% - Due 07/01/2019	unsecured	Bond	07/01/2019			i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	46.90%	3.30	14.11%	1.99
26 Notes 2.65% - 21/04/2022	unsecured	Bond	21/04/2022			i) Ratio of total assets - intangible assets to total debt (excluding derivative liabilities) under 60%; ii) Interest cover ratio (recurring items on cash basis) > 1.55; iii) Ratio of secured debt to total assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.00.	46.90%	3.30	14.11%	1.99
27 Notes 2.50% - 31/05/2021	unsecured	Bond	31/05/2021			i) Ratio of total assets - intangible assets 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 assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.25	46.90%	3.30	14.11%	1.99
28 Notes 2.25% - 11/01/2024	unsecured	Bond	11/01/2024			i) Ratio of total assets - intangible assets 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 assets - intangible assets < 45%; iv) Ratio of unmortgaged properties to unsecured debt > 1.50	46.90%	3.30	14.11%	1.99

Note 28) Provision for employee severance indemnities

	BALANCE AT 01/01/16	USEFUL LOSSES/ (PROFIT)	UTILIZATION	ALLOCATION	IAS 19 FINANCIAL CHARGES	BALANCE AT 31/12/2016
Provision for employees severance indemnities	**1,267,684**	**135,908**	**(39,711)**	**170,527**	**28,738**	**1,563,146**

	BALANCE AT 01/01/17	USEFUL LOSSES/ (PROFIT)	UTILIZATION	ALLOCATION	IAS 19 FINANCIAL CHARGES	BALANCE AT 31/12/2017
Provision for employees severance indemnities	**1,563,146**	**(137,715)**	**(44,703)**	**196,624**	**24,995**	**1,602,347**

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	2017
Cost of living increase	1.50%
Discount rate	1.61%
Increase in total compensation	Executives 2.5%
	White collar/Middle managers 1.0%
	Blue collar 1.0%
Increase in severance indemnity provision	2.625%

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.

Additional information

- sensitivity analysis, showing the impact in absolute terms of each reasonably possible change in actuarial hypotheses at the close of the year;
- amount of contribution for the following year;
- average financial duration of the liability for defined benefit plans;
- estimated payouts.

SENSITIVITY ANALYSIS OF MAIN VARIABLES ON TFR AT 31 DECEMBER 2017

	€
Inflation rate +0.25% - TFR provision:	1,646,211.27
Inflation rate -0.25% - TFR provision:	1,560,124.55
Discount rate +0.25% - TFR provision:	1,548,677.49
Discount rate -0.25% - TFR provision:	1,658,864.24
Turnover rate +1% -TFR provision:	1,583,043.92
Turnover rate -1% - TFR provision:	1,624,557.41

	€
Service Cost 2018	182,197.54

	years
Plan duration	19.00

	€
Estimated payouts, year 1	53,607.38
Estimated payouts, year 2	53,300.53
Estimated payouts, year 3	156,833.46
Estimated payouts, year 4	60,141.53
Estimated payouts, year 5	65,055.54

Note 29) General provisions

	31/12/2016	UTILIZATIONS	ALLOCATIONS	MERGER BY INCORPORATION EFFECT	31/12/2017
Provision for taxation	1,238,706	(15,456)	333,285		1,556,535
Provision for variable salary	603,314	(603,314)	602,172		602,172
Other general provisions	2,584,342			198,440	2,782,782
General provisions	**4,426,362**	**(618,770)**	**935,457**	**198,440**	**4,941,489**

Provision for taxation
This provision covers the charges that might arise from tax audits and other likely tax liabilities. The increase consists of an additional allocation against pending IMU/ICI (local property tax) disputes, which mainly concern new classifications and cadastral rent calculations for three shopping centers.
Bonus provision
The bonus provision covers the variable compensation that will be paid to employees in 2018 on the basis of the Group's 2017 estimated results. The utilization refers to the payment made in the first half of 2017.
Other general provisions
These cover the risks arising from litigation in course, as well as probable future expenses. See Note 44 for further information.

Note 30) Sundry payables and other non-current liabilities

	31/12/2017	31/12/2016	CHANGE
Substitute tax liabilities	2,912,784	78,729	2,834,055
Other liabilities	10,714	5,713	5,001
Sundry payables and other non-current liabilities	**2,923,498**	**84,442**	**2,839,056**

Payables for substitute tax include the non-current portion of the substitute tax accrued to the merged company Punta di Ferro SIINQ S.p.A. when it obtained SIINQ status at the end of the 2015 administrative year. Punta di Ferro opted to pay the tax in five annual installments, so the figure shown refers to the amounts due in 2019 and 2020. At the end of 2016 this item consisted of the substitute tax payable on the capital gain from the 2013 sale of Centro Lame hypermarket, due in June 2018, which has been reclassified to current liabilities.
Related party payables are shown below:

	31/12/2017	31/12/2016	CHANGE
Security deposits from Coop Alleanza 3.0 Soc. Coop.	11,386,499	8,340,465	3,046,034
Security deposits from Unicoop Tirreno Soc. Coop.	25,000	1,002,500	(977,500)
Security deposits from Distribuzione Centro Sud S.r.l.	450,000	450,000	0
Security deposits from Adriatica Luce e Gas S.r.l.	30,000	30,000	0
Related party sundry payables and other non-current liabilities	**11,891,499**	**9,822,965**	**2,068,534**

Security deposits refer to the sums advanced on the leasing of hypermarkets and malls. They pay interest at the rates provided for by law. The increase in security deposits from Coop Alleanza 3.0 is due essentially to the merger, which transferred to IGD the deposits securing rent on the hypermarkets at Esp, Borgo and Lamé shopping centers previously managed by the merged company IGD Property SIINQ S.p.A. Security deposits from Unicoop Tirreno decreased when the deposit securing rent on the hypermarket at Fonti del Corallo was reimbursed. See Note 39 for additional information.

Note 31) Current financial liabilities

	DURATION	31/12/2017	31/12/2016	CHANGE
Carisbo - Hot Money	14/12/2017 - 15/01/2018	8,500,000	0	8,500,000
Banco Popolare - Hot Money		0	12,500,000	(12,500,000)
Cassa di Risparmio del Veneto - Hot money		0	18,502,053	(18,502,053)
Bnl - Bologna - Hot money	14/12/2017 - 15/01/2018	11,000,000	8,540,196	2,459,804
Cassa risp. Firenze - Hot money	20/12/2017 - 15/01/2018	2,800,000	0	2,800,000
Ubi Banca - Hot money	14/12/2017 - 15/01/2018	9,000,000	20,000,394	(11,000,394)
Banca Popolare Emilia Romagna c/c	at sight	386,233	0	386,233
Banca Carige	at sight	0	21,518	(21,518)
Emilbanca c/c	at sight	1,495,293	1,489,363	5,930
Total due to banks		**33,181,526**	**61,053,524**	**(27,871,998)**
04 BNL Rimini IGD MALATESTA - Rimini	06/09/2006 - 06/07/2021	2,001,272	2,002,247	(975)
05 BreBanca IGD MONDOVICINO (Galleria)	23/11/2006 - 10/01/2023	1,063,348	1,008,633	54,715
06 Unipol Lungosavio IGD	31/12/2008 - 31/12/2023	640,929	603,258	37,671
09 Interbanca IGD	25/09/2006 - 05/10/2021	13,636,424	13,144,524	491,900
08 Carisbo Guidonia IGD TIBURTINO	27/03/2009 - 27/03/2024	4,133,198	4,134,074	(876)
07 Carige Nikefin Asti I BRICCHI	31/12/2008 - 31/03/2024	1,508,032	1,413,866	94,166
13 CR Veneto Mondovi (Retail Park)	08/10/2009 - 01/11/2024	1,706,990	1,714,100	(7,110)
10 Mediocredito Faenza IGD	05/10/2009 - 30/06/2029	934,287	933,852	435
14 MPS Palermo (Galleria)	21/12/2010 - 30/11/2025	2,013,207	1,962,111	51,096
17 Carige Palermo IGD (Iper)	12/07/2011 - 30/06/2027	1,607,516	1,571,932	35,584
15 CentroBanca Cone (Galleria)	22/12/2010 - 31/12/2025	2,640,000	2,640,000	0
Total mortgage loans		**31,885,203**	**31,128,597**	**756,606**
Leasing IGD Headquarters	30/04/2009 - 30/04/2027	323,198	312,892	10,306
Total due to other source of finance		**323,198**	**312,892**	**10,306**
Bond 100 ML	11/01/2017 - 11/01/2024	1,057,745	0	1,057,745
Bond 122,9 ML	07/05/2013 - 07/05/2017	0	6,960,739	(6,960,739)
Bond 22 ML	07/05/2013 - 07/05/2017	0	1,247,778	(1,247,778)
Bond 150 ML	07/05/2014 - 07/01/2019	4,747,097	4,747,350	(253)
Bond 162 ML	21/04/2015 - 21/04/2022	2,987,458	2,987,458	0
Bond 300 ML	31/05/2016 - 31/05/2021	4,397,260	4,397,260	0
Total due to bonds		**13,189,560**	**20,340,585**	**(7,151,025)**
Current financial liabilities		**78,579,487**	**112,835,598**	**(34,256,111)**
Total related party current financial liabilities		**1,487,851**	**18,170,927**	**(16,683,076)**

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), short-term bank borrowings, and financial payables to related parties in connection with the use of a pooled treasury account.
The principal changes in current financial liabilities relate to:

- the reduction in the ultra-short-term credit lines, which were replaced by non-current liabilities with the issue of the bond loan discussed in Note 27;
- the repayment of principal falling due during the period on existing mortgage loans, and the reclassification of payments due within 12 months from non-current financial liabilities;
- the redemption at maturity, in May 2017, of two bond loans of €122.9 million and €22 million;
- an overall decrease in liabilities with related parties as a result of two opposite-sign movements during the year; the elimination post-merger of the loan with Punta di Ferro SIINQ S.p.A. and an increase in the current account liability with the subsidiary IGD Management S.r.l., which rose from €482,492 at the end of the previous year to €1,487,390 plus interest accrued.

Note 32) Net financial position

The table below presents the net financial position at 31 December 2017 and 31 December 2016. At neither date does it include derivatives held for hedging purposes, which by nature do not constitute monetary assets or liabilities.

NET FINANCIAL POSITION	31/12/2017	31/12/2016
Cash and cash equivalents	(1,460,490)	(1,125,370)
Related party financial receivables and other current financial assets	(90,529,742)	(187,018,210)
LIQUIDITY	**(91,990,232)**	**(188,143,580)**
Related party current financial liabilities	1,487,851	18,170,927
Current financial liabilities	33,181,526	61,053,524
Mortgage loan current portion	31,885,203	31,128,597
Leasing current portion	323,198	312,892
Bond current portion	13,189,560	20,340,585
CURRENT DEBT	**80,067,338**	**131,006,525**
CURRENT NET DEBT	**(11,922,894)**	**(57,137,055)**
Non-current financial assets	(100,000)	(100,000)
Leasing non-current portion	3,927,593	4,250,791
Non-current financial liabilities	220,160,413	246,554,453
Bond	676,086,774	574,141,038
NON-CURRENT NET DEBT	**900,074,780**	**824,846,282**
NET FINANCIAL POSITION	**888,151,886**	**767,709,227**

Net debt increased as a result of investments during the year and the merger of IGD Property SIINQ, in relation to the prepayment in 2016 of that company's CMBS that was set to mature in 2018.

Note 33) Trade and other payables

	31/12/2017	31/12/2016	CHANGE
Trade and other payables	**11,428,177**	**10,363,410**	**1,064,767**

Most of the increase in this item reflects construction and contract work carried out.

Note 34) Related party trade and other payables

	31/12/2017	31/12/2016	CHANGE
Coop Alleanza 3.0 Soc. Coop.	177,954	189,122	(11,168)
IGD Management S.r.l.	10,438	11,197	(759)
Adriatica Luce e Gas s.r.l.	30	0	30
Consorzio Lame	74,190	8,075	66,115
Consorzio La Torre	50,000	17,868	32,132
Consorzio Cone'	(3,821)	587	(4,408)
Consorzio Katané	65,180	0	65,180
Consorzio Porta a Mare	4,026	3,350	676
Consorzio Leonardo	9,977	27,466	(17,489)
Consorzio I Bricchi	29,364	0	29,364
Unicoop Tirreno Soc. Coop.	823	1,013,891	(1,013,068)
Consorzio Centro Le Maioliche	29,345	1,437	27,908
DistribuzioneCentro Sud S.r.l.	1,350	900	450
Distribuzione Lazio Umbria s.r.l.	785	0	785
Consorzio CC ESP	4,268	0	4,268
Consorzio Crema	(1,236)	23,463	(24,699)
Consorzio prop. Fonti del Corallo	12,002	5,960	6,042
Consorzio del Commendone	0	63,042	(63,042)
Related party trade and ther payables	**464,675**	**1,366,358**	**(901,683)**

The decrease in related party payables came to €901,683 and stems essentially from the payment to Unicoop Tirreno of the balance due for the purchase of the Maremà mall (€1 million).
See Note 39 for details.

Note 35) Current tax liabilities

	31/12/2017	31/12/2016	CHANGE
Irpef including regional and municipal surtax	371,666	381,785	(10,119)
Due to substitute tax	1,535,888	78,729	1,457,159
Current tax liabilities	**1,907,554**	**460,514**	**1,447,040**

Most of the increase in current tax liabilities relates to the substitute tax, which underwent the following movements during the year:

- payment in June 2017 of the fourth installment of the substitute tax on the capital gain from the 2013 sale of Centro Lamé hypermarket and reclassification from non-current liabilities of the fifth and final installment due in June 2018 (€79,496);
- recognition, post-merger, of the current portion of the substitute tax accrued to the merged company Punta di Ferro SIINQ S.p.A. when it obtained SIINQ status at the end of the 2015 administrative year, as mentioned in Note 30. Amounting to €1,456,392, it will be paid in June 2018.

Note 36) Other current liabilities

	31/12/2017	31/12/2016	CHANGE
Social security	204,507	203,288	1,219
Accrued liabilities	187,715	0	187,715
Insurance	8,000	8,000	0
Due to employees	343,879	351,789	(7,910)
Security deposits	4,283,110	2,782,966	1,500,144
Unclaimed dividends	1,057	867	190
Advances due within one year	0	4,739	(4,739)
Due to Directors for emoluments	205,344	245,700	(40,356)
Other liabilities	1,112,215	516,307	595,908
Other current liabilities	**6,345,827**	**4,113,656**	**2,232,171**

These consist mainly of security deposits received from tenants. The increase is due mainly to the merger, as the deposits from tenants at the shopping centers previously managed by the merged companies have been transferred to IGD.
The increase in "Other liabilities" concerns the Urban Planning Agreement signed with the City of Ravenna on 24 June 2014 for the Esp expansion.

Note 37) Related party other current liabilities

	31/12/2017	31/12/2016	CHANGE
Due to tax consolidation	142,237	324,585	(182,348)
In detail:			
IGD Management S.r.l.	*79,264*	*193,559*	*(114,295)*
Porta Medicea S.r.l.	*62,973*	*106,717*	*(43,745)*
Punta di ferro SIINQ S.p.A.	*0*	*24,309*	*(24,309)*
Other payables	14,484	14,484	0
Related party current liabilities	**156,721**	**339,069**	**(182,348)**

The decrease in this item concerns liabilities for the tax consolidation, which went down as a result of:

- the merger;
- Porta Medicea S.r.l.'s transfer to the tax consolidation scheme of a loss net of IRES credits of a smaller amount than it transferred in 2016;
- IGD Management's transfer of taxable income, versus a loss the previous year.

Note 38) Dividends

During the year, as resolved by the annual general meeting of shareholders held to approve the 2016 financial statements on 12 April 2017, a dividend of €0.045 was paid for each of the 813,045,631 shares outstanding, for a total of €36,587,053.40.

Note 39) Related party disclosures

Below is the information required by paragraph 18 of IAS 24.

RELATED PARTY DISCLOSURE	RECEIVABLES AND OTHER CURRENT ASSETS	FINANCIAL RECEIVABLES	PAYABLES AND OTHER CURRENT LIABILITIES	PAYABLES AND OTHER NON-CURRENT LIABILITIES	FINANCIAL PAYABLES	SUNDRY RECEIVABLES AND OTHER NON-CURRENT ASSETS	FIXED ASSETS - INCREASES	FIXED ASSETS - DECREASES
Coop Alleanza 3.0 Soc. Coop.	(267)	0	177,954	11,386,499	1	0	2,725	
Robintur S.p.A.	8,020	0	0	0	0	0	0	
Librerie.Coop S.p.A.	8,144	0	0	0	0	0	0	
Adriatica Luce e Gas S.r.l.	13,704	0	30	30,000	0	0	0	
Unicoop Tirreno Soc. Coop.	1,056,079	0	15,307	25,000	0	0	0	
Consorzio prop. Fonti del Corallo	0	0	12,002	0	0	0	11,659	
Consorzio Cone'	0	0	(3,822)	0	0	0	0	
Consorzio Clodì	1,038	0	0	0	0	0	0	
Consorzio Crema	0	0	(1,236)	0	0	0	(1,013)	
Consorzio I Bricchi	0	0	29,364	0	0	0	0	
Consorzio Katané	0	0	65,180	0	0	0	17,995	
Consorzio Lame	0	0	74,190	0	0	0	59,625	
Consorzio Leonardo	0	0	9,977	0	0	0	59,175	
Consorzio La Torre	0	0	50,000	0	0	0	3,500	
Consorzio Punta di Ferro	1,708	0	0	0	0	0	2,250	
Consorzio Porta a Mare	50,000	0	4,026	0	0	0	0	
DistribuzioneCentro Sud S.r.l.	0	0	1,350	450,000	0	0	0	
Distribuzione Lazio Umbria S.r.l.	1,960	0	785	0	0	0	0	
Coop Sicilia	17,638	0	0	0	0	0	0	
Consorzio Centro Le Maioliche	(220)	0	29,345	0	0	0	0	
Rgd ferrara 2013 S.r.l.	380,189	95,759	0	0	0	0	0	
IGD Management S.r.l.	183,979	84,346,827	89,703	0	1,487,841	0	0	
Punta di ferro SIINQ S.p.A.	0	0	0	0	0	0	0	
Millennium Gallery S.r.l.	28,878	5,329,240	0	0	9	0	0	
Consorzio CC ESP	4,662	0	4,268	0	0	0	0	
Porta Medicea S.r.l.	0	87,732	62,973	0	0	0	7,175,108	
Winmarkt Management S.r.l.	60,842	0	0	0	0	0	0	
Win Magazin S.A.	8,000	0	0	0	0	0	0	
Arco Campus s.r.l.	1,736	670,184	0	0	0	0	0	
Total	**1,826,090**	**90,529,742**	**621,396**	**11,891,499**	**1,487,851**	**0**	**7,331,024**	**0**
Amount reported	**11,477,055**	**90,629,742**	**18,395,400**	**14,814,997**	**980,242,118**	**50,029**		
Total increase/decrease of the period							**33,960,499**	**463,006**
% out of the total	**15.91%**	**99.89%**	**3.38%**	**80.27%**	**0.15%**	**0.00%**	**21.59%**	**0.00%**

RELATED PART DISCLOSURE	REVENUES AND OTHER INCOME	FINANCIAL INCOME	COSTS	FINANCIAL CHARGES
Coop Alleanza 3.0 Soc. Coop.	27,722,975	0	375,544	11,526
Robintur S.p.A.	160,619	0	0	0
Librerie.Coop S.p.A.	665,476	0	0	0
Adriatica Luce e Gas S.r.l.	121,570	0	0	30
Unicoop Tirreno Soc. Coop.	3,344,980	0	83,000	823
Consorzio Cone'	0	0	132,676	0
Consorzio Clodì	0	0	81,820	0
Consorzio I Bricchi	0	0	542,587	0
Consorzio Katané	1,200	0	392,056	0
Consorzio La Torre	500	0	313,473	0
Consorzio Punta di Ferro	10,000	0	132,410	0
Consorzio Porta a Mare	0	0	207,229	0
DistribuzioneCentro Sud S.r.l.	1,548,471	0	0	450
Distribuzione Lazio Umbria S.r.l.	2,607,238	0	0	785
Coop Sicilia S.p.A.	5,183,619	0	0	0
Consorzio del Commendone	0	0	127,212	0
Consorzio Centro Le Maioliche	1,000	0	112,206	0
R.P.T. Robintur Travel Partner S.r.l.	15,126	0	0	0
Rgd ferrara 2013 S.r.l.	516,668	3,220	0	0
IGD Management S.r.l.	121,000	144,928	2,400	671
Punta di ferro SIINQ S.p.A.	0	0	0	0
Millennium Gallery S.r.l.	3,153,000	10,426	0	22
Consorzio CC ESP	0	0	139,010	0
Porta Medicea S.r.l.	136,737	23	0	0
Win Magazin S.A.	20,000	0	0	0
Arco Campus s.r.l.	1,411	477	0	0
Total	**45,331,590**	**159,074**	**2,641,623**	**14,307**
Amount reported	**112,599,302**	**192,497**	**26,832,053**	**33,049,588**
% out of the total	**40.26%**	**82.64%**	**9.85%**	**0.04%**

The Company has financial and economic relationships with its controlling company, Coop Alleanza 3.0 Soc. Coop.; with other companies in the Coop Alleanza 3.0 Group (Coop Sicilia S.p.A., Robintur S.p.A., Librerie Coop S.p.A., R.P.T. Robintur Travel Partner S.r.l. and Adriatica Luce e Gas S.r.l.); with Unicoop Tirreno Soc. Coop., Distribuzione Lazio Umbria S.r.l. (owned 99.86% by Unicoop Tirreno Soc. Coop.) and 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 2017, including for retail premises, amounted to €27.7 million;
- the provision of IT services by Coop Alleanza 3.0. Soc. Coop.;
- security deposits received on leases;

Transactions with Robintur S.p.A. and R.P.T. Robintur Travel Partner S.r.l. concern the leasing of store space at malls. For the year ended 31 December 2017, €161K in rent was received from Robintur S.p.A. and €15K from R.P.T. Robintur Travel Partner S.r.l.
Transactions with Librerie Coop S.p.A. concern receivables and income for the business lease of properties inside shopping centers and the leasing of the third floor of the building that houses IGD's head office. For the year, the Company received €665K under these arrangements.
Transactions with Adriatica Luce e Gas S.r.l. refer to the rental of part of the second floor of the building where IGD has its head office. For the year, the Company received €121K under this arrangement, and also has payables for security deposits received.

Transactions with Distribuzione Centro Sud S.r.l. (owned 70% by Coop Alleanza 3.0. Soc. Coop. and 30% by Unicoop Tirreno Soc. Coop.) refer to the lease to those companies of the Guidonia and Afragola hypermarkets for €1.5 million, as well as security deposits received on leases.
Transactions with Coop Sicilia S.p.A., owned 100% by Coop Alleanza 3.0 Soc. Coop., concern receivables and income from the leasing of properties used as hypermarkets. In the year ended 31 December 2017 such income amounted to €5.1 million.

Transactions with Unicoop Tirreno Soc. Coop.

Transactions with Unicoop Tirreno Soc. Coop. consist of:
- security deposits received on leases;
- receivables and income for the leasing of properties used as hypermarkets. For the year, the Group received €3.3 million under these arrangements.

Transactions with Distribution Lazio Umbria S.r.l. (held 99.86% by Unicoop Tirreno) concern its rental of the Civita Castellana supermarket and the Casilino hypermarket for €2.6 million.

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., Arcocampus S.r.l. and Winmagazin S.A. concern the following: *(i)* administrative, technical and financial services provided by IGD; *(ii)* loans granted to the subsidiaries IGD Management S.r.l., Arcocampus S.r.l. and Millennium Gallery S.r.l., and financial payables to the subsidiary IGD Management S.r.l. for use of the pooled account; *(iii)* the tax consolidation agreement with IGD Management S.r.l., Millennium Gallery S.r.l. and Porta Medicea S.r.l.; *(iv)* the preliminary agreement for the purchase from a related party (Porta Medicea S.r.l.) of the retail portion ("Officine Storiche," "Lips" and "Arsenale") of the Porta a Mare project in Livorno, for an original amount of €48 million, of which advances have been paid in the amount of €22.4 million (€7.1 million during the course of 2017).
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.
Transactions with RGD Ferrara 2013 S.r.l., formed on 30 September 2013 to manage the Darsena City shopping center in Ferrara (a joint venture between IGD and Beni Stabili), consist of: *(i)* rental of the Darsena property by IGD (rent for 2017 amounted to €517K) and *(ii)* an interest-bearing loan in the amount of €95K, with interest charged at the 3-month Euribor plus a spread of 350 basis points.

Note 40) Management of financial risk

Management of financial risk

In the course of business, IGD is exposed to various financial risks. To map and assess its risks, IGD SIIQ S.p.A. has developed an integrated risk management model based on the international Enterprise Risk Management standards (see section 2.11 of the Directors' Report). The Board of Directors reviews and agrees on policies to manage these risks.

Market risk

Market risk is the potential for changes in exchange rates, interest rates or prices to negatively affect the value of assets, liabilities or cash flows.

Interest rate risk

The main risk factor is the volatility of interest rates and the effect this has on borrowing and on the investment of liquid funds. The Group finances its operations through short-term borrowings, long-term mortgage loans charging adjustable interest, and bond loans, so it risks an increase in financial charges if interest rates go up or if it refinances debt at higher rates.
The Finance department monitors interest rate risk constantly, in coordination with top management, including through analysis and measurement tools developed within the Group's enterprise risk management program. It also monitors

trends in the main economic and financial indicators that may affect the Group's performance. Interest rate swaps hedge 94.7% 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 41 for quantitative information on derivatives.
The following table presents the sensitivity analysis of interest rate risk, showing the impact on equity and profit/loss, as required by IFRS 7.
The sensitivity analysis was conducted in consideration of the financial statement items that generate interest at floating rates or that are exposed to fair value changes, assuming parallel increases or decreases in the interest rate curves of each currency.

INTEREST RATE RISK - EXPOSURE AND SENSITIVITY ANALYSIS	BENCHMARK	INCOME STATEMENT				NET EQUITY			
		SHOCK UP		SHOCK DOWN		SHOCK UP		SHOCK DOWN	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Interest-bearing assets	Euribor	14,243	10,860	-1,424	-1,086				
Ultra-short-term borrowings	Euribor	-331,815	-610,535	33,182	61,054				
Financial liabilities	Euribor	-2,532,336	-2,845,117	248,558	284,512				
Derivatives	Euribor								
- cash flow		1,993,963	2,253,529	-199,396	-225,353				
- fair value						7,564,004	9,851,260	-783,284	-1,024,882
Total		**-855,945**	**-1,191,263**	**80,919**	**119,126**	**7,564,004**	**9,851,260**	**-783,284**	**-1,024,882**

The assumptions underlying the sensitivity analysis are as follows:
- medium- and long-term mortgage loans were analyzed according to exposure at the reporting date;
- ultra-short-term borrowings and deposits were analyzed according to exposure at the end of the year;
- the initial shift in the interest rate curve was assumed to be +100/-10 basis points (unchanged since the previous year);
- in determining changes associated with floating-rate financial instruments, it was assumed that no interest rates have already been set;
- the values affecting equity have been calculated as the difference between the fair values calculated with the shock-modified curve and the fair values of derivatives at the balance sheet date.
- The analysis assumes that all other risk variables remain constant.
- For the sake of comparison, the same measurement was conducted on 2012 and 2011.

The method used to analyze and determine significant variables did not change since the previous year.

Foreign exchange risk
IGD uses the euro as its accounting currency for all purchases and sales.

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 Company's other financial assets, including cash and cash equivalents and certain derivative instruments, is the carrying value of these assets in the event of the counterparty's insolvency. The maximum exposure is presented gross of any mitigation through the use of various kinds of hedge.
The table below presents the maximum exposure to credit risk for balance sheet components, divided into categories, including derivatives with a positive fair value.
Where financial instruments are measured at fair value, the amounts shown represent current credit risk, but not the maximum exposure to credit risk that could arise in the future due to changes in fair value.

MAXIMUM EXPOSURE TO CREDIT RISK	31/12/2017	31/12/2016
Receivables and loans		
Sundry receivables and other assets	50,029	20,424
Financial assets	-	-
Trade and other receivables	7,017,607	5,712,278
Related party trade and other receivables	1,644,663	871,265
Other assets	802,130	622,083
Cash and cash equivalents	1,424,257	1,085,973
Financial receivables and other financial assets	90,629,742	187,118,210
Due from third parties (securities)		
Hedging instruments	**-**	**-**
Guarantees		
Total	**101,568,428**	**195,430,232**

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.
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.
As for long-term loans, each bank facility finances a specific project, which reduces the risk of needing to refinance. Some long-term loans involve covenants; this aspect is monitored constantly by the chief financial officer, who also coordinates with management to gauge the likelihood of violating the covenants as a result of the strategic, operational, compliance and financial risks mapped, using the enterprise risk management system.
Financial commitments are covered by funds confirmed by the banks, and unutilized credit facilities are available.
Liquidity risk is managed prudently to avoid incurring excessive costs in the case

of unforeseen events, which could have a further negative impact on market reputation and financial viability.

Maturities are broken down below on the basis of undiscounted cash flows; the amounts shown take account of the first date on which payment can be requested. The assumptions underlying the maturity analysis are as follows:

- for the future cash flows of long-term floating-rate payables, the forward rate curve at 31 December has been used;
- for the future cash flows of the fixed-rate bonds, the contractual flows have been used;
- for derivatives, the analysis includes those representing assets at 31 December, for which both outflows and inflows are shown, as their purpose is to hedge financial liabilities. At the balance sheet date, all derivatives had a negative fair value;
- amounts include cash flows from both the interest and the principal component.

The method used to analyze and determine significant variables did not change since the previous year.

MATURITY ANALYSIS AT 31/12/2017 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	4,420,187	3,045,177	9,678,397	17,318,427	35,376,023	98,458,179	105,355,944	273,652,334
Leasing	31,165	62,465	94,066	189,851	391,258	1,264,303	2,737,243	4,770,351
Bonds	5,964,875	0	11,793,000	1125000	143,782,875	496,629,000	103,375,000	762,669,750
Short-term credit lines	33,181,527	0	0	0	0	0	0	33,181,527
Related party payables	1,487,851	0	0	0	0	0	0	1,487,851
Total	**45,085,604**	**3,107,642**	**21,565,463**	**18,633,278**	**179,550,156**	**596,351,482**	**211,468,187**	**1,075,761,812**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	662,575	781,464	1,762,480	2,980,680	4,961,941	7,688,718	1,808,889	20,646,748
Total	**662,575**	**781,464**	**1,762,480**	**2,980,680**	**4,961,941**	**7,688,718**	**1,808,889**	**20,646,748**
EXPOSURE AT 31/12/2017	**45,748,180**	**3,889,106**	**23,327,943**	**21,613,958**	**184,512,097**	**604,040,200**	**213,277,076**	**1,096,408,560**

MATURITY ANALYSIS AT 31/12/2016 LIABILITIES	ON SIGHT	< 3 MONTHS	3 - 6 MONTHS	6 MONTHS - 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS	TOTAL
NON-DERIVATIVE FINANCIAL INSTRUMENTS								
Mortgage loans	4,280,024	3,029,752	9,549,365	17,038,772	34,568,186	107,965,374	125,356,880	301,788,353
Leasing	30,720	61,538	92,694	187,016	380,466	1,208,479	3,162,731	5,123,644
Bonds	4,839,875	0	20,139,800	0	16,632,875	465,118,875	166,293,000	673,024,425
Short-term credit lines	61,053,524	0	0	0	0	0	0	61,053,524
Related party payables	18,170,927	0	0	0	0	0	0	18,170,927
Total	**88,375,070**	**3,091,290**	**29,781,859**	**17,225,788**	**51,581,527**	**574,292,728**	**294,812,612**	**1,059,160,873**
DERIVATIVE FINANCIAL INSTRUMENTS								
Interest rate swaps	794,746	852,810	1,974,468	3,392,559	6,033,088	11,459,029	3,643,263	28,149,963
Total	**794,746**	**852,810**	**1,974,468**	**3,392,559**	**6,033,088**	**11,459,029**	**3,643,263**	**28,149,963**
EXPOSURE AT 31/12/2016	**89,169,816**	**3,944,100**	**31,756,327**	**20,618,347**	**57,614,615**	**585,751,757**	**298,455,875**	**1,087,310,836**

Note 41) Derivative instruments

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

FAIR VALUE - HIERARCHY	31/12/2017	31/12/2016	CHANGE	LEVEL
Derivative assets	0	0	0	2
Derivative liabilities	(20,362,400)	(27,062,806)	6,700,406	2
IRS net effect	**(20,362,400)**	**(27,062,806)**	**6,700,406**	

The contracts are detailed below:

CONTRACTS 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 amount	9,602,784	9,602,784	9,602,784	9,602,784	6,560,011	9,602,784	9,602,784
Inception date	10/06/2009	10/06/2009	11/06/2009	12/06/2009	12/02/2009	27/10/2009	28/10/2009
Maturity	05/10/2021	05/10/2021	05/10/2021	05/10/2021	10/01/2023	05/10/2021	05/10/2021
IRS frequency	Quarterly	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months
Customer rate	3.42%	3.44%	3.44%	3.42%	3.35%	3.18%	3.18%

CONTRACTS 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 amount	6,071,142	12,025,250	8,094,857	7,657,915	6,071,142	12,025,250	12,025,250
Inception date	28/04/2010	27/08/2010	28/04/2010	28/04/2010	30/04/2010	31/08/2010	27/08/2010
Maturity	31/03/2024	27/03/2024	28/03/2024	29/12/2023	28/03/2024	27/03/2024	27/03/2024
IRS frequency	Quarterly	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	3.29%	2.30%	3.27%	3.41%	3.25%	2.30%	2.30%

CONTRACTS 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%
Nominal amount	12,025,250	8,928,572	19,275,000	15,510,000	6,204,000	9,306,000
Inception date	27/08/2010	12/07/2011	12/07/2011	12/09/2011	12/09/2011	12/09/2011
Maturity	27/03/2024	31/03/2024	01/11/2024	31/12/2025	31/12/2025	31/12/2025
IRS frequency	Quarterly	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly
Bank rate	Euribor 3 months	Euribor 3 months	Euribor 6 months	Euribor 3 months	Euribor 3 months	Euribor 3 months
Customer rate	2.29%	2.80%	3.25%	2.43%	2.43%	2.43%

Note 42) Subsequent events

At the date of approval, no events following the balance sheet date had occurred that would require the Company to adjust the figures in the financial statements or report elements not previously disclosed.
On 12 February 2018 the extraordinary shareholders' meeting resolved to increase the share capital, against payment, in divisible form, for up to Euro 150 million including the relevant share premium (if any), to be completed by 31 December 2018 through the issue of ordinary shares with no par value and regular entitlement, to be offered on a pre-emptive basis to shareholders pursuant to Article 2441(1) of the Italian Civil Code in proportion to the number of shares held. In accordance with standard market practice, the Board of Directors will determine on or around the launch date the subscription price, the share premium (if any), the number of newly issued shares and the issue ratio.
The capital increase is aimed *(i)* at partially financing the acquisition of four going concerns encompassing four shopping malls and a retail park in Northern Italy, being sold by the group controlled by Eurocommercial Properties N.V., under the preliminary agreement executed by the Company and ECP on 15 December 2017 and announced to the market on the same date, and *(ii)* for the remaining portion (if any), at reducing the Group's debt and therefore strengthening IGD's capital and financial structure.
Coop Alleanza 3.0, IGD's majority shareholder, has undertaken to subscribe in full its portion of the capital increase, which amounts to approximately 40.92% (€61.38 million).
With regard to the remaining portion of the capital increase not to be subscribed by Coop Alleanza 3.0, the offer will be assisted by an underwriting syndicate promoted, coordinated and managed by Banca IMI S.p.A., BNP PARIBAS and Morgan Stanley & Co. International plc, who will act as joint global coordinators and joint bookrunners on the capital increase. Readers are reminded that on 15 December 2017, the Company and the joint global coordinators entered into a pre-underwriting agreement, on customary terms and conditions, pursuant to which they undertook, on terms and conditions set forth in the pre-underwriting agreement, to enter on or around the launch date into an underwriting agreement for the subscription of any newly issued shares that will remain unsubscribed.
Subject to the required authorizations from the pertinent authorities, the capital increase is expected to be completed by the end of April 2018.

The extraordinary shareholders' meeting also approved a reverse stock split of IGD's ordinary shares, at a ratio of 1 new ordinary share, with regular entitlement, per 10 existing ordinary shares, after cancellation of ordinary shares in the minimum number necessary to allow the balancing of the entire transaction, without reduction of the share capital. The reverse stock split is expected to take place before the planned capital increase.

Note 43) Commitments

At 31 December 2017 the Company had the following significant commitments:

- Preliminary contract for the acquisition of four going concerns encompassing four shopping malls and a retail park in Northern Italy, for approximately €187 million plus or minus the assets/liabilities pertaining to the going concerns that will be transferred to the Company simultaneously, including mortgage loans amounting to an estimated €88.5 million as of the closing date;
- Preliminary agreement for the purchase from a related party (Porta Medicea S.r.l.) of the retail portion ("Officine") 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;
- Contract for the construction of a midsize store at Gran Rondò shopping center in Crema, for a remaining amount of €1.3 million;
- Rent due for the Fonti del Corallo mall: the estimated liability to be settled within 2 months comes to €3,325K, in addition to €13,300K due from the second to the fifth year and €10,806K from the sixth to the tenth. See Note 1) with regard to revenue earned from this mall.

Note 44) Disputes

Darsena

Due to the dissolution of the joint venture with Beni Stabili S.p.A. SIIQ on 15 December 2010, resulting in the sale of 50% of RGD S.r.l. (now Beni Stabili S.p.A. SIIQ) by Immobiliare Larice (now IGD Management S.r.l.) and the joint purchase of the Darsena City shopping center, the IGD Group has a commitment with Beni Stabili S.p.A. SIIQ to assume its share of all income and costs associated with the contracts signed on 15 March 2006 and transferred to Beni Stabili on 29 March 2007.

Actions taken by Beni Stabili S.p.A. SIIQ in agreement with IGD

Given the receivables accrued to Beni Stabili S.p.A. SIIQ, over time and in agreement with IGD, it has filed several legal actions against Magazzini Darsena S.p.A. (tenant) and Darsena FM S.r.l. (subtenant) in an effort to collect unpaid rent.

Beni Stabili S.p.A. SIIQ had also asked the Arbitration Board of Milan to determine the legitimacy of the price adjustment clause in the contract for the purchase of the Darsena City shopping center and calculate the amount of said adjustment, and to confirm the obligation of Magazzini Darsena S.p.A. and the joint obligation of Darsena FM S.r.l. and the parent company Partxco S.p.A. to pay future rent and the penalty that had accrued for the late delivery of “portion B” of the shopping center.

On 8 July 2013, the Arbitration Board issued its decision, ordering: (i) Partxco to pay a penalty of €12.5 million for Magazzini Darsena’s failure to pay rent; (ii) Magazzini Darsena and Partxco to pay a penalty of €16 million for the delay in completing “Building B”; and (iii) Magazzini Darsena, Darsena FM and Partxco to accept the price adjustment of €2.5 million (which Beni Stabili S.p.A. SIIQ had already received through enforcement of the guarantee mentioned below). The adversaries were also ordered to reimburse the Company for some legal expenses and for three quarters of the arbitration costs.

In the meantime, during the course of the above disputes, the Company enforced the bank guarantee of €2.5 million that Magazzini Darsena had posted to secure payment of the price adjustment. This took place further to the decision in favor of Beni Stabili S.p.A. SIIQ after Magazzini Darsena filed for an injunction against enforcement of the guarantee, a decision that was affirmed on appeal.

In rulings dated 26 and 29 July 2013, the Court of Ferrara acted on a joint complaint from Beni Stabili S.p.A. SIIQ and IGD and declared Magazzini Darsena and Darsena FM to be bankrupt.

Further to those rulings, IGD and Beni Stabili S.p.A. SIIQ managed to reach a partial settlement with the official receiver, signed on 29 October 2013. Under the partial settlement, the companies were awarded the building by the receivership of Magazzini Darsena and through a 50-50 joint venture between IGD and Beni Stabili S.p.A. they acquired the business (with its commercial permits) from the receivership of Darsena FM for the price of €255K plus taxes, terminated the preliminary contract to purchase the adjacent property (“Building B”) and the associated agreements, and obtained Magazzini Darsena’s definitive acceptance of the price reduction of €2,500K for the purchase of “Building A” (the amount Beni Stabili S.p.A. SIIQ had already collected through enforcement of the guarantee).

Under the settlement, the companies did not waive their right to the receivables accrued up to the date of bankruptcy and resulting from court decisions against the bankrupt firms, nearly all of which were therefore registered as claims.

The receivables due under the arbitration judgment have been claimed and accepted as payable via the bankruptcy process of Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A. On 3 May 2016 the Court of Ferrara concluded the bankruptcy procedure, acknowledging the final allocation of assets.

On 12 June 2014 Partxco contested the July 2013 arbitration judgment before the Appeals Court of Milan and petitioned for its immediate suspension, requesting that it be declared null and void in accordance with CCP Art. 829(1)(5) and 829(1)(11). With the challenge pending, the Court of Ferrara declared Partxco S.p.A. bankrupt in a ruling filed on 24 June 2014 (entry no. 52/2014 in the Register of Bankruptcies). At the initial hearing of 2 December 2014 the Court of Appeals, acknowledging the bankruptcy of Partxco S.p.A., interrupted the challenge in accordance with CCP Art. 301. On 27 February 2015, Partxco S.p.A.’s receiver petitioned the Appeals Court to set a date for resumption of the challenge. With decision no. 4140/2015 published on 29 October 2015, the Appeals Court ruled in favor of Beni Stabili S.p.A. SIIQ on the grounds that resumption of the challenge of the arbitration judgment had been requested beyond the three-month deadline set by CCP Art. 305,ordering Partxco’s receivership to reimburse Beni Stabili S.p.A. SIIQ for court fees in the amount of €15,000 plus expenses at 15% and the tax and social security charges provided for by law.

On 11 February 2016, Partxco served notice of its appeal to the Court of Cassation, to which Beni Stabili S.p.A. SIIQ filed a response on 31 March. The decision of the Court of Cassation is therefore pending; at a hearing in chambers on 14 February 2018, the public prosecutor filed comments arguing that the complaint is unfounded and that the appeal should therefore be rejected. We await the Court’s decision.

Actions against IGD

In 2012 IGD was summoned to court by Magazzini Darsena S.p.A., Darsena FM S.r.l. and Partxco S.p.A. regarding the management agreement of Darsena City shopping center. IGD appeared in court and filed a statement and related pleadings. Because IGD’s legal advisors believe that the plaintiff’s claims are not supported by sufficient evidence or legal grounds, the Company has recognized no liability in this regard. On 17 July 2013, the Court of Ferrara filed its decision rejecting the plaintiff’s demands and ordering Magazzini Darsena, Darsena FM and Partxco to reimburse IGD SIIQ S.p.A.’s legal expenses in the amount of €20,000.00. Further to that decision, on 8 October 2013 IGD was summoned to the Court of Bologna for an appeal filed by Partxco against the ruling to indemnify IGD. At the initial hearing on 4 March 2014, a court date of 18 December 2018 was set for the announcement of conclusions. With

Partxco declared bankrupt on 24 June 2014, this proceeding will also be suspended at the next hearing scheduled for the presentation of conclusions, subject to resumption by the receiver. IGD's lawyers are confident that the appeal will be rejected and the initial decision confirmed, given the logical arguments on which that decision was based and the documentation submitted as proof of IGD's proper and complete fulfillment of all obligations.

Iniziative Immobiliari Siciliane S.r.l.

During the first half of 2015, Iniziative Immobiliari Siciliane S.r.l. (IIS) filed a lawsuit in Ravenna against IGD concerning the purchase of a mall, within the broader purchase of the Katanè shopping center in Gravina di Catania, under a contract signed on 29 October 2009. At issue is whether IIS should receive a supplement on the agreed price, under Art. 2 of the purchase contract, to be quantified after the fifth anniversary of the shopping center's grand opening on the basis of certain variables.
The dispute is over what to include in the calculation of rent for the purpose of determining the price supplement (if any), and what to include in the initial calculation of rent to determine whether it increased. Specifically, IIS has asked the Court of Ravenna to find that for the purposes of calculating a price supplement, certain items should be included which in IGD's opinion should not.
On 25 June 2015, IGD filed an appearance and response contesting all of its opponent's claims, stating that it owes no price supplement to IIS, as the amount of rent for the purposes of this calculation had not increased with respect to the threshold agreed.
On the basis of the arguments filed, IGD asked the Court of Ravenna to reject all demands made by IIS. As a subordinate measure, IGD objected that a different interpretation of the clause on how to quantify a price supplement should be considered null and void, as the object of the clause would be undetermined and undeterminable. The hearing, set for 15 July 2015 in the summons, was postponed by the court to 20 July. On that date, the deadlines were set in accordance with Art. 183(6) of the Code of Civil Procedure and the case was adjourned until 15 December 2015, at which time IIS dropped its petition for preliminary expert testimony pursuant to CCP Art. 696 *bis* at the express request of the court. After the standard exchange of pleadings, the court set the discovery hearing for 6 April 2016. Deciding on an outstanding issue, on 6 June the Ravenna judge ruled that IIS would not be allowed the interrogatories and witness testimony it had requested, while the witness testimony requested by IGD would be granted. The judge also allowed an expert witness to be hired to quantify the rent valid for calculating whether the price supplement was due under the contract, indicating the variables the expert should consider for this purpose, and scheduled a hearing for 6 July 2016 to swear in the expert and question the witnesses listed by IGD (those listed by the plaintiff were not admitted). Although the wording of the queries (and therefore the parameters for computing rent in order to quantify any price supplement) clarifies a number of issues, it is indeed somewhat ambiguous and leaves other issues open to debate. At the hearing of 6 July 2016, the judge questioned the witnesses called by IGD and formally engaged the services of the expert witness, who was sworn in as required by law. After the expert report was filed, at the court session of 23 May 2017 (previously set for the purpose of discussing the findings of the expert witness), both IGD and IIS complained—for different reasons—about the methodology used by the expert witness and the content of the resulting report, and asked the court to order a review. The court agreed to consider the matter and on 3 August announced that it would call the expert witness to the hearing of 26 September 2017 in order to clarify the matters brought up by IGD. Following the hearing of 26 September, the court at first withheld judgment and then, on 25 November 2017, ordered the expert witness to perform additional steps as requested by IGD and scheduled a review of the findings for 14 March 2018. The expert witness filed the supplementary report on 7 February 2018 and added additional information on 12 February. The interpretation of the price supplement clause that IGD has argued in its defense is also supported by its legal advisors and suggests that the case will be concluded largely in IGD's favor.

Note 45) Tax litigation

On 23 December 2015 the regional tax authorities of Emilia Romagna served IGD 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 under a contract between the two companies. After reviewing the papers and looking into the matter carefully, IGD's advisors concluded that the assessments are unfounded and filed settlement requests for both with the Emilia Romagna regional office. During the subsequent debate phase, the company presented its arguments against the assessments to the Emilia Romagna authorities, who decided to consider IGD's arguments regarding IRES and IRAP but to uphold the complaint regarding VAT. Nevertheless, as the deadline approached for contesting

the two assessments and no reversal notice had been received from the regional authorities, the company decided to prevent them from becoming definitive and on 6 June 2016 filed a formal appeal against each with the Provincial Tax Commission of Bologna. On 30 November 2016 the Emilia Romagna regional authorities annulled the IRES assessment in full, while the IRAP/VAT assessment was annulled for the IRAP portion only and the VAT violation was confirmed.
In session on 25 January 2017, the Provincial Tax Commission of Bologna sided with IGD: with decision no. 253/17 filed on 28 February it definitively cleared the IRES and IRAP assessments, and with decision no. 254/17 (also filed on 28 February) it accepted IGD's arguments concerning VAT and annulled that assessment as well.
For both proceedings, the Commission ordered the revenue office to reimburse IGD's legal expenses in the amount of €6,000.00 total. On 29 September 2017 the Emilia Romagna regional authorities appealed the VAT decision (254/17) and on 28 November IGD filed its counterarguments against that appeal. On 17 March 2016 the Ravenna provincial office initiated a tax audit for 2013, which concluded with an audit report served to the Company on 6 July. The report calls for:
(i) a portion of net income to be reallocated from exempt to taxable operations (increasing theoretical taxable income by €418,674.70 for IRES purposes and €877,469.93 for IRAP);
(ii) the disallowance of an €80,000 deduction for IRES purposes;
(iii) reduction of the allowed deduction for the *Aiuto alla Crescita Economica* program by €14,780.29, for total taxes of about €132,000.00 (IRES) and €34,000.00 (IRAP).
With respect to IRES, the Group's tax loss for 2013 has not yet been absorbed and is sufficient to cover the full amount alleged to be due. The finding stated in point (i) is deemed to be baseless, and the Company will appeal if it leads to a formal assessment.

Note 46) IFRS 7 - "Financial Instruments: Disclosures"

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with IAS 39.
For this purpose, financial assets are split into four categories:
- Financial assets measured at fair value through profit and loss: at 31 December 2017 the Company had no financial instruments in this category.
- Held to maturity investments: the Company has no financial instruments belonging to this category.
- Loans and receivables: in this category the Company has trade, financial and other receivables, and cash and deposits. They mature within 12 months and are therefore carried at face value (net of any impairment).
- Available for sale financial assets: the Company has no financial instruments belonging to this category.

There are only two categories of financial liability:
- Financial liabilities measured at fair value through profit and loss. At 31 December 2017 the Company had no financial instruments in this category.
- Financial liabilities measured at amortized cost.

Classification in the statement of financial position

The Company's financial instruments are included in the statement of financial position as follows. The item "Other non-current assets" covers sundry receivables and other non-current assets, including derivative instruments. The item "Current assets" includes trade receivables, other current receivables, and cash and cash equivalents. "Cash and cash equivalents" include bank and post office deposits and cash and valuables on hand. The other assets consist of investments outstanding at the balance sheet date. The item "Non-current liabilities" includes mortgage loans from banks, derivatives, the bond loan, sundry payables and security deposits. The item "Current liabilities" covers short-term payables to banks, the current portion of medium/long-term loans, trade payables and other current payables. The items in the statement of financial position are classified below according to the categories required by IAS 39 at 31 December 2017 and 31 December 2016:

	CARRYING VALUE										
CLASSIFICATION 31/12/2017	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	FAIR VALUE
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			50,029					50,029		50,029	50,029
Equity investments			186,446,078					186,446,078		186,446,078	186,446,078
Non-current financial assets			100,000					100,000		100,000	100,000
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			7,017,607					7,017,607	7,017,607		7,017,607
Related party trade and other receivables			1,644,663					1,644,663	1,644,663		1,644,663
Other current assets			802,130					802,130	802,130		802,130
Related party financial receivables and other current financial assets			90,529,742					90,529,742	90,529,742		90,529,742
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			1,460,490					1,460,490	1,460,490		1,460,490
TOTAL FINANCIAL ASSETS	**0**	**0**	**288,050,739**	**0**	**0**	**0**	**0**	**288,050,739**	**101,454,632**	**186,596,107**	**288,050,739**
LIABILITIES											
Financial liabilities											
Derivative liabilities							20,362,400	20,362,400		20,362,400	20,362,400
Due to banks						33,181,526		33,181,526	33,181,526		33,181,526
Leasing						4,250,791		4,250,791	323,198	3,927,593	4,130,706
Bonds						689,276,334		689,276,334	13,189,560	676,086,774	705,504,037
Due to other sources of finance						0		0	0	0	0
Mortgage loans						252,045,616		252,045,616	31,885,203	220,160,413	247,881,389
Related party financial liabilities						1,487,851		1,487,851	1,487,851		1,487,851
Non-current liabilities											
Sundry payables and other non-current liabilities						10,714		10,714		10,714	10,714
Related party sundry payables and other non-current liabilities						11,891,499		11,891,499		11,891,499	11,891,499
Current liabilities											
Trade and other payables						11,428,177		11,428,177	11,428,177		11,428,177
Related party trade and other payables						464,675		464,675	464,675		464,675
Other current liabilities						5,797,441		5,797,441	5,797,441		5,797,441
Related party other current liabilities						14,484		14,484	14,484		14,484
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**1,009,849,108**	**20,362,400**	**1,030,211,508**	**97,772,115**	**932,439,393**	**1,042,154,898**

CLASSIFICATION 31/12/2016	CARRYING VALUE										FAIR VALUE
	Financial assets/ liabilities designated at fair value	Held for trading financial assets/ liabilities measured at fair value	Receivables and loans	Held to maturity financial assets	Available for sale financial assets	Financial liabilities measured at amortized cost	Hedging instruments	Total	of which: current	of which: non-current	
ASSETS											
Other non-current assets											
Sundry receivables and other non-current assets			20,424					20,424		20,424	20,424
Equity investments			518,051,100					518,051,100		518,051,100	518,051,100
Non-current financial assets			100,000					100,000		100,000	100,000
Derivative assets							0	0		0	0
Current assets											
Trade and other receivables			5,712,278					5,712,278	5,712,278		5,712,278
Related party trade and other receivables			871,265					871,265	871,265		871,265
Other current assets			622,083					622,083	622,083		622,083
Related party financial receivables and other current financial assets			187,018,210					187,018,210	187,018,210		187,018,210
Financial receivables and other current financial assets				0				0	0		0
Cash and cash equivalents			1,125,370					1,125,370	1,125,370		1,125,370
TOTAL FINANCIAL ASSETS	**0**	**0**	**713,520,730**	**0**	**0**	**0**	**0**	**713,520,730**	**195,349,205**	**518,171,525**	**713,520,730**
LIABILITIES											
Financial liabilities											
Derivative liabilities							27,062,806	27,062,806		27,062,806	27,062,806
Due to banks						61,053,524		61,053,524	61,053,524		61,053,524
Leasing						4,563,683		4,563,683	312,892	4,250,791	4,442,181
Bonds						594,481,623		594,481,623	20,340,585	574,141,038	622,469,105
Due to other sources of finance						0		0	0	0	0
Mortgage loans						277,683,050		277,683,050	31,128,597	246,554,453	273,154,867
Related party financial liabilities						18,170,927		18,170,927	18,170,927		18,170,927
Non-current liabilities											
Sundry payables and other non-current liabilities						5,713		5,713		5,713	5,713
Related party sundry payables and other non-current liabilities						9,822,965		9,822,965		9,822,965	9,822,965
Current liabilities											
Trade and other payables						10,363,410		10,363,410	10,363,410		10,363,410
Related party trade and other payables						1,366,358		1,366,358	1,366,358		1,366,358
Other current liabilities						3,558,579		3,558,579	3,558,579		3,558,579
Related party other current liabilities						14,484		14,484	14,484		14,484
TOTAL FINANCIAL LIABILITIES	**0**	**0**	**0**	**0**	**0**	**981,084,316**	**27,062,806**	**1,008,147,122**	**146,309,356**	**861,837,766**	**1,031,484,919**

For each financial instrument, both carrying value and fair value are indicated. The two values coincide for most instruments, as their maturity is short term. They differ for long-term instruments, such as mortgage loans, leasing installments and the convertible bond. To calculate the fair value of liabilities measured at amortized cost, the Company has discounted future cash flows to present value using a risk-free (zero coupon) curve estimated at 31 December, as reported by Bloomberg. The calculation takes account of the credit spread that banks would currently grant to IGD. The fair value of interest rate swaps for which no active market exists is determined according to market-based quantitative techniques, i.e. accredited pricing models based on parameters taken as of the individual measurement dates. This method therefore reflects a prioritization of the input data consistent with level 2 of the fair value hierarchy defined by IFRS 13: although quoted prices in active markets (level 1) are not available for these instruments, it is possible to base measurements on data observable either directly or indirectly in the market. The fair value of financial liabilities was calculated using the credit spread that banks would grant to IGD SIIQ S.p.A. as of the measurement date. At 31 December 2017 the estimated credit spread was 2.15% (5% the previous year).

Collateral

Below is a list of financial assets pledged as collateral for contingent liabilities.

COLLATERAL GIVEN	CARRYING VALUE	
	31/12/2017	31/12/2016
Security deposits		
- Sundry receivables and other assets	50,029	20,424

The following table shows the impairment of trade receivables:

IMPAIRMENT	IMPAIRMENT OF TRADE RECEIVABLES	
	31/12/2017	31/12/2016
Opening balance	10,400,271	10,622,920
Allocations		
- *for individual writedowns*	*761,205*	*587,033*
Utilizations	-1,217,976	-629,735
Impairment reversals		
Other movements	1,054,616	-179,947
Total	**10,998,116**	**10,400,271**

Gains and losses from financial instruments

The table below reports the gains and losses from financial instruments held. These derive from securities trading, the impairment of trade receivables, and hedge derivatives.
For hedge derivatives, the table shows the amount of the differentials paid and collected. The effects of fair value changes charged to the cash flow hedge reserve under equity (net of the tax effects) came to +€5,315,830 in 2016 and to +€567,305 in 2016.

	CARRYING VALUE						
2017 INCOME STATEMENT NET GAIN (LOSS)	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE	HELD FOR TRADING FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	RECEIVABLES AND LOANS	HELD TO MATURITY FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	HEDGING INSTRUMENTS
Financial assets/liabilities							-6,941,453
Trade and other receivables			-761,205				
Total	**0**	**0**	**-761,205**	**0**	**0**	**0**	**-6,941,453**

	CARRYING VALUE						
2016 INCOME STATEMENT NET GAIN (LOSS)	FINANCIAL ASSETS/ LIABILITIES MEASURED AT FAIR VALUE	HELD FOR TRADING FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	RECEIVABLES AND LOANS	HELD TO MATURITY FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	HEDGING INSTRUMENTS
Financial assets/liabilities							-8,111,716
Trade and other receivables			-587,033				
Total	**0**	**0**	**-587,033**	**0**	**0**	**0**	**-8,111,716**

The next table shows income and charges from financial assets and liabilities not measured at fair value:

INTEREST INCOME	2017	2016
Interest income on financial assets not measured at fair value		
- Deposits	33,423	193,218
- From affiliates	159,074	229,169

INTEREST EXPENSE	2017	2016
Interest expense on financial assets not measu-red at fair value		
- Security deposits	13,614	19,556
- Sundry payables and other liabilities	918,188	844,294
- To parent	-	-
- Due to subsidiaries	693	12,174
- Financial liabilities		
- Mortgage loans	3,223,726	3,797,703
- Leasing	55,928	63,648
- Bonds	21,888,361	16,380,980
- Interest capitalized	0	0
- Short-term borrowings	7,625	148,297

5.7 PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS, ALLOCATE THE NET PROFIT AND DISTRIBUTE DIVIDENDS

We submit for your approval the separate financial statements of IGD SIIQ S.p.A. at 31 December 2017, which close with a net profit of €85,368,139. Subject to approval of the financial statements and the Report of the Board of Directors, we propose:

- allocating €31,419,748 of the net profit to the fair value reserve, for the appraisal at market value of the real estate portfolio. In this case the fair value reserve would increase from €276,316,175 to €307,735,923;
- allocating €1,513,549 to profits carried forward from taxable operations;
- allocating €15,730,452 to profits carried forward from exempt operations;
- allocating €36,704,390 to dividends, specifying that this sum derives from exempt operations and amounts to the 70% of the profit from exempt operations that is available for distribution and subject to mandatory distribution;
- allocating €12,628,022 to dividends, using for an amount equal to 70%, subject to mandatory distribution, the profits carried forward from exempt operations produced by the merger of Punta di Ferro SIINQ S.p.A. and IGD Property SIINQ S.p.A.

We remind you that as of this writing, a rights issue is underway for a maximum amount of €150 million, through the issue of new ordinary shares with the same characteristics as those in circulation and with normal dividend rights (1 January 2017). Therefore, it is not currently possible to determine the exact number of new shares and total shares that will be entitled to the dividend.
It is the intention of the Board of Directors—once the terms of the capital increase have been defined, in particular the subscription price and consequently the maximum number of shares to be issued—to propose to the shareholders, should the capital increase be successful, a dividend per share of approximately €0.50-0.52 drawn from profits carried forward.

Bologna, 22 February 2018
Elio Gasperoni
Chairman

5.8

MANAGEMENT AND COORDINATION

IGD SIIQ S.p.A. is a subsidiary of Coop Alleanza 3.0 Soc. Coop. (until 31 December 2015 Coop Adriatica S.c.a.r.l.) of Villanova di Castenaso (province of Bologna) and is under the management and coordination of that company.
Pursuant to Article 2497 *bis* (4) of the Italian Civil Code, key figures from the latest approved financial statements of Coop Alleanza 3.0 Soc. Coop. (31 December 2016) and Coop Adriatica S.c.a.r.l. (31 December 2015) are presented below):

FINANCIAL STATEMENTS COOP ADRIATICA	YEAR 2016	YEAR 20115
BALANCE SHEET (EX ART. 2424 C.C.)		
ASSETS		
A) - SUBSCRIBED CAPITAL UNPAID		
B) - FIXED ASSETS	4,255,955,528	1,591,312,173
C) - CURRENT ASSETS	4,740,933,677	2,445,022,612
D) - ACCRUED INCOME AND PREPAYMENTS	11,581,372	25,762,338
TOTAL ASSETS	**9,008,470,577**	**4,062,097,123**
LIABILITIES		
A) - NET EQUITY	2,469,479,621	1,011,913,246
B) - GENERAL PROVISIONS	65,854,158	16,129,769
C) - PROVISION FOR EMPLOYEES SEVERANCE INDEMNITIES	148,178,844	64,600,031
D) - PAYABLES	6,306,986,503	2,968,228,114
E) - ACCRUED INCOME AND PREPAYMENTS	17,971,451	1,225,964
TOTAL NET EQUITY AND LIABILITIES	**9,008,470,577**	**4,062,097,123**
MEMORANDUM ACCOUNT		
INCOME STATEMENT (ex art. 2425 C.C.)		
A) - PRODUCTION VALUE	4,098,875,015	2,004,317,386
B) - PRODUCTION COSTS	-4,193,478,002	-2,025,080,877
C) - FINANCIAL INCOME AND CHARGES	197,959,354	136,006,232
D) - ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	-99,197,940	-73,157,449
E) - EXTRAORDINARY INCOME AND CHARGES		5,466,941
Income taxes	2,460,159	-12,446,018
PROFIT (LOSS) FOR THE PERIOD	**6,618,586**	**35,106,215**

5.9 INFORMATION PURSUANT TO ART. 149 *duodecies* OF CONSOB'S REGULATIONS FOR ISSUERS

The following chart, prepared in accordance with Art. 149 *duodecies* of Consob's regulations for issuers, shows the fees pertaining to 2017 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

In the context of the capital increase approved on 12 February 2018, PricewaterhouseCoopers S.p.A. has been granted assignments totalling €234K.

Amounts in Euro	SERVICE PROVIDER	RECIPIEND	2017 FEES
Auditing	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	132,951
Sustainability report auditing	PricewaterhouseCoopers Advisory S.p.A.	IGD SIIQ S.p.A.	25,000
Other services	PricewaterhouseCoopers S.p.A.	IGD SIIQ S.p.A.	2,000
Total			**159,951**

5.10
CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS

CERTIFICATION OF THE SEPARATE
FINANCIAL STATEMENTS

PURSUANT TO ART. 81 TER OF THE CONSOB REGULATION ADOPTED
WITH RESOLUTION 11971 OF 14 MAY 1999, AS AMENDED

1. We, the undersigned, Claudio Albertini as chief executive officer and Grazia Margherita Piolanti as financial reporting officer of IGD SIIQ S.p.A., hereby declare, including in accordance with Art. 154-*bis* (3) and (4) of Legislative Decree 58/98:
   - the adequacy of in relation to the characteristics of the business; and
   - the company's due compliance with the administrative and accounting procedures for the preparation of the separate financial statements during the year 2017.

2. We also confirm that:

   2.1. the separate financial statements:

   a) have been prepared in accordance with the applicable International Accounting Standards recognized by the European Union pursuant to Regulation 1606/2002/EC of the European Parliament and the Council of 19 July 2002;

   b) correspond to the ledgers and accounting entries;

   c) provide fair and truthful disclosure of the financial status and performance of the issuer;

   2.2 the directors' report contains a reliable analysis of the performance, results, and current situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

Bologna, 22 February 2018

Claudio Albertini	*Grazia Margherita Piolanti*
Chief Executive Officer	Financial Reporting Officer

5.11 ATTACHMENTS

CERTIFICATION PURSUANT TO ART. 16 CONSOB RESOLUTION 20249/2017

IN ACCORDANCE WITH ART. 2.6.2 OF THE REGULATIONS FOR MARKETS ORGANIZED AND MANAGED BY BORSA ITALIANA S.P.A.

Pursuant to Article 2.6.2 of the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A., it is hereby declared that Immobiliare Grande Distribuzione SIIQ S.p.A., under the management and control of Coop Alleanza 3.0 S.c.a.r.l., meets the listing conditions stated in Art. 16 of Consob Resolution 20249 of 28 February 2017.

22 February 2018

Elio Gasperoni
Chairman of the Board of Directors

List of equity invesments

NAME	REGISTERED OFFICE	SHARE CAPITAL	NET PROFIT (IN EURO)	NET EQUITY (IN EURO)	% HELD	CONTROL	NO. OF SHARES /QUOTA	CARRYING VALUE
IGD MANAGEMENT S.R.L.	Ravenna Via Villa Glori 4	€ 75,071,221	-4,594,704	142,618,544	100.00%	IGD SIIQ S,p,A,	75,071,221	€ 170,183,477
MILLENNIUM GALLERY S.R.L	Ravenna Via Villa Glori 4	€ 100,000	307,415	637,818	100.00%	IGD SIIQ S,p,A,	100,000	€ 14,463,025
PORTA MEDICEA S.R.L.	Bologna Via Trattati Comunitari Europei 1957 2007 13	€ 60,000,000	-9,605,913	37,903,107	100.00%	IGD Management S,r,l,	60,000,000	€ 40,111,147
WINMAGAZIN S.A.	Bucarest Romania	113,715.3 Lei	2,594,990	90,544,285	0.10%	IGD SIIQ S,p,A,	114	€ 185,618
					99.90%	IGD Management S,r,l,	113,602	€ 162,314,548
WINMARKT MANAGEMENT S.R.L.	Bucarest Romania	1,001,000 Lei	5,213	222,129	100.00%	Win Magazin S,A,	1,001,000	783,481.1 Lei
ARCO CAMPUS S.R.L.	Bologna via dell'Arcoveggio n.49/2	€ 1,500,000	-23,197	1,415,733	99.98%	IGD SIIQ S,p,A,	1,500,000	€ 1,440,509
CONSORZIO I BRICCHI	Isola d'Asti loc. Molini Via prato boschiero	€ 6,000	0	5,998	72.25%	IGD SIIQ S,p,A,	4,335	€ 4,335
RGD FERRARA 2013 S.R.L.	Roma, via Piemonte 38	€ 100,000	9,446	137,269	50.00%	IGD SIIQ S,p,A,	50,000	€ 63,912
CONSORZIO PROPRIETARI C.C. LEONARDO	Imola (Bologna) Via Amendola 129	€ 100,000	0	999,998	52.00%	IGD SIIQ S,p,A,	52,000	€ 52,000
CONSORZIO PROPRIETARI FONTI DEL CORALLO	Livorno Via Gino Graziani 6	€ 10,000	0	12,400	68.00%	IGD SIIQ S,p,A,	6,800	€ 6,800
CONSORZIO DEI PROPRIETARI DEL COMPENDIO COMMERCIALE DEL COMMENDONE	Grosseto Compendio Commerciale del Commendone	€ 10,000	0	10,000	52.60%	IGD SIIQ S,p,A,	5,260	€ 6,040
CONSORZIO PUNTADIFERRO		€ 10,000	0	10,000	62.34%	IGD SIIQ S,p,A,	6,234	€ 6,234

5.12

EXTERNAL AUDITORS REPORT

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Immobiliare Grande Distribuzione SIIQ SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2017 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of this report. We are independent of Immobiliare Grande Distribuzione SIIQ SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation of investment properties and assets under construction *See notes 14 and 15 and paragraphs "Summary of accounting standards" and "Use of estimates" of the notes to the separate financial statements as of 31 December 2017.* As of 31 December 2017, IGD's investment properties and assets under construction are equal to, respectively, Euro 1,829.9 million and Euro 29.1 million, totaling Euro 1,859 million, which represented 85.9% of total assets. Investment properties are measured at fair value in accordance with IAS 40 as endorsed by the European Union and assets under construction are valued at cost less impairments, or at fair value if the procedure for obtaining administrative permits has been completed and construction is underway. The fair value of IGD Group's investment properties and assets under construction, which is based on appraisals carried out by independent experts (hereinafter, also "Appraisers"), was of particular importance in auditing the Company's separate financial statements and is a key audit matters of the audit as it is based on a complex process of estimate as well as on the use of assumptions that are impacted by future market conditions, specifically in relation to estimated rental value, the estimated vacancy rates (i.e. the forecast percentage of investment property space that remains vacant), the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount the cash flows relating to each investment property.	Our approach in auditing such financial statements items firstly included the understanding and evaluating of the methodologies and procedures defined by IGD Group and approved by the Board of Directors on 19 December 2013 to verify the independence and competence of the independent expert appraisers engaged to determine the fair value of investment properties and assets under construction, as well as the procedures dealing with the selection and rotation of the Appraisers and the sharing of information between Group Management responsible for managing the real estate portfolio and the Appraisers. The audit approach therefore included testing of controls of the Company over the aforementioned processes and procedures to verify the fair value measurement models used by the Appraisers as well as the results of such models. Based on our understanding, evaluating and testing of aforementioned controls, we therefore planned and performed substantive auditing tests on such financial statement items. In that respect, we highlight that the tests of details on the real estate portfolio were performed on a sample of investments considered to be significant based on the risk and size of each investments, with the aim to cover all kinds of investments and all

Appraisers, as well as to rotate the real estate portfolio selected by us.

Specifically, we verified the reasonableness of the methodologies adopted and of the main assumptions reflected in the valuation models (discounted cash flow) through review and analysis of the appraisals prepared by the independent experts and discussions with Company Management and the independent experts; such analyses and discussions were conducted involving the PwC experts in real estate valuation. Particular emphasis was placed on verifying the reasonableness of those variables that have the most significant impact in determining the fair value, like the estimated rental value, the estimated vacancy rate, the rate used to capitalise the net rental income at the end of the measurement period and the rate used to discount cash flows related to each investment property, with respect to the best practices normally adopted for the valuation of similar investment properties in the real estate sector of IGD Group. With regard to assets under construction, we also verified the consistency between the estimated costs to complete the constructions, included in the valuation model, and the budget of costs approved by the Company's Board of Directors.

We also verified on a sample basis the consistency between cash flows included in the valuation models and rents included in the contracts signed with tenants and between figures relating to insurance costs and the IMU property tax and related supporting documentation.

For those investments selected, we also verified the mathematical accuracy of the valuation models prepared by the independent external experts.

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	Finally, taking into account that the fair value measurement of investment properties and assets under construction is based on the use of measurement models with unobservable inputs (Level 3 in the fair value hierarchy included in IFRS 13 as endorsed by the European Union), we verified the Company's disclosures in the notes to the separate financial statements regarding the methodology adopted to determine fair value, the estimate of inputs, the results of valuations and the sensitivity analysis performed.

Other matters

As required by law, the Company included in the notes to the separate financial statements the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA does not extend to those figures.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the separate financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the separate financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 18 April 2013, the shareholders of Immobiliare Grande Distribuzione SIIQ SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

Management of Immobiliare Grande Distribuzione SIIQ SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2017, including their consistency with the relevant separate financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the separate financial statements of Immobiliare

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Grande Distribuzione SIIQ SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Immobiliare Grande Distribuzione SIIQ SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 2 March 2018

PricewaterhouseCoopers SpA

Signed by

Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

5.13

REPORT OF THE BOARD OF STATUTORY AUDITORS

IMMOBILIARE GRANDE DISTRIBUZIONE

SOCIETÀ DI INVESTIMENTO IMMOBILIARE QUOTATA S.P.A.

Registered Office Via Agro Pontino 13, 48100 Ravenna, Italy

Headquarters Via Trattati Comunitari Europei 1957-2007 n. 13 BOLOGNA

REA 88573 Company Register no. 00397420399

Share capital subscribed and paid-in €. 599,760,278.16

Company under the management and control of Coop Alleanza 3.0 Soc. Coop.

Statutory auditors' report to the Shareholders' Meeting of IGD Immobiliare Grande Distribuzione Società di investimento immobiliare quotata (SIIQ) S.p.A. pursuant to Art. 153 of Legislative Decree 58/1998 and Art. 2429 of the Italian Civil Code

* * * * *

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Art. 153 of Legislative Decree 58 of 24 February 1998 and Art. 2429 of the Italian Civil Code, is required to report to the shareholders during the general meeting on the board's supervisory activities during the year and on any findings of omission or inappropriate conduct. The Board of Statutory Auditors is also called upon to comment on any proposals relating to the financial statements, the relative approval and the items included on the Agenda for the Annual General Meeting. During the year the Board of Statutory Auditors carried out its duties in accordance with the Italian Civil Code, Legislative Decrees n. 58/1998 and n. 39/2010, statutes, as well as applicable special laws and the provisions issued by the stock exchange regulator (Commissione Nazionale per le Società e la Borsa or Consob) while also taking into account the recommendations of the Italian Accounting Profession. Through the date on which this report was prepared, we have proceeded with the control and supervisory activities assigned to us by law in compliance with the instructions issued by Consob on the subject of corporate control.

During the year the Board of Statutory Auditors received the information necessary to fulfil its duties through meetings with corporate bodies; at meetings of the Board of Directors which the statutory auditors always attended; through the exchange of information with the external auditor PriceWaterhouseCoopers S.p.A., the Internal Audit division, the Financial Reporting Officer and the Supervisory Board; and by attending the meetings of the Control and Risk Committee and the Nominations and Compensation Committee.

Firstly, the Board of Statutory Auditors notes that the separate and consolidated financial statements for the year closed 31 December 2017, were prepared in accordance with the international accounting standards IAS – IFRS (International Accounting Standards and International Financial Reporting Standard) issued by the International Accounting Standards Board – IASB (International Accounting Standards Board), ratified by the European Commission and currently in effect. When necessary, reference was made to the guidelines issued by the IASB (International Accounting Standards Board) or the IFRIC (International Financial Reporting Interpretations Committee), or the documents prepared by the Italian Accounting Profession (*OIC* or *Organismo Italiano di Contabilità*).

Without prejudice to the above, the information called for in Consob Bulletin n.1025664 of 6 April 2001, as subsequently amended, is provided below.

As was the case in last year's report (2016), we have essentially followed the format and numbering specified in the above mentioned Consob bulletin.

I. DESCRIPTION OF TRANSACTIONS WITH A MAJOR IMPACT ON THE COMPANY'S BALANCE SHEET, INCOME STATEMENT AND FINANCIAL POSITION

The most relevant corporate events in 2017 are summarized below:

On 19 January 2017 the Igd Siiq S.p.A.'s Board of Directors resolved, pursuant to art. 2505, second paragraph of the Italian Civil Code and Art. 22 of the corporate bylaws, to approve the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. On the same date, the merger was approved by the shareholders of the respective incorporated companies meeting in extraordinary session.

On 28 February 2017 the Board of Directors approved the draft separate and consolidated financial statements for FY 2016 and resolved to submit a proposed dividend of €0.045 per outstanding share to the AGM for approval; for the first time the Board also approved the 2016 Corporate Sustainability Report at the same as the separate financial statements for FY 2016.

IGD's Board of Directors also approved the Annual Report on Corporate Governance and Ownership Structure, included in the annual report, as well as the Board of Director's Compensation Report.

On 27 March 2017 the merger deed relative to the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. was signed and recorded in the relative company registry effective 1 April 2017; for accounting and tax purposes the merger took effect as of 1 January 2017.

During the Annual General Meeting held on 12 April 2017 IGD's shareholders approved the 2016 Annual Report, as presented during the Board of Directors' meeting of 28 February 2017, and resolved to pay a dividend of €0.045 per share. The dividend is payable as from 24 May 2017 (record date 23 May 2017) with shares going ex-div on 22 May 2017 (detachment of coupon n. 17).

The total dividend paid of €0.045 per share (for a total of €36,587,053.40) comprises:

- ✓ for €0.026882 per share: income and retained earnings generated by exempt operations, subject to the rules for income generated by these operations found in Law n. 296/2006;
- ✓ for €0.018118 per share: capital reserves.

Shareholders also approved the first section of the Remuneration Report, already approved by the Board of Directors on 28 February 2017, pursuant to Art. 123-ter of Legislative Decree. 58/98, and renewed the authorization granted to the Board of Directors to buy and sell treasury shares, on one or more occasions for up to the maximum allowed under the law.

At the end of the Annual General Meeting the Chairman Gilberto Coffari tendered his resignation as Chairman of the Board of Directors, though he will continue to act as a Company director.

On 19 April 2017 the Board of Directors appointed Elio Gasperoni, already a director of IGD SIIQ and Vice Chairman of Coop Alleanza 3.0, to act as the new Chairman of the Board of Directors.

On 15 June 2017 John Matthew Lentz tendered his resignation as an independent director of IGD.

On 26 June 2017 the framework agreement entered into with the CMB Group relating to the Porta a Mare Project was dissolved. The transaction resulted in the buy-back of 20% of Porta Medicea's share capital for around €9.5 million and the sale of 14 residential units and 14 garages for around €4 million.

On 4 August 2017 the Board of Directors resolved to launch a program aimed at enhancing the liquidity of IGD's shares effective for one year as of 4 September 2017. At 31 December 2017 a total of 170,471 treasury shares had been purchased recognized as a €158,567 reduction in net equity.

During the same Board of Directors' meeting Matteo Cidonio was coopted as an independent director.

On 15 December 2017, the Board of Directors approved the acquisition of a portfolio of 4 shopping malls and a retail park in northern Italy from the Eurocommercial Properties Group ("**ECP**"), for a total of €187 million, in addition to ancillary costs and transfer taxes. The definitive purchase price will be determined based on the consideration of €187 million, increased or decreased by the assets/liabilities related to the going concerns to be transferred to the Company, including the mortgages on the Portfolio which, at the date the acquisition was formalized, amounted to around €88.5 million. The acquisition of the Portfolio is expected to generate a gross yield of 6.8%, including transfer costs.

The Board of Directors also resolved to submit to the shareholders, meeting in extraordinary session, the proposal to increase share capital via a pre-emptive rights issue offered to existing shareholders for an amount of up to €150 million. The proceeds from the capital increase will be used to partially finance the acquisition of the Portfolio, while any remaining amount will be used to reduce the Group's debt and, consequently, strengthen the Company's capital and financial structure.

On 19 February 2018 the reverse stock split of IGD ordinary shares at a ratio of 1 new ordinary share for every 10 ordinary shares held, approved during the Extraordinary Shareholders' Meeting held on 12 February 2018, was completed resulting in change in the number of outstanding shares which went from 813,045,631 to the current 81,304,563.

On 22 February 2018 the Board of Statutory Auditors informed the Board of Directors of the positive outcome of the self-assessment carried out relating to the independence of its members and the criteria and procedures used by the Board in the assessment of its members.

The most relevant events pertaining to the Parent Company in 2017 are summarized below:

The financial statements for the year ending 31 December 2017 were influenced substantially by the merger by incorporation of the wholly owned subsidiaries IGD PROPERTY SIINQ S.p.A. and PUNTA DI FERRO SIINQ S.p.A. in IGD SIIQ S.p.A. effective for tax and accounting purposes as of 1 January 2017. The financial statements being submitted to the shareholders for approval show a net profit of €85,368,139. Total revenue and operating income amounted to €112.6 million, an increase of €35.7 million, or 46.51%, against the prior year, while operating costs, including general expenses, were higher than the previous year and lower as a percentage of revenue, going from 29% to 23.8%. As a result of the mergers the following assets became part of IGD SIIQ S.p.A.'s real estate portfolio: mall of the Punta di Ferro shopping center, mall and hypermarket of the Esp, Borgo and Casilino shopping centers, mall of the Katanè shopping center, hypermarket of the Lame shopping center, as well as Aquileia and Miralfiore stores. The full year contribution of the Marema center, opened in October 2016, and the opening of the ESP extension on 1 June 2017 had a further positive impact on revenue and helped to boost rental income.

EBIT amounted to €118.4 million, a noticeable increase of €62.6 million against the prior year explained by *(i)* the above mentioned mergers, *(ii)* improved margins, and *(iii)* the increase in fair value.

Financial charges amounted to €32.9 million at 31 December 2017, an increase of €3.9 million compared to 2016 explained primarily by the financial charges for the full year linked to the bond loan issued on 31 May 2016 and the €100 million bond loan issued on 11 January 2017. This increase was partially offset by a drop in financial charges linked to IRS differentials, the termination of a mortgage loan at its natural maturity in December 2016 and a decrease in the use of short-term credit facilities.

The net financial position was higher as a result of the investments made in the year and the advance repayment in the prior year of the CMBS held by a subsidiary expiring in 2018.

The fair value of the IGD SIIQ SPA Group's real estate portfolio came to around €2,228.23 million. The portfolio is comprised of commercial retail properties, of which 96.8% is already generating revenue, while the remainder is explained by assets under construction.
The increase in fair value recognized in the consolidated income statement amounted to €27.5 million while net writedowns of assets under construction and inventory came to €3.7 million for a total positive impact of €23.8 million, €19.8 million of which already recognized at 30 June 2017. The investments made by the IGD Group during the year amounted to €32.6 million, of which €16 million in the ESP extension in Ravenna, €2.2 million in Grand Rondò and €1.8 million in assets under construction and Romania.
On 21 December 2017 Moody's updated the credit opinion issued for the first time on 17 May 2016. The agency confirmed the debt's rating, Baa3, and maintained the stable outlook.
In 2017 the Board of Statutory Auditors received information about the transactions with a major impact on the balance sheet, income statement and financial position, carried out by the Company and its subsidiaries by attending Board of Director meetings and meeting with top management, as well as with Internal Audit and with the financial audit company (PWC).
The Board of Statutory Auditors, to the extent of its knowledge, has verified that these transactions were not manifestly imprudent or hazardous, or presented a potential conflict of interest, or in violation of shareholder resolutions, or liable to compromise the company's financial soundness.
The Directors' Report on Operations submitted to you, provides ample and complete information about these transactions. Please refer to the Directors' report for information about the transactions, reasons why they were undertaken by the Board of Directors which were approved in accordance with the law and the company bylaws. The Board of Statutory Auditors acknowledges the content of this report and has no particular observations to make in this regard.
The Board of Statutory Auditors also acknowledges that at 31 December 2017 the Company IGD SIIQ SpA still complied with the subjective, statutory, and objective requirements called for under the special SIIQ or società di investimento immobiliare quotate (REIT or real estate

investment trust) regime introduced in Art. 1 of Law n. 296 of 27 December 2006 – the 2007 Budget Law – as well as Art. 3 of Ministerial Decree n.174 of 7 September 2007.

On 12 April 2017 the Company's shareholders approved the distribution of income generated by exempt operations which was in line with the legal requirements. More in detail, shareholders approved the payment of €36,587,053.40 in dividends attributable for €21,856,292.65 to exempt operations and for €14,730,760.75 to capital reserves.

II. III. UNUSUAL AND/OR ATYPICAL TRANSACTIONS, INCLUDING TRANSACTIONS WITH OTHER GROUP COMPANIES AND RELATED PARTIES AND EVALUATION OF THE INFORMATION PROVIDED BY THE DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Based on the Directors' report and the information provided by the Board of Directors, or received from the Chief Executive Officers, or the Company's management, as well as by the statutory auditors of the subsidiaries – and, at any rate, gathered during the Statutory Auditors' supervisory activities - the Board of Statutory Auditors found that no unusual or atypical transactions were carried out with group companies, third parties or related parties.

In accordance with CONSOB Bulletin n. DEM /10078683/2010 of 24-09-2010, which recommends that the procedures adopted for related party transactions be revised every three years, on 15 December 2016 the Board of Directors, after having heard the opinion of the Committee for Related Party Transactions, confirmed the adequacy of the Procedures for Related Party Transactions adopted by the Board of Directors on 11 November 2010 and last amended on 6 August 2015.

The Board of Statutory Auditors noted that the Committee for Related Party Transactions did not meet in 2017 as there was no need.

With regard to transactions entered into by relevant parties and persons closely connected to the latter pursuant to art. 114, paragraph 7, of Legislative Decree 58 of 24 February 1998 and articles 152 *sexies, septies* and *octies* of Consob's Regulations for Issuers (provisions relating to Internal Dealing), the Board of Statutory Auditors verified that the Company has adopted specific regulations for Internal Dealing. The regulations were subsequently updated to comply with CONSOB regulation n. 19925/2017 of 6 April 2017 (in implementation of MAR).

IV. COMMENTS AND PROPOSALS RELATING TO THE FINDINGS FOUND IN THE EXTERNAL AUDITORS' REPORTS

Please note that the financial audit assignment was granted to PriceWaterhouseCoopers S.p.A.

for the period 2013 – 2021, during the Annual General Meeting held on 18 April 2013 based on the Board of Statutory Auditors' motivated proposal and technical-economic analyses in accordance with the law.

The consolidated and separate financial statements were audited by PriceWaterhouseCoopers S.p.A. and the reports, prepared pursuant to article 14 of Legislative Decree n. 39 of 27 January 2010 and article 10, paragraph 39e, of EU Regulation n. 537/2014, were issued on 2 March 2018. The content and form, as well as the certifications and information provided, of the auditors' report were revised in order to comply with the Italian financial audit reform enacted in Legislative Decree 135/2016 which amended the provisions of Legislative Decree n. 39/2010. With regard to the opinions and the certifications relative to the financial statements included in the audit report, the external auditors:

- confirmed that the separate and consolidated financial statements IGD SIIQ spa and the IGD Group correctly and truthfully represent the company's financial position, performance and cash flows for the year ended on 31 December 2017, in accordance with the IFRS adopted by the European Union, as well as the provisions passed in implementation of art. 9 of Legislative Decree n. 38/2005;
- stated that the report on operations relating to the separate and consolidated financial statements at 31 December 2017 and specific information contained in the report on corporate governance and ownership structure drafted pursuant to art.123-*bis* , paragraph 4 of TUF, were prepared in accordance with the law;
- stated, pursuant to art. 14 paragraph 2e) of Legislative Decree 39/2010, based on the knowledge and understanding of the business acquired during the audit that it has nothing to report.

On 2 March 2018 the external auditors presented another report to the Board of Statutory Auditors in accordance with art. 11 of EU Regulation n. 537/2014 based on which no significant deficiencies in the internal control system relating to the financial reporting process worthy of being pointed out to the heads of governance were found.
In the same report the external auditors, in accordance with art. 6 of EU Regulation n. 537/2014, also informed the Board of Statutory Auditors that not situations compromising independence had materialized.

V. INAPPROPRIATE CONDUCT AND ACTIONS TAKEN UNDER ARTICLE 2408 OF THE ITALIAN CIVIL CODE

In 2017 and up to this writing, the Board of Statutory Auditors received no reports from shareholders of inappropriate conduct pursuant to Art. 2408 of the Italian Civil Code, hence no actions were taken in this regard.

VI. COMPLAINTS RECEIVED AND ACTIONS TAKEN

In 2017 and up to this writing, the Board of Statutory Auditors did not receive any reports or complaints from shareholders and/or third parties; nor is it aware that the company received any reports or complaints from shareholders and/or third parties, hence no actions were taken in this regard.

VII. ADDITIONAL ASSIGNMENTS GRANTED TO THE EXTERNAL AUDITORS AND THEIR COSTS

PriceWaterhouseCoopers Spa was granted the financial audit assignment relative to the separate and consolidated financial statements effective as of the approval of the 2017 annual report along with the opinion about the accuracy of the Report on Operations pursuant to paragraph 1 letters c, d, f, l, m and paragraph 2 letter b of art. 123 *bis* of Legislative Decree 58/1998 included in the Report on Corporate Governance and Ownership Structure. The fees matured for these activities over the relative period in 2017 amounted to €133 thousand. PriceWaterhouseCoopers S.p.A. also received: (i) €2 thousand for the preparation of the statement needed to use a VAT credit.

The Board of Statutory Auditors acknowledges that the directors, in compliance with Art. 149 *duodecies* of the Regulations for Issuers, disclosed the entire amount paid in 2017 to PriceWaterhouseCoopers S.p.A. and/or other entities belonging to the same Group for both audit and other services which amounted to €216 thousand.

The financial audit of the Romanian subsidiaries (Win Magazin S.A. e Winmarkt Management S.A.) was performed by PriceWaterhouseCoopers Audit Srl which received fees of €22 thousand for completing the assignment.

PriceWaterhouseCoopers S.p.A. also carried out the financial audit activities of the following subsidiaries: (i) IGD Management srl; (ii) Millennium Gallery Srl; (iii) Porta Medicea Srl. A total of €34 thousand was paid for these services.

PriceWaterHouseCoopers Advisory S.p.A. also audited IGD SIIQ S.p.a.’s Corporate Sustainability Report for which it received €25 thousand.

VIII. ASSIGNMENTS GRANTED TO COMPANIES AFFILIATED WITH THE EXTERNAL AUDITORS AND THEIR COSTS

The Board of Statutory Auditors is not aware of any assignments made in 2017 to companies connected to the financial audit company PriceWaterhouseCoopers S.p.A. on a continuous basis.

IX. OPINIONS ISSUED BY THE BOARD OF STATUTORY AUDITORS IN 2017 AS REQUIRED BY THE LAW

In 2017 the Board of Statutory Auditors issued opinions when required by law, the bylaws or Consob regulations; the opinions issued and main observations made, include:

- the opinion expressed relative to the approval of the Compensation Report, the remuneration paid Directors holding special offices, as well as the Company's Top Management;
- the opinion issued relating to the variable compensation paid in 2017 to the Chief Executive Officer, the Chief Operating Officer and Executives with strategic responsibilities;
- the opinion expressed pursuant to art. 5.4 of EU Regulation n. 537/2014 relative to services other than audits (€2 thousand);
- the opinion expressed pursuant to art. 5.4 of EU Regulation n. 537/2014 relative to the audit of the Corporate Sustainability Report for the years 2017 – 2019 (€25,000 per year).

X. FREQUENCY AND NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

Typically the Board of Directors meets in accordance with the financial calendar disclosed to the market in accordance with stock exchange regulations. The Board also meets as needed and when deemed opportune to examine specific topics which could impact the company's operations. In 2017 8 (eight) meetings were held.

The Board of Directors may invite Company executives to attend the Board meetings in order to provide in depth information about the items on the Agenda. The Board of Directors may also invite external consultants to attend when deemed appropriate and/or necessary in order to provide specialized information and/or opinions.

The current composition of the Board of Directors complies with the law relating to equal gender opportunity (L. 120/2011).

The Board of Directors hired Egon Zehnder International S.p.A. to perform a board review in order to assess the size, composition and functioning of the Board of Directors and its committees as in the prior year.

The positive results of the review were presented during the Board of Directors meeting held on 22 February 2018.

The Board of Statutory Auditors met 6 (six) times in 2017 in accordance with Art. 2429 of the

Italian Civil Code. The Board of Statutory Auditors also attended the meetings of the Board of Directors, the annual general meeting, and: i) six out of six meetings of the Risk and Control Committee; (ii) four out of five meetings of the Nominations and Compensation Committee; iii) and no meetings of the Committee for Related Party Transactions as none were held. The Board of Statutory Auditors also sponsored and attended the meetings held with the Company's Top Management, Company representatives and Internal Auditing.
The Board of Statutory Auditors also coordinates and guides the Internal Control Committee and internal audit pursuant to art.19 of Legislative Decree 39/2010.

XI. OBSERVATIONS REGARDING COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION, THE LAW AND THE CORPORATE BYLAWS

It is the opinion of this Board of Statutory Auditors that the company is run competently and in accordance with the law and the company's bylaws. The structure of powers and delegated authority is deemed appropriate to the company's size and operations and is adequately described in the directors' report. Regarding the directors' activities and actions, we have nothing to report. We wish to emphasize that we did verify, within the limits of our responsibilities, compliance with the principles of correct administration through direct inspections, information received from department heads, and meetings with the Financial Reporting Officer, Internal Audit, the Control and Risk Committee, the Committee for Related Party Transactions, as well as through information exchanged with the external auditors. More in detail, the Board of Statutory Auditors attended the Board of Directors' meetings in order to verify that the resolutions approved by the directors were in compliance with the law and the company's bylaws and were supported by appropriate opinions and studies generated internally or, when necessary, by professionals and/or external experts, particularly with regard to the economic and financial feasibility of the transactions and their compatibility with the company's best interests.
We remind that the Chief Operating Officer and the Financial Reporting Officer were entitled to or invited to attend the Board meeting in order to describe and analysis the items on the agenda. Other managers also attended the meetings based on the specific topics included in the agenda.

XII. COMMENTS ON THE ORGANIZATIONAL STRUCTURE

The Board of Statutory Auditors also verified and monitored, to the extent of its responsibility, the adequacy and proper functioning of the company's organizational structure.
The Company's organizational structure appears to be adequate and to meet the company's needs.

We have no comments nor anything to report regarding the company's organizational structure.
We did not find any particular deficiencies, critical areas or situations worth mentioning in this report with respect to the functioning of the corporate bodies, divisions, systems and business processes, having acknowledged the constant improvements sought in connection with the company's growth and business needs, and its ongoing efforts to strengthen and refine procedures.
The organization and services, both internal and outsourced, were found to be adequate and in compliance with the law and to guarantee correct, effective and efficient operations.
The Statutory Auditors found no problem areas and/or significant development to report on relative the Company's organizational structure. No deficiencies were found, namely situations to report relating to the effective functioning of corporate bodies, divisions, systems and procedures.

XIII. COMMENTS ON THE ADEQUACY OF THE INTERNAL CONTROL SYSTEM

The Board of Statutory Auditors evaluated and verified the adequacy of the internal control system including through periodic meetings with (i) the financial reporting officer, (ii) Internal Audit, (iii) the Risk and Control Committee, (iv) the Supervisory Board; v) the head external auditor (vi) Director in charge of the internal control and risk management system, as well as through documentation provided by the company and discussions with top management, and has nothing to report in this regard.
The internal audit activities were outsourced to a company specialized in this area which periodically reported to the Board of Statutory Auditors, the Internal Control Committee, now the Control and Risk Committee, and the Supervisory Board on its actions and progress, mentioning specific operational needs wherever necessary and recommending the most appropriate means of implementing the Work Plan.
The Head of Internal Audit also coordinates the ERM process, ensuring that reports are provided to the Director in charge of the internal control and risk management system, the Risk and Control Committee and, if necessary, the Board of Directors.
The Control and Risk Committee and the Decree 231/2001 Supervisory Board made their reports available during the year.
Based on the controls performed and the information obtained during periodic meetings with the Control and Risk Committee, Internal Audit, the external auditors, the financial reporting officer, the director in charge of risk and control, and on comments received from the Supervisory Board created as part of the Organizational Model pursuant to Legislative Decree 231/01, we found that the internal control system adequately meets the company's needs and

is reliable, timely, and able to manage information correctly, enabling an accurate and timely analysis of business trends and performance.

Data and documentation related to the proposed agendas of the Board of Directors meetings and the various committee meetings was provided ahead of time in the most efficient and discrete way possible.

Based on the evaluations made during its supervisory activities, as well as after having examined the work done by the Control and Risk Committee, at the end of 2017 the Board of Statutory Auditors had nothing of concern to report and found the overall internal control system to be adequate. In the Board of Statutory Auditors opinion the internal control system does not present significant deficiencies, while controls and revisions of the methods used and organizational structures should continue, and it was found to be reliable, effective and efficient.

XIV. COMMENTS ON THE ADMINISTRATIVE - ACCOUNTING SYSTEM AND ITS ABILITY TO PROVIDE A FAIR REPRESENTATION OF THE PERFORMANCE

The Board of Statutory Auditors evaluated and verified the adequacy of the administrative-accounting system and its ability to represent performance correctly, through information provided by company divisions, direct inspection of the most significant company documentation, examination of the reports provided by the external auditor PriceWaterhouseCoopers Spa, as well as internal audit.

The administrative-accounting system was found to be adequate and to have met the Company's needs in 2017, in terms of both resources dedicated and the level of professionalism.

The external auditors above tested the accounting and administrative procedures and found these to be reliable. They also noted that the accounting records of operations were correct and that the information and accounting standards used to prepare the parent company and consolidated financial statements were complete, and had no complaints or observations in this regard. PriceWaterhouseCoopers Spa also validated the completeness of the financial information provided, as well as the accounting standards used to prepare the consolidated and separate financial statements, and had no particular comments to make in this regard. The firm also validated the completeness and accuracy of the Directors' Report on Operations.

Though the statutory auditors are not specifically responsible for financial audit duties under Art. 2409 *bis* of the Italian Civil Code, which are assigned to the external auditors, we found on the basis of information received and inspections made pursuant to Civil Code Articles 2403 *et seq.* that as a whole, the administrative-accounting system is adequate and reliable and that results of operations are accurately and promptly recorded.

The Chief Executive Officer and Financial Reporting Officer certified the accounting information contained in the separate and consolidated financial statements at 31 December 2017, without reservation and the information found in the Directors' report relating to performance and the operating results, as well as the description of the risks and uncertainties to which the Company is exposed and provided the certification called for in Art. 81-ter of Consob Regulation 11971 of 14 May 1999, as amended.

XV. COMMENTS ON THE ADEQUACY OF INFORMATION PROVIDED TO SUBSIDIARIES UNDER ART. 114 OF LEGISLATIVE DECREE 58/1998 – MANAGEMENT AND COORDINATION ACTIVITIES

The Board of Statutory Auditors verified the adequacy of the information provided by the company to its subsidiaries pursuant Art. 114 of Legislative Decree 58/98 and found that the disclosure requirements provided for by law had been satisfied.

With regard to close functional and operational ties and the presence of key IGD SIIQ SPA personnel at the subsidiaries, the Company guarantees a correct and adequate flow of information supported by suitable documentation and accounting records.

The Company is, therefore, able to fulfil all reporting requirements related to significant events and consolidation provided for under the law.

The Company is fully able to exercise management and coordination of its subsidiaries as specified under the law.

The Board of Statutory Auditors also acknowledges that IGD SIIQ S.p.A. is subject to the management and coordination of shareholder Coop Alleanza 3.0 Soc. Coop..

XVI. COMMENTS ON MEETINGS HELD WITH THE EXTERNAL AUDITORS

The Board of Statutory Auditors, through direct inspections and information obtained from the external auditor PriceWaterhouseCoopers Spa, verified compliance with all current laws and regulations regarding the preparation and drawing up of the separate and consolidated financial statements as well as the accompanying Directors' Report.

The statutory auditors met with the external auditors responsible for both the accounting controls under Art. 2409 *bis* of the Italian Civil Code and the audit of the consolidated and separate financial statements, exchanging information as required under Art. 150 of Legislative Decree 58 dated 24 February 1998.

With the auditors attention was paid, in particular, to the application of the accounting standards, to the most effective way to recognize the significant economic and financial items in the financial statements. Nothing that needed to be reported pursuant to art. 155, paragraph

2, of Legislative Decree n. 58 of 24 February1998 emerged during these periodic meetings. During these meetings the external auditors reported no irregularities, problem areas or omissions in the company's accounts. On these occasions we informed the external auditors of the Board of Statutory Auditors' activities and of the relevant and significant corporate events of which we are aware.

XVII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE CORPORATE GOVERNANCE COMMITTEE

The Company, since its IPO (11 February 2005), has complied with the standards and recommendations included in the Corporate Governance Code published by the Borsa Italiana's Committee for the Corporate Governance of Listed Companies through the adoption of its own Corporate Governance rules, in order to regulate, in accordance with laws and regulations, the composition, responsibilities and role of the corporate bodies in charge of the company's management.

During the meeting held on 18 December 2014, the Board of Directors updated its Corporate Governance Regulations in order to comply with the amendments introduced in the new Corporate Governance Code. Subsequently, during the Board of Directors' meeting held on 5 August 2016, the rules for Corporate Governance were updated in order to comply with the Corporate Governance Code issued in July 2015 which is currently still in effect.

The Board of Directors has appointed the following committees from among its members:

- the Chairman's Committee: comprised of 3 (three) directors as of 19 April 2017; Gilberto Coffari resigned as the Chairman of the Board of Directors and Elio Gasperoni, who was already a director and committee member, was appointed the new Chairman. The committee is now comprised of the chairman, the vice chairman and the chief executive officer. In 2017 it held 5 (five) meetings.
- the Nominations and Compensation Committee: this committee was formed in 2012; in order to comply with the Corporate Governance Code, the Board of Directors resolved to combine the Compensation and the Nominations Committees into a single "Nominations and Compensation Committee". The Committee consists of three non-executive independent directors. The Chairman of the Board of Directors, the Vice Chairman and the Chief Executive Officer are entitled to attend committee meetings and the Chairman of the Board of Statutory Auditors may be invited to attend. The Committee met 5 (five) times in 2017.
- the Control and Risk Committee, which is comprised of three non-executive and independent directors. In 2017 the committee held meetings with continuity and in

keeping with the Company's needs. It met 6 (six) times during the year. The Chairman of the Board of Statutory Auditors, or another statutory auditor appointed by him, attends the meetings of the Control and Risk Committee as does the Chairman of the Board of Directors as Director in Charge of the Internal Control and Risk Management System. The Vice Chairman of the Board of Directors and the Chief Executive Officer may also be invited to attend Committee meetings.

- the Committee for Related Party Transactions was formed in order to comply with art. 2391 *bis* of the Italian Civil Code and art. 4 of Consob's Regulations for Related Party Transactions and is comprised of three independent directors. No meetings were held in 2017 as there was no need.

In February 2007, in order to further enhance the role of the independent directors, the Board of Directors introduced the title of "Lead Independent Director" as, at the time, the Chairman of the Board of Directors was also the Chairman of the Board of Directors of the Issuer's majority shareholder. Following the latest renewal of the Board of the Directors as none of the circumstances that, pursuant to the Corporate Governance Code, call for the appointment of a Lead Independent Director still exist, the Company did not appoint a Lead Independent Director.

The Company deemed it useful and opportune to describe the methods used to coordinate the control activities as described below.

The Chairman of the Risk and Control Committee and the Chairman of the Board of Statutory Auditors (including in his role of Committee for Internal Control and Financial Audit), at least one a year, met as convened by the Chairman of the Board of Statutory Auditors, to compare the results of their respective control activities and to assess planning and any coordination of their operations. Toward this end, the Chairman of the Board of Statutory Auditors not only coordinated the work of the statutory auditors but also as a reference point for other corporate bodies involved in control systems.

The company also instituted a Supervisory Board comprised of three independent directors. In 2017 it met 4 (four) times and it worked with Internal Audit on monitoring and limiting risk exposure.

The Board of Directors also hired, as it has done since 2007, Egon Zehnder International S.p.A., headquartered in Milan, to perform a "board review". The purpose of this review is the yearly assessment of the size, composition and functioning of the Board of Directors and its committees. The results were contained in a report that was presented to and discussed by the Board on 22 February 2018. Board review is an effective means of self-assessing the composition and functioning of the Board of Directors and its committees.

At the end of the above discussion, and after having verified operations during the year, the

Board of Statutory Auditors expressed a positive opinion of the Company's corporate governance.

XVIII. CLOSING REMARKS

Dear Shareholders,

We conclude this report by confirming that all of the corporate bodies, the heads of the administrative and operating departments, Internal Audit, and the external auditor PriceWaterhouseCoopers S.p.A. cooperated with us fully during our supervisory activities.

We have found no omissions, inappropriate conduct, imprudent transactions, or irregularities worthy of mention, thus there are no circumstances discovered during our work that require reporting to the supervisory authorities or disclosure in this report.

We have no comments to make in this regard.

The Directors' Report also contains information about the compensation policy and the remuneration paid to the Board of Directors, Board of Statutory Auditors, the Chief Operating Officer and the Managers with Strategic Responsibilities, as well as information about the shares held by the latter in the company. Again, we have no comments to make in this regard.

* * * * *

Dear Shareholders,

In concluding this report, we would like to express our sincerest thanks to all those who have assisted us in the course of our work and for the vote of confidence you expressed by appointing us.

Bologna, 16 March 2018

The Board of Statutory Auditors

Signed

(Anna Maria Allievi)

(Pasquina Corsi)

(Roberto Chiusoli)

GLOSSARY

06

AGENCY MANAGEMENT
Activities aimed at finding the most profitable tenant mix and negotiating leases for stores at malls.

AVERAGE COST OF DEBT
Refers to the average cost, without taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt.
The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

AVERAGE EFFECTIVE COST OF DEBT
Refers to the average cost, taking into account additional borrowing costs like fees and commissions (recurring and non), incurred by a company to service debt. The calculation takes into account the interest payable matured in the period under examination (relating to short-term loans, mortgages, unsecured loans, IRS differentials, bonds and fees paid on financial leases) and the average stock of long and short term debt recorded at the close of every quarter and at the beginning of the period.

CORE BUSINESS FFO
FFO is calculated by subtracting non-cash items (writedowns, fair value adjustments, amortization, depreciation and other), as well as the impact of extraordinary transactions and income generated by property sales from pre-tax profit, net of current tax. It is the indicator that best represents the performance of the Group's core business.

DEVELOPMENT PIPELINE
Program of investments in development.

DIRECT COSTS
Costs directly attributable to the shopping centers.

DIVIDEND YIELD
The dividend yield, or price/dividend ratio, is the company annual dividend payments made or announced divided by closing price of its ordinary shares at the end of the year.

EBIT (OPERATING PROFIT)
EBIT, or Earnings before Interest and Taxes, differs from EBITDA in that it includes information on amortization, depreciation, changes in the fair value of properties held and provisions for risk.

EBITDA (INCLUDING CORE BUSINESS)
EBITDA, or Earnings Before Interest, Taxes, Depreciation & Amortization, is the most significant measure of a company's operating performance as it indicates earnings before interest payable, taxes, disposals, income/(loss) from equity investments, non-recurring transactions, amortization, depreciation, provisions, as well as impairment and fair value adjustments. Core business Ebitda refers to the core business included in the consolidated income statement which does not include the results posted by the "Porta a Mare Project".

EBITDA MARGIN (INCLUDING CORE BUSINESS)
This indicator is calculated by dividing Ebitda by operating income.

EPRA
European Public Real Estate Association.

EPRA NET INITIAL YIELD / NIY
EPRA NIY is a performance measurement index and it is calculated as the annualized rental income based on the cash rents passing at the balance sheet date (including one-off and variable income), less non-recoverable property operating expenses, divided by the gross market value of property, net of development property.

EPRA "TOPPED-UP" NIY
The EPRA topped-up NIY is a performance measurement index obtained by making an adjustment to the EPRA NIY with annualized and full term rental income (including one-off and variable income), ie excluding unexpired lease incentives such as discounted rent periods and step rents.

EPS / EARNINGS PER SHARE
Net profit divided by the average number of shares outstanding in the year.

ESTIMATED RENTAL VALUE / ERV
The estimated value at market rates for rentable space, according to an independent appraisal based on similar properties in comparable areas.

FACILITY MANAGEMENT
Supply of specialized services to shopping centers such as security, clearing and routine maintenance.

FINANCIAL OCCUPANCY
Calculated as the GLA rented at market rates and expressed as a percentage of the market value of the total GLA rented at market rates.

GENERAL EXPENSES
Corporate costs not attributable to the individual shopping center.

GEARING
The gearing ratio reflects the total debt to total equity ratio, including non-controlling interests, and net of the cash flow hedge reserve. It measures financial leverage which demonstrates the degree to which a company's operations are funded by owner's funds versus borrowings, and facilitates sector benchmark analysis.

GROSS EXIT CAP RATE
The terminal value of the gross revenue (rents, temporary and variable) calculated as a percentage of the exit value.

GROSS INITIAL YIELD
The gross initial yield of an investment is the annualized rental income used in the first year of the DCF model (Discounted Cash Flow) expressed as a percentage of the property's fair value.

GLA / GROSS LEASABLE AREA
The total floor area designed for tenant occupance which includes outside walls.

GROSS MARGIN
The result obtained by subtracting direct costs from revenues

HEDGING
The total amount of mortgage loans hedged with interest rate swaps and bonds divided by the total amount of mortagage loans and bonds.

HYPERMARKET
Property with a sales floor in excess of 2,500 sqm, used for the retail sales of food and non-food products.

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

INTEREST COVER RATIO (ICR)
Measure of the number of times a company's operating profit covers the interest payable on debt. It is an indicator used to understand a company's solvency and ability to assume debt. It is calculated by dividing EBITDA by the net financial expense.

INTEREST RATE SWAPS / IRS
Financial instrument whereby two parties agree to exchange a certain interest rate stream on a pre-established date. Using to convert floating rate debt into fixed rate debt.

LIKE-FOR-LIKE PORTFOLIO
Real estate assets held in the portfolio for the entire year and the entire prior year.

LIKE FOR LIKE REVENUES
Revenues from rental activities of the assets held in the portfolio for the entire year and the entire prior year. They are separately calculated for Italy and Romania portfolios and they exclude:
- revenues from assets that have been acquired, sold or subject to remodeling and therefore they have not realized any income in the period;
- missing revenues from instrumental vacancy due to different reasons (ie works carried out to create new layouts);
- exceptional and one-off revenues which would make the comparison less reliable.

LOAN TO VALUE (LTV)
Ratio between the amount borrowed and the market value of freehold properties.

MALL / SHOPPING MALL
Property comprised of many stores plus the common spaces around which they are situated. Usually called a “galleria” in Italian.

MIDSIZE STORE
A property with a sales floor area of 250 to 2,500 sqm used for the retail sales of non-food consumer goods.

NET ASSET VALUE (NAV) AND TRIPLE NET ASSET VALUE (NNNAV)
The equity pertaining to the Group, calculated based on EPRA indications which call for a few adjustments.
Certain items are excluded from the NAV calculation for lack of relevance in a business model with a long term view like the Group’s. NNNAV provides more relevant information about the fair value of assets and liabilities.
The NAV is adjusted to take into account the fair value of (i) hedges, (ii) debt and (iii) deferred taxes.
It represents the equity pertaining to the Group including in the calculation the fair value of the main assets and liabilities that are not included in the EPRA NAV, namely (i) hedges, (ii) debt and (iii) deferred taxes.

NET DEBT
Net debt shows financial structure and is calculated by adding long-term debt, short-term debt and the current portion of long-term debt included in “Non-current and current financial liabilities (with third parties and related parties)”, net of “Cash and cash equivalents”, “Non-current financial assets” and “Financial receivables and other current financial assets (with third parties and related parties)”.

OCCUPANCY RATE
Gross let surface area as a percentage of properties’ total surface area.

OVER-RENTED
Space rented for an amount exceeding its ERV.

PRE-LET
Lease signed by a tenant before development of the property has been completed.

REAL ESTATE ASSETS
The Group’s freehold properties.

REAL ESTATE PORTFOLIO
The portfolio of freehold and leasehold properties rented out by the IGD Group.

REIT
Real Estate Investment Trust. Comparable to a SIIQ in Italy.

RETAIL PARK
Group of three or more complexes with a combined area of more than 4,500 sqm and shared parking.

REVERSIONARY POTENTIAL YIELD
The net annual rent that a property would generate if it were fully let at going market rates, as a percentage of the property’s value.

SHOPPING CENTER
Real estate complex comprised of a hypermarket and a shopping mall, featuring common areas and services located in a covered area with heating and air conditioning.

SIIQ
Società di Investimento Immobiliare Quotata. Real estate investment model comparable to a REIT. SIIQ rules allow income tax exemptions for publicly held listed compagnie whose prevalent activity is the rental of properties and equivalent, provided they meet a series of earinings and balance sheet requirements.

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

SUPERMARKET
A property with a sales floor of 250 to 2,500 sqm used for the retail sale of food and non-food products.

TENANT MIX
Set of store operators and brands found within a mall.

UNDER-RENTED
Space rented for an amount less than its ERV.

WACC / WEIGHTED AVERAGE COST OF CAPITAL
The weighted average cost of debt and all other sources of capital, used to calculated the expected return on investments.

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