

Executive summary 2016

Executive summary 2016

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1.1 Letter to Shareholders

Dear Shareholders,

the year 2016 was characterised, in line with the property company model adopted by joining the SIIQ *status* and in line with international Reits, by the purchase of fixed return investments and the main development projects for further input to the revenue portfolio in the medium term.

In particular, the Group has anticipated the Plan's objectives in terms of investment, purchasing a property portfolio for commercial use and a portfolio for office use, increasing by 90% the rental level on an annual basis that has reached Euro 18 million approximately.

In line with expectations the development has been completed of Phase 6 of the Serravalle Designer Outlet. The expansion of the shopping centre, in which Aedes SIIQ S.p.A. owns 50.1%, affected some 8,748 square meters of retail space. The opening to the public on 3rd November with 75% of occupancy marked an important milestone for the Group.

Also during the year, work has begun on preliminary development of Phase C of Serravalle Retail Park, which is expected to open in spring 2018, and authorisation has been completed for the activities of Caselle development project, prior to the signature of the urban planning agreement expected in the first half of 2017.

The focus on property activity was also pursued with the sale of the subsidiary Aedes Real Estate SGR, for the management of third-party real estate assets.

During 2016, Aedes SIIQ also joined EPRA - European Public Real Estate Association - conforming with the main international Reits in terms of financial reporting. This financial statements has in fact been enhanced with an explanatory section on the EPRA financial indicators.

2016 also saw the start of the Aedes Group's path to Corporate Social Responsibility, assuming full awareness of how the business is directly involved in the three dimensions of sustainability: economic, social and environmental. For this reason the first sustainability report has been prepared, which illustrates, through both qualitative and quantitative indicators, what the Group has done and is doing to pursue sustainable development, in harmony with the social and environmental context, respecting the values, expectations and needs of today and investing in tomorrow's generations.

Aware that the business should not be limited to the mere achievement of financial results, the Aedes Group is developing a responsible industrial model aimed at achieving shared objectives, by adopting a transparent approach to all Stakeholders: investors, business partners, employees, clients and suppliers.

So, thanks to the support of Shareholders, management and employees of the Group, Aedes SIIQ also ends the year 2016 on a positive note and will seek, during 2017, to define the objectives of the Plan for the Group's growth in the coming years.

The Chairman
Carlo A. Puri Negri

The Chief Executive Officer
Giuseppe Roveda

1.2 Corporate Governance

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EXECUTIVE SUMMARY 2016

BOARD OF DIRECTORS

Giuseppe Roveda Chief Executive Officer	Carlo A. Puri Negri Chairman	Benedetto Ceglie Vice-President
Giacomo Garbuglia Director ¹	Adriano Guarneri Director ^{1*}	Dario Latella Non-Executive Director ^{2,3}
Annapaola Negri-Clementi Non-Executive Director ^{1,2,3}	Giorgio Robba Non-Executive Director	Serenella Rossano Non-Executive Director ^{2,3}

BOARD OF STATUTORY AUDITORS

Cristiano Agogliati Chairman ⁴	Fabrizio Capponi Full Member ⁴	Sabrina Navarra Full Member ⁴
Giorgio Pellati Deputy Member	Roberta Moscaroli Deputy Member	Luca Angelo Pandolfi Deputy Member

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

¹ Finance and Investment Committee

^{*} Appointed by co-optation by the Board of Directors meeting of 18th December 2015 in place of the Director Roberto Candussi, and subsequently confirmed by the Shareholders' Meeting on 27th April 2016

² Audit Committee, Risk and Operations with Related Parties

³ Remuneration and Appointments Committee

⁴ The Board of Directors on 11th June 2015 resolved to give the Board of Statutory Auditors regulatory functions

1.3 Shareholder Structure

The year 2016 sought no changes in the amount of the share capital of Aedes SIIQ S.p.A. and the number of shares issued.

At the date of approval of the financial statements, the share capital of Aedes SIIQ S.p.A. amounts to Euro 212,945,601.41 and is divided into 319,803,191 ordinary shares.

There follows a list of Shareholders who, as of 31st December 2016, on the basis of Consob¹ communications and the updated Shareholder register, as well as other information available to the Company at that date, hold more than 5 (five) percent of the issued share capital².

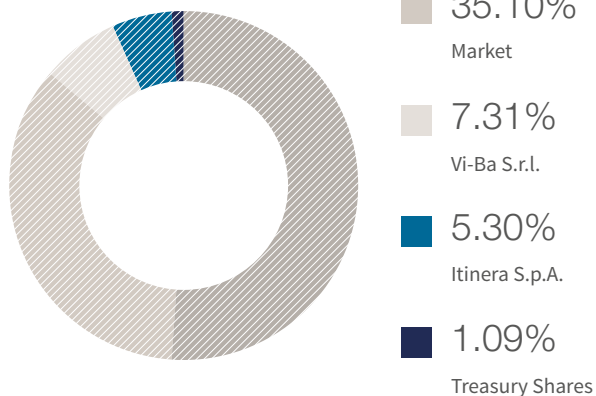
Shareholder	Number of shares	% of share capital	% voting rights
Augusto S.p.A.	163,752,436	51.20%	51.77%
Vi-Ba S.r.l.	23,379,885	7.31%	7.39%
Itinera S.p.A.	16,935,541	5.30%	5.35%
Floating shares	112,235,329	35.10%	35.48%
Total shares	316,303,191	98.91%	100.00%
Treasury shares	3,500,000	1.09%	0.00%
Total Shares	319,803,191	100.00%	100.00%

In view of the benchmark Shareholder structure, calculated on the basis of 319,803,191 common shares outstanding as of 31st December 2016, the Shareholder structure is composed as shown in the graph below. It is recalled that, out of a total of 86,956,536, there are still in outstanding 86,954,220 Warrants entitling their holders to subscribe to 1 share of Aedes SIIQ S.p.A., at a unit price of Euro 0.69 for every 3 Warrants held.

Treasury shares

319,803,191

Total Shares



At 31st December 2016 Aedes held 3,500,000 ordinary shares - at an average purchase price of Euro 0.4156 - representing 1.09% of the share capital.

¹ Received under art. 120 of Legislative Decree no. 58/1998

² Taking into account the status of the Company under art. 1, paragraph 1, lett. w-*quater*.1, of Legislative Decree no. 58/1998

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MANAGEMENT REPORT 2016

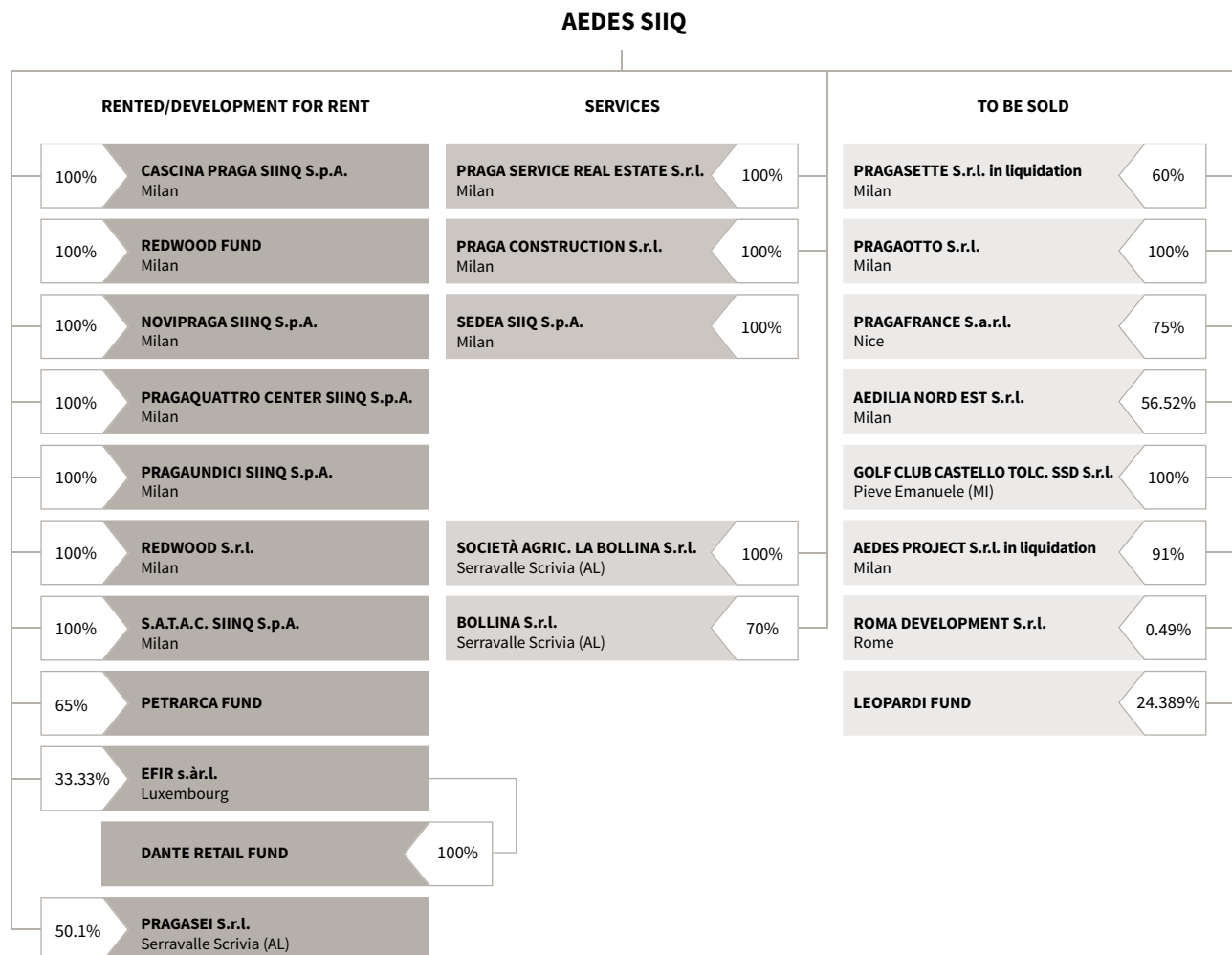
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2.1 Group structure

Aedes SIIQ S.p.A. (“**Aedes**”, the “**Company**” or the “**Parent Company**”), founded in 1905, was the first real estate company to be listed on the Milan Stock Exchange in 1924. Following the exercise of the option to join the civil and taxation regime of the listed property investment company (so-called SIIQ status), Aedes has become a SIIQ from 1st January 2016, adopting consequently the name Aedes SIIQ S.p.A..

Aedes is an ancient name that has its roots in Latin and Greek, and its meaning is home, temple or construction. Aedes SIIQ was created with the aim of enhancing a valuable asset, property, making it evolve into a common good that generates benefits for the whole community. An ancient and honoured tradition aimed at the social well-being of present and future generations.

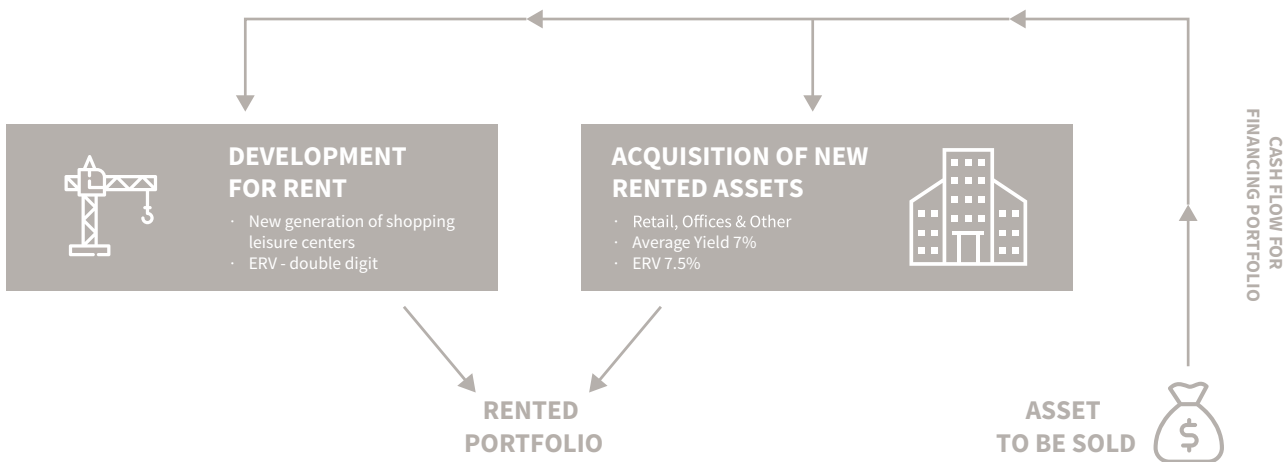
The simplified structure of the Group at 31st December 2016 was as follows:



2.2 Strategy and business model

The Aedes strategy is aimed at creating and maintaining in the medium to long term a real estate portfolio intended for commercial use mainly for retail, with limited recourse to debt and to generate cash flows consistent with the SIQ model.

Generating value for Stakeholders through the creation and maintenance, in the medium and long term, of a portfolio of real estate for commercial use that is sustainable and consistent with the SIQ model is the Aedes Group's strategy, which reinforces its business primarily through the placement of funds in the "income" and "development for income" portfolio: on the one hand by acquiring new properties leased to compete with the performance of Reits (Real Estate Investment Trusts) in Europe and on the other by creating new-generation shopping and leisure centres through its development pipeline. Objectives that Aedes pursues with a "circular" business model according to which the Group designs and develops the potential of building sites in the portfolio, constructs the building and shapes surrounding areas, making the property an asset with added value for the territory and the local community, while also renewing infrastructure and delivering social welfare.



Aedes also provided exclusively to the subsidiaries asset management, administration and finance services. The wholly owned subsidiaries Praga Service Real Estate S.r.l. and Praga Construction S.r.l. perform Project Management and General Contractor activities, mainly for Group companies, in order to maintain greater control of their investments.

Consistent with the provisions of the 2014-2019 Plan, the Group has completed the sale of the subsidiary Aedes Real Estate SGR S.p.A., in order to concentrate the business on the activity of property investment.



2.3 Performance Indicators

FINANCIAL HIGHLIGHTS

NOI		EBITDA		EBIT		NET PROFIT	
16.2	15.2	0.4	0.2	7.9	29.7	6.1	30.2
GAV ¹		PFL		LTV% ²		PROPERTY NAV ³	
321.3	398.6	(164.4)	(163.2)	51.2%	40.9%	169.1	243.8
SHAREHOLDERS' EQUITY		NFP		GEARING RATIO		AVERAGE COST DBT%	
275.3	303.4	(95.9)	(150.6)	60%	54%	2.77%	2.62%
EPRA NAV		EPRA NAV/SHARE		EPRA NNNAV		EPRA NNNAV/SHARE	
279.0	299.8	0.87	0.95	286.3	306.6	0.90	0.97

In millions of Euro

MARKET PERFORMANCE DATA⁴

The Aedes share on the Stock Exchange

The Aedes share (AE.IM) recorded in 2016 a trend substantially in line with the market index and its main competitors while maintaining a lower performance, and then in the last few days the recovery - although partial - of the gap accumulated in previous months.

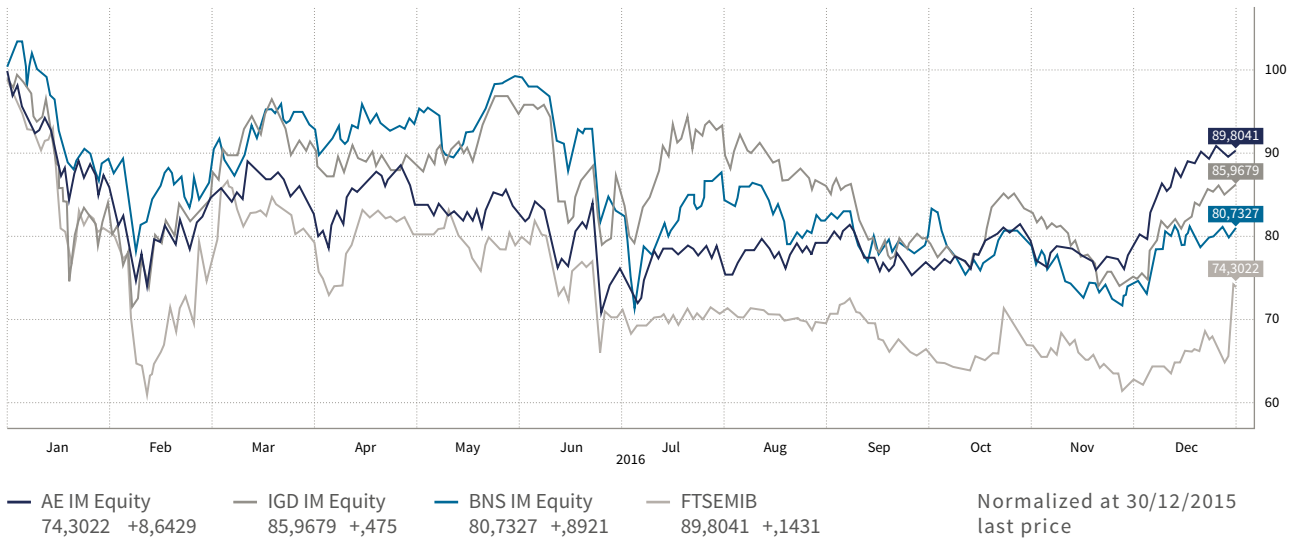
¹ Consolidated data

² PFL/GAV. Taking into account the debt allocated only on real estate the LTV ratio is 38.8%

³ Consolidated data

⁴ Data Source Bloomberg

There follows a chart with the comparison between the performance of the Aedes share and that of the main competitors⁵ and the market index⁶.



The following are the main figures and the price trend of the Aedes share:

Price at 30th December 2015: Euro 0.5195
 Price at 30th December 2016: Euro 0.3860
 Annual change: -26%

Highest price: Euro 0.5195 (30th December 2015)
 Lowest price: Euro 0.3156 (11th February 2016)
 Average price: Euro 0.3810

Market capitalization at 30th December 2016: Euro 123.4 million



⁵ Beni Stabili SIQ and IDG SIQ
⁶ FTSE MIB INDEX

Performance of Warrants

With the issue of shares resulting from the option increase 86,956,536 Aedes Warrants 2015-2020 have been allocated free of charge. The option increase to a maximum of Euro 40,000,006.56 at a price of Euro 0.46 per share, in fact, provided for the issue of up to 86,956,536 ordinary Aedes shares, combined with the same number of free Warrants, and a simultaneous capital increase of Euro 20,000,003.28 maximum, at a price of Euro 0.69 per share, including premium and, therefore, for a maximum of 28,985,512 Aedes ordinary shares in exercise of the Warrants.

The start of trading of the Warrant Aedes 2015-2020 took place on 30th June 2015, with an initial quote of Euro 0.0503.

There follows the graph of the Aedes 2015-2020 Warrant in 2016.



Out of the 86,956,536, there are still 86,954,220 Warrants outstanding which give their holders the right to subscribe to 1 share of Aedes SIIQ S.p.A., at a unit price of Euro 0.69, for every three Warrants held.

2.4 Net Asset Value

The EPRA NNNAV of the Aedes Group at the end of 2016 amounted to Euro 306.6 million, including the portion of equity held through joint ventures, real estate funds and affiliates which was assessed on the basis of equity, taking into account the market value of the properties owned by them.

There follows a detail of the NAV and NNNAV of the Aedes Group (in thousands of Euro):

	31/12/2016	31/12/2015
Shares outstanding (*)	316,303,191	319,264,191
EPRA Net Asset Value		
Shareholders' Equity	296,408	269,079
NAV	296,408	269,079
Includes:		
Revaluation of Real Estate in Development Phase	120	461
Revaluations of other investments (real estate holdings)	1,525	9,464
Revaluation of inventories	1,415	97
Excludes:		
Fair value of derivative financial instruments	375	(132)
EPRA NAV	299,843	278,969
EPRA NAV per share (Euro)	0.95	0.87
Fair value of derivative financial instruments	(375)	132
Fair value of financial debt	7,129	7,183
EPRA NNNAV	306,597	286,284
EPRA NNNAV per share (Euro)	0.97	0.90

(*) Excluding treasury shares

The diluted EPRA NAV and the diluted EPRA NNNAV are not significant because the outstanding Warrants, being out of the money at the reference date of the financial statements, have a dilutive effect. It has not, therefore, been necessary to calculate it.

Against a NNNAV per share of Euro 0.97, the Aedes share price has so far maintained a considerable discount (-60%). The Company has already launched several activities, including the launch of a buy-back program, assigning to Intermonte SIM S.p.A. the positions of Financial Intermediary for the purchase and sale of shares of Liquidity Providers and Specialist on the Aedes share, and the launch of several investor relations initiatives, with the aim of increasing the visibility of the share and allowing the progressive approximation of its price on NNNAV.

It should be noted that even with reference to Consob recommendation no. DIE/0061493 of 18th July 2013, for the preparation of the consolidated financial statements at 31st December 2016, the Group, subject to certain hereinafter defined exceptions, has made use of CB Richard Ellis as the primary independent expert in order to carry out valuation of the real estate portfolio to support the Directors in their assessments.

It is specified that for the Group's property portfolio held through the Petrarca Fund K2Real S.r.l. was used as an independent expert, appointed following the three-year term of office entrusted by the Management Company of the Fund to CB Richard Ellis. The valuation assignments are awarded on the basis of fixed fees.



2.5 Financial performance

ECONOMIC ANALYSIS

The year 2016 ended with positive economic results and key indicators have improved greatly compared to the previous year. There follows a management reclassification of the results in order to facilitate a better understanding of the composition of the operating profit:

Description (Euro/000)	31/12/2016	31/12/2015	Change
Gross revenues from rentals	15,120	7,068	8,052
Real estate sales margin	(87)	1,994	(2,081)
Profit from the sale of non-real estate inventories	1,129	635	494
Profit from sale of subsidiaries	(3)	3,814	(3,817)
Margin from General Contractor and Project Management services	488	928	(440)
Revenues from non-core services	2,230	2,081	149
Other revenue	2,756	3,462	(706)
Total revenues	21,633	19,982	1,651
Net losses for vacant	(241)	(2)	(239)
IMU, other taxes and insurance on buildings	(3,010)	(1,415)	(1,595)
Opex	(1,903)	(1,604)	(299)
Fees and commissions	(833)	(490)	(343)
Other non-refundable costs	(445)	(239)	(206)
Total direct costs	(6,432)	(3,750)	(2,682)
Net Operating Income	15,201	16,232	(1,031)
Personnel costs direct	(2,522)	(1,734)	(788)
Capitalized internal costs	1,059	1,405	(346)
Total domestic direct costs	(1,463)	(329)	(1,134)
Cost of headquarters personnel	(3,174)	(2,869)	(305)
Consultancy	(3,397)	(6,398)	3,001
G&A	(7,017)	(6,255)	(762)
Capitalized internal costs	21	0	21
Total General Expenses	(13,567)	(15,522)	1,955
EBITDA	171	381	(210)
Adjustment to the fair value of investment properties	29,773	5,824	23,949
(Write-down)/write-back of inventories	(771)	(900)	129
Depreciation, amortisation and write-downs	(2,477)	(107)	(2,370)
Income/(charges) from associates and joint ventures	3,009	(1,136)	4,145
Non-recurring income of real estate investment disposal	0	2,145	(2,145)
Restructuring Income/(Charges)	0	1,728	(1,728)
EBIT (Operating result)	29,705	7,935	21,770
Financial income/(charges)	(3,593)	(3,164)	(429)
PBT (Profit before taxes)	26,112	4,771	21,341
Income taxes	3,066	(135)	3,201
Profit/(Loss) from continuing operations	29,178	4,636	24,542
Profit/(Loss) after tax from discontinued operations	1,036	1,484	(448)
Profit/(Loss)	30,214	6,120	24,094
Result attributable to non controlling interests	1,107	946	161
Group result	29,107	5,174	23,933

The net profit for 2016 shows a profit of Euro 30.2 million (of which Euro 29.1 million attributable to the Group), compared to a profit of Euro 6.1 million (of which Euro 5.2 million attributable to the Group) of 2015.

The result in 2016 is the outcome of actions taken by the Group for the construction of a real estate strategy for the consolidation of a real estate portfolio as a property company, whereas in 2015 we had mainly focused on the completion of the capital increase, which was in fact finalized between the end of June and beginning of July 2015.

In the fourth quarter of 2016, the agreement was signed between Aedes, as vendor, and Sator Immobiliare SGR S.p.A., as purchaser, for the sale of Aedes Real Estate SGR S.p.A. owned by Aedes. The results of the subsidiary Aedes Real Estate SGR S.p.A. at 31st December 2015 and the net result of the sale of 2016 have been classified under the item "Profits/(Losses) after tax from discontinued operations".

ANALYSIS OF THE FINANCIAL POSITION

The financial position of the Group at 31st December 2016 is summarised as follows:

Balance Sheet (Euro/000)	31/12/2016	31/12/2015	Change
Non current assets	398,367	326,325	72,042
Net working capital	61,727	55,498	6,229
Invested Capital	460,094	381,823	78,271
Group Shareholders' Equity	296,408	269,079	27,329
Non controlling interests	6,953	6,241	712
Total Shareholders' Equity	303,361	275,320	28,041
Other non-current (assets) and liabilities	6,115	10,554	(4,439)
Medium/long-term payables due to banks and other lenders	113,866	94,424	19,442
Short-term payables due to banks and other lenders	49,362	70,022	(20,660)
Cash and cash equivalents	(12,610)	(68,497)	55,887
Total net financial debt	150,618	95,949	54,669
Total net financial debt and Shareholders' Equity	460,094	381,823	78,271

Net Financial Debt

The net financial debt of the Group at 31st December 2016 amounts to Euro 150.6 million compared to a balance amounting to Euro 95.9 million at 31st December 2015. The change is largely attributable to investments made during the year.

The 2016 figure shows a difference between gross debts for Euro 163.2 million and bank deposits amounting to Euro 12.6 million, against gross debts for Euro 164.4 million and bank deposits amounting to Euro 68.5 million at the end of the previous year.

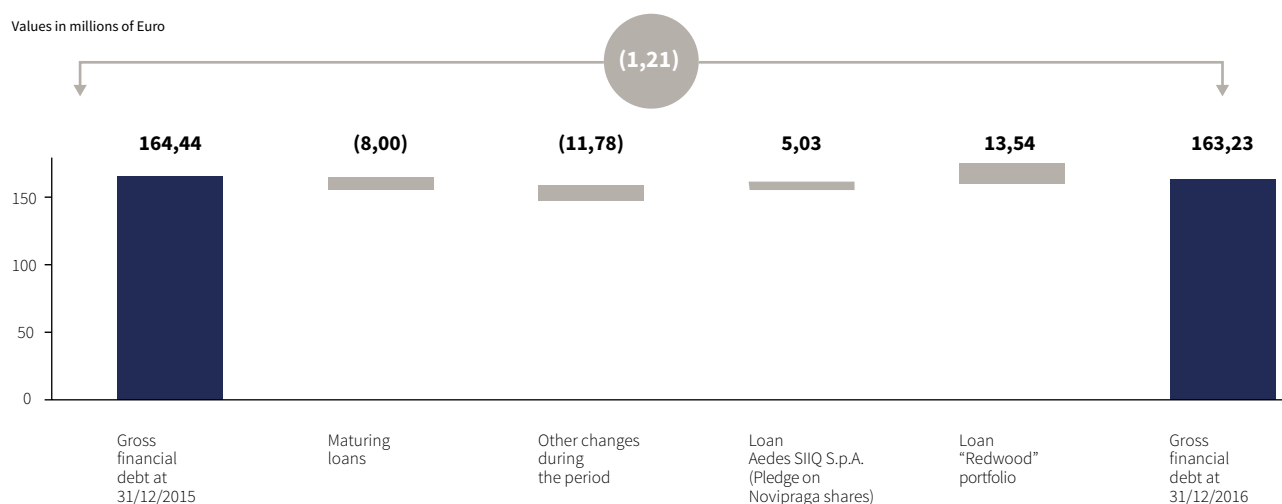
There follows the table detailing the net financial debt of the Group as at the end of FY 2016, compared with the end of the previous year:

NFP (Euro/000)	31/12/2016	31/12/2015	Change
Cash	12,610	68,497	(55,887)
Other cash on hand	0	0	0
Securities held for trading	0	0	0
Liquidity	12,610	68,497	(55,887)
Current financial receivables	0	0	0
Current bank payables	(47,798)	(68,670)	20,872
Current part of the Non-current debt	0	0	0
Other current financial payables	(1,564)	(1,352)	(212)
Current financial debt	(49,362)	(70,022)	20,660
Net current financial debt	(36,752)	(1,525)	(35,227)
Non-current bank payables	(97,107)	(76,205)	(20,902)
Bonds issued	0	0	0
Other non-current payables	(16,759)	(18,219)	1,460
Net non-current financial debt	(113,866)	(94,424)	(19,442)
Net financial debt	(150,618)	(95,949)	(54,669)

The variation of the net financial debt is mainly due to:

Net financial debt at 31st December 2015 (Payables)/Cash (Euro/000)	(95,949)
Change of net working capital	(6,229)
Adjusted net income from operating activities	(3,935)
Change of fixed capital	(38,409)
Other equity movements	(1,657)
Change other non-current assets and liabilities	(4,439)
Net financial debt at 31st December 2016 (Payables)/Cash	(150,618)

In the year 2016, the gross financial debt increased from Euro 164.4 million to Euro 163.2 million, a fall of Euro 1.2 million. This fall is due to the net effect of divestments and acquisitions real time, as described in the following graph.



In particular, the effects on the variation of the debt are referable to:

a) reduction amounting to Euro 19.8 million, due to:

- (i) the amortisation repayments of approximately Euro 11.8 million;
- (ii) loans maturing for around Euro 8.0 million;

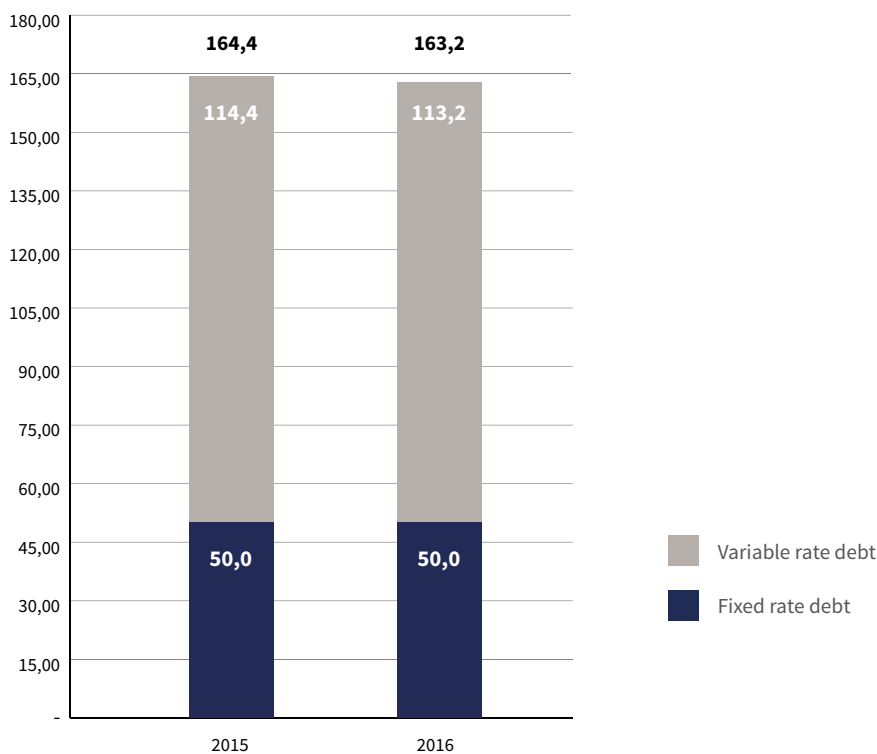
b) increases for Euro 18.6 million, due to:

- (i) Euro 5.0 million for the subscription of a new loan backed by the pledge of shares of Novipraga SIINQ S.p.A. and aimed at the partial refinancing of the equity invested in the project of Serravalle Retail Park Phase C; and
- (ii) Euro 13.5 million for the financing of the property portfolio acquired by Redwood Fund.

At 31st December 2016, the percentage of gross debt at a variable rate amounts to 69.4% of the overall financial exposure of the Group, compared to 69.6% of debt at a variable rate at 31st December 2015.

The portion of debt not exposed to interest rate risk is due to the subscription by Aedes, in November 2015 of an Interest Rate Collar, with rates 0% strike the floor and 1% for the cap, with a notional amount of Euro 50.0 million and bullet maturity in December 2020.

The purpose of the hedging agreement is to reduce the interest rate of risk on the overall debt of the Group.



Here below is a reclassification of the financial debt of the Group by type of guarantee:

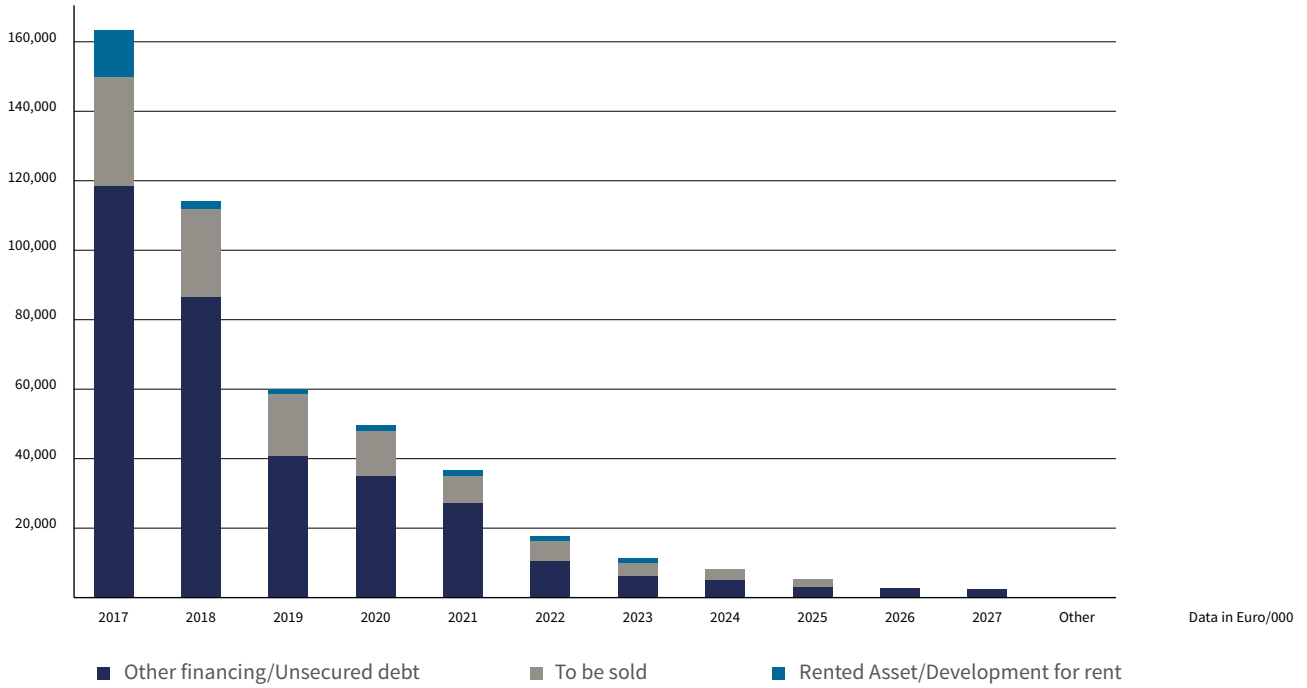
(Euro/million)	2016	2015	Change
Rented Assets: mortgage loans	84.1	73.2	10.9
Rented Assets: leasing	16.7	18.0	(1.3)
GFD Rented	100.9	91.2	9.7
Development for Rent: mortgage loans	9.0	14.4	(5.4)
Development for Rent: other securities	14.6	11.0	3.6
GFD Development fo Rent	23.6	25.4	(1.8)
GFD Subtotal Rented Portfolio	124.5	116.6	7.9
To be sold Portfolio: mortgage loans	30.4	35.6	(5.2)
GFD Subtotal to be sold Portfolio	30.4	35.6	(5.2)
GFD Real Estate Portfolio	154.8	152.2	2.6
Unsecured debts vs Banks	6.8	10.7	(3.9)
Unsecured debts vs Others	1.6	1.5	0.1
Gross financial debt	163.2	164.4	(1.2)

The debt at 31st December 2016 has an average duration of 2.60 years, an increase of 1.21 years, compared to 2.39 years at 31st December 2015.

Short-term financial debt at 31st December 2016 was Euro 49.4 million compared with Euro 70.0 million at 31st December 2015, with a net reduction of Euro 20.6 million. Of the 49.4 million in short-term maturities of Euro, about Euro 15.9 million relate to the balloon installment of a loan renegotiation in progress at the balance sheet date.

The chart below shows the amortisation plan for financial payables, broken down by the nature and nature of the related asset.

DURATION



2.6 EPRA Performance Indicators

The table below summarizes the main EPRA performance indicators (EPRA Performance Measures - EPM).

EPRA – performance measure	Definition	2016	2015	Reference
EPRA EARNINGS (Euro/000)	Adjusted net income from operating activities	(3,935)	(6,408)	this paragraph
EPRA NAV (Euro/000)	Net Asset Value which includes fixed investments at fair value and excludes the fair value of financial instruments	299,843	278,969	this paragraph
EPRA NNNAV (Euro/000)	EPRA NAV adjusted to include the fair value of financial instruments and financial liabilities	306,597	286,284	this paragraph
(I) EPRA NET INITIAL YIELD (%)	Ratio between annualized rental income, excluding non-recurring charges, and the gross value of the investment property market	4.70%	3.72%	this paragraph
(II) EPRA ‘TOPPED-UP’ NIY (%)	Ratio of rents stabilized annualized, net of non-recurring charges, and the gross value of the investment property market	5.09%	4.24%	this paragraph
EPRA VACANCY RATE (%)	The ratio of the market value (ERV) of vacant spaces and the entire portfolio market value	17.81%	19.00%	this paragraph
EPRA COST RATIO (including costs of vacant properties) (%)	Ratio between the company’s operating costs and rents	132%	239%	this paragraph
EPRA COST RATIO (excluding costs of vacant properties) (%)		112%	220%	this paragraph



EPRA EARNINGS

The EPRA EPS-diluted is not significant because the outstanding Warrants, being out of the money at the date of the balance sheet, have an antidilutive effect. It has not therefore been necessary to calculate it.

In the item relating to specific adjustments, the Group includes provisions for risk, considering that they are of a non-recurring nature and do not relate to income components that are incurred for the current financial year.

(Euro/000)	31/12/2016	31/12/2015
Earnings per IFRS income statement	29,107	5,174
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	29,460	4,924
Profits or losses on disposal of investment properties, development properties held for investment and other interests	0	8,609
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	(87)	694
Changes in fair value of financial instruments and associated close-out costs	(507)	132
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	4,969	(2,368)
Non-controlling interests in respect of the above	(793)	(409)
EPRA Earnings	(3,935)	(6,408)
Basic number of shares	316,303,191	319,264,191
EPRA Earnings per Share (EPS)	(0.012)	(0.020)
Company specific adjustments:		
Provisions for risks	(1,602)	777
Company specific Adjusted Earnings	(2,333)	(7,185)
Company specific Adjusted EPS	(0.007)	(0.023)

EPRA NAV (NET ASSET VALUE) AND EPRA NNAV (TRIPLE NET ASSET VALUE)

(Euro/000)	31/12/2016	31/12/2015
Shares outstanding (*)	316,303,191	319,264,191
EPRA Net Asset Value		
Shareholders' Equity	296,408	269,079
NAV	296,408	269,079
Includes:		
Revaluation of Real Estate under development	120	461
Revaluation of other investments (associates)	1,525	9,464
Revaluation of inventories	1,415	97
Excludes:		
Fair value of derivative financial instruments	375	(132)
EPRA NAV	299,843	278,969
EPRA NAV per share (Euro)	0.95	0.87
Fair value of derivative financial instruments	(375)	132
Fair value of financial debt	7,129	7,183
EPRA NNAV	306,597	286,284
EPRA NNAV per share (Euro)	0.97	0.90

(*) Excluding treasury shares

The EPRA NAV and EPRA NNAV diluted are not significant as the outstanding warrants, being out of the money at the date of the balance sheet, have a dilutive effect. It has not therefore been necessary to calculate it.

The item "Revaluation of properties under development" includes the difference between the book value (cost) and fair value.

The item "Revaluation of other investments (real estate holdings)" includes the difference between the book value (cost) and the fair value of property entered inventories within budgets for investments in affiliates and joint ventures.

The item "Revaluation of inventories" includes the difference between the carrying amount (cost) and the fair value.

The item “Fair value of derivative financial instruments” represents the net value of derivative instruments recognised in the balance sheet (liabilities in 2016 and assets in 2015).

The fair value of the financial debt is equal to the difference between the book value and the fair value of the latter, which is positive.

EPRA NIY (NET INITIAL YIELD) AND EPRA “TOPPED UP” NIY

(Euro/000)	31/12/2016	31/12/2015
EPRA NIY and ‘topped-up’ NIY1		
Investment property - wholly owned	341,509	263,491
Trading property (including share of JVs)	57,126	57,260
Less: developments	(109,659)	(109,271)
Completed property portfolio	288,976	211,480
Allowance for estimated purchasers’ costs	11,559	8,459
Gross up completed property portfolio valuation	300,535	219,939
Annualised cash passing rental income	16,871	9,537
Property outgoings	(2,732)	(1,346)
Annualised net rents	14,139	8,191
Add: notional rent expiration of rent free periods or other lease incentives	1,145	1,138
Topped-up net annualised rent	15,285	9,329
EPRA NIY	4.7%	3.7%
EPRA “topped-up” NIY	5.1%	4.2%

The item “Notional rent expiration of rent free periods” is mainly related to incentives granted to some tenants.

It is noted that, taking into account only the “Rented Assets”, or real property held for development income for the maintenance of the portfolio, and excluding real estate “to be sold” held for disposal:

- EPRA NYI would be 5.8% for 2016 and 5.0% for 2015.
- EPRA EPRA “topped up” NYI would be 6.3% for 2016 and 5.7% for 2015.

EPRA VACANCY RATE

(Euro/000)	31/12/2016	31/12/2015
EPRA Vacancy Rate		
Estimated Rental Value of vacant space	3,424	2,313
Estimated rental value of the whole portfolio	19,228	12,176
EPRA Vacancy Rate	17.81%	19.00%

The data in the table exclusively relate to the share in the revenue portfolio and are particularly characterised by the Petrarca portfolio.

In 2016, the improvement is due to the entry of new assets whose vacancy is on average lower than that of 2015.

EPRA COST RATIO

(Euro/000)	31/12/2016	31/12/2015
EPRA Cost Ratios		
Include:		
Administrative/operating expense line per IFRS income statement	(24,130)	(20,568)
Net service charge costs/fees	1,306	268
Other operating income/recharges intended to cover overhead expenses less any related profits	2,910	3,190
EPRA Costs (including direct vacancy costs)	(19,914)	(17,110)
Direct vacancy costs	(2,976)	(1,334)
EPRA Costs (excluding direct vacancy costs)	(16,938)	(15,776)
Gross Rental Income less ground rents – per IFRS	15,105	7,157
Gross Rental Income	15,105	7,157
EPRA Cost Ratio (including direct vacancy costs)	132%	239%
EPRA Cost Ratio (excluding direct vacancy costs)	112%	220%
Overhead and operating expenses capitalised (incl. share of joint ventures)	72	5,552

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The costs sustained are capitalized on the property investment book value only when they are likely to generate future economic benefits and their cost can be measured reliably. Other maintenance and repair costs are expensed as incurred. For the details, please refer to the following property related capex table.

REAL ESTATE PORTFOLIO - COMPLETED ASSETS

(Euro/000)								
Information on completed investment properties								
Sub-portfolio	GLA (sqm)	Average rent per sqm	Annualised net rent	ERV	Net rental income	Fair Value	WALT	% of reversion
Retail	72,448	76	5,521	6,239	5,262	77,210	4.43	13.00%
Office	82,936	133	11,049	12,843	7,232	150,550	2.48	16.23%
Other uses	5,566	28	155	156	53	4,090	3.74	0.65%
	160,950		16,725	19,238	12,547	231,850		

Information on each major completed investment property				
Location	GLA (sqm)	Type of property	% of ownership	Form of ownership
Milan - Via Agnello	4,406	Office	100%	Leasing
Rome - Via Veneziani	16,292	Office	100%	Outright ownership
Milan - Via San Vigilio	9,793	Office	100%	Outright ownership
Catania - Via Etnea	7,935	Retail	100%	Outright ownership
Santa Vittoria D'Alba Roero Center - Fase B	9,113	Retail	100%	Outright ownership
Agrate Brianza Centro dir. "Colleoni" - Palazzo Andromeda	16,422	Office	65%	Outright ownership
Cinisello Balsamo - Via Gorky	22,103	Office	65%	Outright ownership
Milan - Via Roncaglia	8,314	Office	65%	Outright ownership
Trezzano sul Naviglio	9,732	Retail	100%	Outright ownership
Rome - Via Salaria	4,106	Retail	100%	Outright ownership
	108,216			

LIST OF THE MAIN TENANTS

Top 10 tenants	%
CERVED GROUP	20%
NCTM	18%
BP PROPERTY MNGT	12%
COIN GROUP	10%
WIND	10%
UNIEURO	10%
BIG SHOPPING	8%
HUAWEI	6%
C&C METRO	4%
ST. JUDE MEDICAL ITALY	4%

REAL ESTATE PORTFOLIO UNDER DEVELOPMENT

(Euro/000)									
Information on each development asset Breakdown of GLA according to usage									
Location	GLA (sqm)	Type of property	Retail	Production	Entertainment	Services	Administrative	Cost to date (Euro/000)	Cost to completion (Euro/000)
Serravalle Scrivia - Serravalle Outlet Village - Stage 7	4,149	Development - Retail	3,551	598	0	0	0	7,530	18,461
Serravalle Scrivia Novi Ligure - Serravalle Retail Park - Phase C	21,555	Development - Retail	17,008	1,654	0	0	0	14,625	20,670
Santa Vittoria d'Alba - Roero Centre - Phase C	6,300	Development - Retail	6,300	0	0	0	0	1,750	6,396
Castellazzo Bormida - Castellazzo Design Centre	87,800	Development - Retail	62,500	0	23,300	2,000	0	13,400	103,640
Caselle - Caselle Designer Village	141,000	Development - Retail	93,037	0	15,963	0	0	62,992	254,500
Serravalle Scrivia - Praga Business Park	3,146	Development - Retail	912	0	0	0	2,234	7,040	500
	263,950		183,309	2,252	39,263	2,000	2,234	107,337	404,167

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MANAGEMENT REPORT 2016

(Euro/000)					
Information on each development asset Breakdown of GLA according to usage					
Location	% of the development which has been let as of 31/12/2016	Expected date of completion	% of ownership	Status	
Serravalle Scrivia - Serravalle Outlet Village - Stage 7	0%	Jun-18	100%	P.d.C. withdrawable	
Serravalle Scrivia Novi Ligure - Serravalle Retail Park - Phase C	0%	Mar-18	100%	Under construction	
Santa Vittoria d'Alba - Roero Centre - Phase C	0%	Jun-18	100%	P.d.C. withdrawable	
Castellazzo Bormida - Castellazzo Design Centre	0%	Dec-20	100%	Urban Planning Agreement Signed	
Caselle - Caselle Designer Village	0%	Mar-22	100%	Adopted variant no 1 to the Detailed Plan	
Serravalle Scrivia - Praga Business Park	0%	Jun-18	100%	Urban Planning Agreement Signed	

LIKE-FOR-LIKE RENTS

The table shows for 2016 a like-for-like growth in net rental fees equal to 74%, mainly linked to the Petrarca Fund consolidation, which occurred from the fourth quarter of 2015.

(Euro/000)					
Like for Like rental growth					
Sub-portfolio	Market value 2016	Net Rental Income 2015	Lfl growth	Net Rental Income 2016	Lfl growth %
Retail	31,500	2,027	(31)	1,996	-2%
Office	121,050	3,514	2,275	5,789	65%
Other uses	4,090	48	5	53	10%
	156,640	5,589	2,249	7,838	74%

CAPEX

Property related capex	(Euro/000)
Acquisitions	40,893
Development	6,470
Like for like portfolio	219
Other	72
Total capital expenditure	47,654

The above information is based on the consolidated real estate portfolio.

Investments related to acquisitions relate to the purchase of an asset in Rome Via Veneziani (Euro 13,743 thousand) and Redwood portfolio (Euro 27,150 thousand).

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The capex for development are mainly related to the Project Caselle Designer Village.

Investments on the like-for-like portfolio consist mainly of a property in Cinisello Balsamo owned by the Petrarca Fund and of a building in Milan Via San Vigilio.

Other investments relate to real estate investments classified in the balance sheet item "Inventories" and concern improvements to the portfolio.



2.7 The real estate portfolio

INDEPENDENT EXPERT APPRAISALS

It should be noted that even with reference to Consob recommendation no. DIE/0061493 of 18th July 2013, for the preparation of the consolidated financial statements at 31st December 2016, the Group, subject to certain hereinafter defined exceptions, has made use of CB Richard Ellis as the primary independent expert in order to carry out valuations of the real estate portfolio to support the Directors in their assessments.

It is specified that for the Group's property portfolio held through the Petrarca Fund K2Real S.r.l. was used as an independent expert, appointed following the end of the three-year term entrusted by the Management Company of the Fund to CB Richard Ellis.

On completion of the portfolio appraisal process at 31st December 2016, having analysed the contents of the reports prepared by the independent experts, the Company adopted the relevant results, during the Board of Directors' Meeting on 8th February 2017.

In the performance of their analyses the independent experts have adopted methods and internationally accepted standards, however, using different valuation methods based on the type of asset analysed. These standards can basically be summarised as follows:

- **Comparative Method:** this approach is based precisely on the direct comparison of the assets to be evaluated with other 'comparable' ones recently the subject of trading.
- **Method of discounted cash flows** (Discounted Cash Flow): this method presupposes the determination of the future net income (revenues produced by rent net of costs of all kinds), which also contemplate any periods of vacancy in correspondence with the relocation and the final sale at a value obtained by capitalizing market rents with capitalization rates (Exit Cap rate) that take into account the specific characteristics of the property in the current market environment. Sales costs are subtracted from the above-mentioned final amount. Net flows so determined, discounted (at a rate taking into account the risk associated with the specific property investment) and algebraically added, provide the gross value of the property, from which, separating the implicit buying and selling costs, the Market Value is achieved.
- **Transformation** (or residual) method: this approach, which is used for areas to be developed or properties suitable for restructuring, consists in estimating the Market Value of the asset through the determination of the difference between the market value of the asset 'transformed' and all the expenses necessary to perform the transformation (direct and indirect costs, professional costs, unexpected items, agency fees and financial charges), net of the profit that a normal market operator would expect as a return of the risk associated with the processing and sale transaction (or income generation).

OWNED ASSETS

The property portfolio owned by the Aedes Group is broken down into two macro categories:

- **Rented Portfolio**

These are already profit yielding properties or developments of projects designed to maintain yields. Within this category are the following two categories of product:

 - *Retail*: profit yielding properties and developments to yield profits, intended for commercial use (mainly stores, parks and shopping centres);

- *Office*: profit yielding properties and developments to yield profits, intended for tertiary-office use;
- *Other Uses*: profit yielding properties and developments to yield profits, intended for uses other than the previously mentioned uses, inter alia hotels, clinics, SAW, logistics and sports centres;

These investments can also be classified, in function of the stage of development, in:

- (a) “revenue properties” (or “rented assets”), and
- (b) “developments for revenue” (or “development for rent”), that is, the real estate development projects intended to contribute to the portfolio of revenue-generating properties.

► To Be Sold Portfolio

This classification consists of assets intended for short/medium-term sale. Within this category are the following segments:

- *Properties for sale (or “assets to be sold”)*: they include buildings already existing which are expected to be sold in bulk or fractionated;
- *Areas to be sold (or lands to be sold)*: areas and land for which the sale is to be made at any stage of the production cycle, from the status of agricultural land until obtaining authorizations and permits of various kinds.

The Company has investment properties in the rented assets Portfolio or to be sold Portfolio mainly directly or through subsidiaries and within the scope of the Group, i.e., through non-controlling interest shares in vehicle companies (so-called “spv” or “special purpose vehicle”) and real estate funds.

There follows a representation of the pro-quota real estate property for the product’s implementation phase at 31st December 2016:

(Euro/000)	GAV				LTV Ratio	NAV			
	Consolidated pro quota	Not consolidated Funds & join ventures	Total Portfolio	% on Total Portfolio		Consolidated Pro quota	Funds & join ventures	Total Portfolio	& on Total Portfolio
Retail	77,210	89,446	166,656	33.3%	43.9%	50,529	43,047	93,576	32.0%
Office	130,233	590	130,823	26.1%	45.4%	71,006	447	71,452	24.5%
Other uses	4,090	1,661	5,751	1.1%	56.3%	1,628	885	2,513	0.9%
Rented assets	211,533	91,697	303,229	60.5%	44.7%	123,163	44,378	167,541	57.3%
Retail Development for Rent	107,345	-	107,345	21.4%	22.0%	83,741	-	83,741	28.7%
Office Development for Rent	-	-	-	0.0%	-	-	-	-	0.0%
Development for Rent	107,345	-	107,345	21.4%	22.0%	83,741	-	83,741	28.7%
Subtotal Portfolio Rented/for rent	318,878	91,697	410,574	81.9%	38.8%	206,904	44,378	251,282	86.0%
Retail	2,106	-	2,106	0.4%	63.6%	766	-	766	0.3%
Other uses	53,998	34,369	88,367	17.6%	54.6%	28,448	11,658	40,105	13.7%
Subtotal to be sold Portfolio	56,104	34,369	90,473	18.1%	54.8%	29,214	11,658	40,871	14.0%
Total portfolio	374,981	126,066	501,047	100.0%	41.7%	236,118	56,036	292,154	100.0%

Minorities	GAV	NAV
Petrarca Fund (35%)	21,452	6,424
Praga France S.ar.l. (25%)	2,203	1,265
Total consolidated portfolio	398,635	243,806

At 31st December 2016 the real estate assets owned by the Aedes Group’s share amounted to a market value of Euro 501.0 million, including the portion attributable to properties held by associated non-controlling and real estate funds, up 21% compared to the data of 2015 (Euro 412.4 million).

The GAV (Gross Asset Value) consolidated, amounting to Euro 398.6 million, has risen compared to the same figure at 31st December 2015 Euro 77.3 million, of which Euro 2.7 million on a parity perimeter (like-for-like) and Euro 74.6 million to net purchases. In particular, during 2016 there were purchases of real estate portfolios in the value of Euro 75.2 million and properties sold or deconsolidated of Euro 0.6 million. Due to purchases made in 2016, the Group has lease contracts for a total of Euro 18 million on an annual basis, for rentals of Euro 10.0 million on an annual basis on the Group’s portfolio at 31st December 2015.

With reference to the property portfolio owned by the Holding and by the subsidiaries we provide the following further details¹:

(Euro/000)	Method	Book Value	Market Value
Inventory	IAS 2	0	0
Fixed Assets: Properties Under Development	IAS 40 - Cost	0	0
Fixed Assets: investment properties	IAS 40 - Fair Value	231,850	231,850
Rented Assets		231,850	231,850
Inventory	IAS 2	0	0
Fixed Assets: Properties Under Development	IAS 40 - Cost	107,356	107,379
Fixed Assets: investment properties	IAS 40 - Fair Value	0	0
Development for Rent		107,356	107,379
Subtotal Portfolio Rented/for Rent		339,206	339,229
Inventory	IAS 2	55,680	57,126
Fixed Assets: Properties Under Development	IAS 40 - Cost	2,183	2,280
Fixed Assets: investment properties	IAS 40 - Fair Value	0	0
Subtotal to be sold Portfolio		57,863	59,406
Total portfolio		397,069	398,635

“Profit yielding” portfolio - Rented Assets

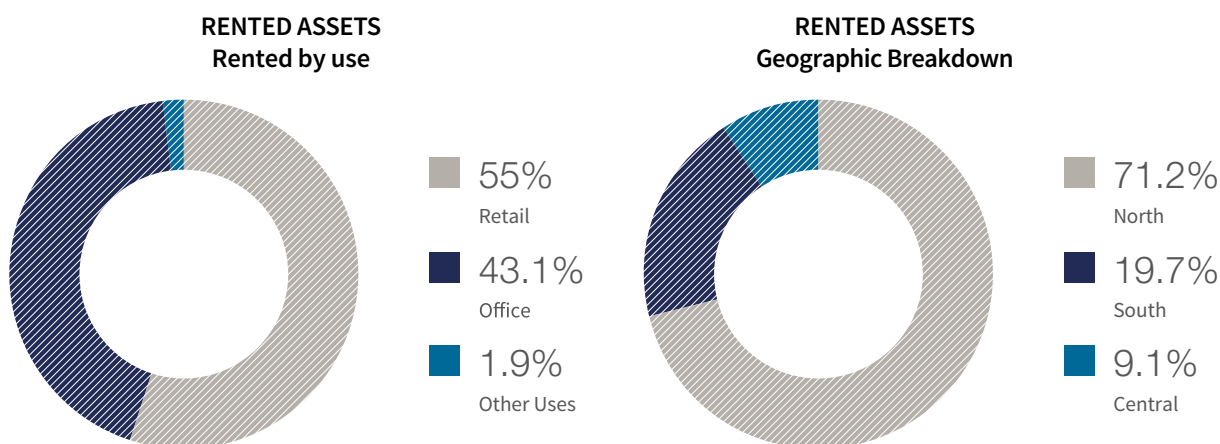
At 31st December 2016 the pro-rata of the Group of Properties at market value revenue amounted to Euro 303.2 million, including 70% owned directly or through companies and funds falling within the perimeter of consolidation and 30% by joint ventures and other real estate funds.

The breakdown by application highlights 55% Retail properties, 43% Office properties and the remaining 2% as real estate for so-called Other Uses.

The duration of the investments in rented assets is medium-long term and is designed to maximise profits from rents, achievable through new leases or renegotiation of leases in line with the market fees and, consequently, with the increase of the intrinsic value of the property assets.

The geographic position of the investments in Rented Assets is in Northern Italy for 71%, Southern Italy 20% and Central Italy for 9%.

The financial leverage on Rented Assets is on average 44.7%, in line with the targets established by the Group for the core investments of the SIQ model.



¹ In accordance with Consob recommendation no. 9017965 of 26th February 2009.



Catania, Via Etna 116-124 – Aedes SIQ S.p.A.



Agrate Brianza, Centro Colleoni – Petrarca Fund

“Profit yielding” portfolio - Development for Rent Portfolio

The fund's revenue portfolio compartment called Development for Rent, consists of areas of development, with predominantly commercial purpose for which it is expected to develop some initiatives and subsequent leases.

At 31st December 2016 the market value of the pro rata share of investments of the Group in development properties amounted to Euro 107.4 million, all owned directly.

The financial leverage is on average lower compared to the rest of the portfolio and stands at 22.0%. The signing of new loan agreements is expected for the main initiatives, also in support of development costs, close to the beginning of the construction works.



On 3rd November 2016 the new extension at Serravalle Designer Outlet called Step 6 was opened to the public. This investment, which resulted in one of the development projects at the end of last year, has therefore been reclassified as an Asset Rented on 31st December 2016.

The new implementation extends beyond the provincial road connecting the Serravalle Designer Outlet to the existing retail park, creating a functional and dynamic connection of the entire commercial offering of the Serravalle site. The expansion consists of 52 stores to a 8,748 square meters total retail GLA, to which are added 1,000 square meters of GLA for service/storage use, with a percentage of 75% current occupation.



Serravalle Scrivia (AL), Serravalle Outlet Village, Pragasei S.r.l. – Opened in IVQ 2016

There follows the relevant information on the status of the main revenue development initiatives, which fall within the perimeter of consolidation.

Asset	S.P.V.	Location	Intended use	Planned urban construction capacity (sqm)	Administration and implementation status
Serravalle Outlet Village - Phase 7	Pragaundici SIINQ S.p.A.	Serravalle S. (AL)	Commercial/ productive	4,510	Approved town planning regulations. Approved urban planning instrument. Signed town planning agreement. Obtained trade authorisations. Environment controls passed with a positive outcome. Completed process for obtaining building permits.
Serravalle Retail Park - Phase C	Novipraga SIINQ S.p.A.	Serravalle S. (AL)/ Novi L. (AL)	Commercial/ Artisan	19,035	Regulatory plans approved. Approved urban planning instrument. Signed town planning agreements with the Municipalities of Serravalle and Novi Ligure. Obtained trade authorisations. Environment controls passed with a positive outcome. Withdrawn building permits to build works preparatory to the intervention and submitted request for permission to build buildings. Ongoing construction preparatory works.
Roero Retail Park - Phase C	Aedes SIQ S.p.A.	S. Vittoria d'Alba (CN)	Commercial	6,396	Approved town planning regulations. Approved urban planning instrument. Signed town planning agreement. Obtained trade authorisations. Environment controls passed with a positive outcome. Submitted request for building permits (currently ready for issue).
Castellazzo Design Center	Pragaquattro Center SIINQ S.p.A.	Castellazzo B. (AL)/ Borgoratto A. (AL)	Commercial	94,410	Approved town planning regulations. Approved urban planning instrument. Signed town planning agreement. Obtained trade authorisations. Environment controls passed with a positive outcome. In the course of preparing the variant project masterplan.
Caselle Designer Village	Satac SIINQ S.p.A.	Caselle T. (TO)	Commercial/ Administrative	153,000	Approved town planning regulations. Approved urban planning instrument. Obtained trade authorisations. An Environmental Plan Agreement was approved and signed in December 2014, between the Region of Piedmont, Province of Turin and Municipality of Caselle Torinese, whose contents were implemented in the Regulatory Plan with variation no. 7 of November 2015, following which an update of the urban planning instrument is being prepared. On 29 th December 2015 the request was submitted in order to start the Verification Stage pursuant to art. 10, paragraph 1 of the regional law of 14 th December 1998, no. 40. At 31 st March 2016 the deed was registered with the additions of the verification procedure under the former Article 10, LR 40/98 and subsequent amendments. At 2 nd May 2016 the project was excluded from environmental assessment stage under Article 12 of LR 40/98. With D.G.C. 150 of 28 th November 2016 was adopted and put into publication variant no. 1 to the Detailed Plan (attached with the Draft Agreement), approved by Resolution of the Regional Council on 7 th November 2005, no. 17-1334. Publication expired on 27 th January 2017.
Praga Business Park	Cascina Praga SIINQ S.p.A.	Serravalle S. (AL)	Commercial/ Offices	2,785	Approved town planning regulations. Approved urban planning instrument. Signed town planning agreement. Obtained trade authorisations.

To Be Sold Portfolio

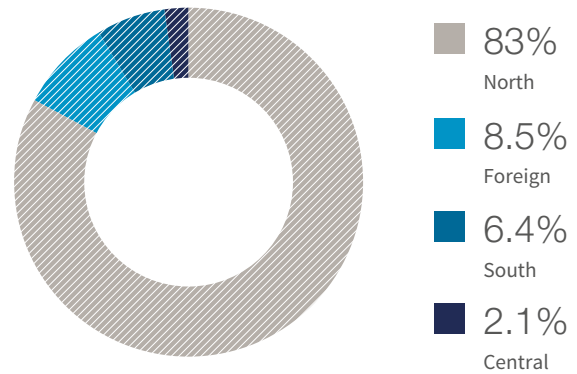
The category of to be sold Portfolio includes properties that already exist (properties for sale or assets to be sold) which it is expected to sell in bulk or fractional areas (areas to be sold or lands to be sold) for which it provides for the sale at any stage of the production cycle, from the status of agricultural land until full attainments of authorisations and permits of various kinds, without proceeding to development.

To be sold Portfolio is owned 62% directly and through subsidiaries and the remaining 38% through joint ventures and real estate funds. Financial leverage at the end of 2016 stands at 54.8% on average.



Cannes (F), Boulevard de la Croisette, 2 – Praga France S.à.r.l.

TO BE SOLD PORTFOLIO Geographic Breakdown



Serravalle Scrivia (AL), Villa Bollina – Pragaotto S.r.l.

SERVICE AREA

The Aedes Group operates predominantly captive real estate services, aimed at controlling the Group's investments and supporting the target companies. The supply of property services is performed in particular by the following companies:

Aedes SIIQ S.p.A.

The Company provides direct services of asset management, administrative and financial management and corporate governance to subsidiaries or affiliates. Moreover, it guarantees the management of the information systems and general services for Group companies.

Praga Construction S.r.l.

Company that performs General Contractor services, primarily intercompany.

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Praga Service Real Estate S.r.l.

Service company operating in the organisation and master plan development, Project Management, in drafting and verification of emails and Agreements, coordination and development of building permits in the commercial authorisation management and environmental audit, the technical direction/tenant coordinator and facility management.



2.8 Business outlook

The Company has conducted a number of important activities during the year:

- the acquisition of a new portfolio with an increase of 90% of annualised rents, which have reached Euro 18 million;
- the completion of the development of the enlargement of the Serravalle Retail Outlet;
- the advancement of the Group's key development projects;
- the further simplification of the equity structure of the Group;
- adhesion to the SIIQ regime;

strengthening the foundations for profitable business development as a property company.

The Company has also carried out activities aimed at the market and investors, in order to facilitate understanding of the business model of the Company and its prospects, so as to reduce the negative gap between the Group's NAV and the share price on the stock exchange. This context also comprises joining EPRA (European Real Estate Association) and the drafting of the first Aedes Group's Sustainability Report.

The management will continue to pay close attention to market opportunities, planning the best possible further growth of the Group.

The year 2017 will be devoted primarily to the disposal of the non-strategic portfolio, the gradual replenishment of the real estate portfolio in order to lengthen the term of the debt, exploitation activities on the revenue assets, further progress on major development projects intended to enhance the portfolio of asset revenue, consistent with the SIIQ strategy, and the updating of the Plan.

2.9 Significant events

MARCH 2016

In March, Aedes completed the purchase of 100% of the shares of the investment property fund reserved for qualified investors named “Redwood”, 70% on **15th March 2016**, from GE Capital Corporation at a price of Euro 16.4 million, and for 30%, and **23rd March 2016** from Kyra S.r.l. (After purchase from a leading institution in financial claims from Kyra S.r.l. accompanied by a pledge on such shares) at a price of Euro 13.6 million.

The Redwood Fund, managed by Castello SGR, owns 18 properties with commercial purpose of use located in various locations of the Peninsula, and 9 commercial licences held by Redwood S.r.l., a fully controlled vehicle.

The total price paid for 100% of Redwood Fund shares is Euro 30 million, including approximately Euro 25 million for property and business licences, and Euro 5 million for the cash available in the Fund. On the basis of the lease payments outstanding at closing, equal to Euro 3.6 million, the price is equivalent to a gross entry yield of about 15%.

The transaction is part of Aedes’ strategy aimed at consolidating a real estate portfolio with a predominantly commercial purpose.

APRIL 2016

The Extraordinary Shareholders’ Meeting of **27th April 2016** approved the amendment of the Articles of Association regarding the distribution of profits for the purpose of establishing a statutory reserve. The deliberation resulted in the onset of withdrawal rights, in favour of the Shareholders who did not participate in that resolution, at a value per share of Euro 0.4587. Since the validity of the Shareholders’ resolution was conditional on the right of withdrawal not resulting in a higher outlay than Euro 2 million and, given that withdrawals were exercised for a number greater than 4,360,148 shares, representing 1.40%, the resolution was not carried and similarly devoid of effect were the results of the withdrawal rights exercised.

MAY 2016

On **11th May 2016** Aedes signed a contract for the sale to Sator Immobiliare SGR S.p.A. of all shares held in the share capital of Aedes Real Estate SGR.

The sale of the fund management, provided in the Plan, represented a further step to the property company model that the Aedes Group adopted by adhering to SIIQ status.

The signature of the sale contract was approved by the Board of Directors the Company with the prior approval of the Committee for Control, Risk and Operations with Related Parties of Aedes as Sator Immobiliare SGR was a related party of Aedes.

After the acquisition, which took place on **1st August 2016** of the 5% not already owned, on **14th November 2016**, following the fulfillment of all the conditions precedent of the preliminary agreement, the sale was finalised to Sator Immobiliare SGR S.p.A. 100% of the shares held in the share capital of Aedes Real Estate SGR S.p.A.. The realizable value for the sale of the shares of SGR amounted to Euro 10.0 million, of which Euro 4.5 million have already been received in respect of the reduction of SGR’s share capital of Euro 1.3 million after dividends, Euro 1.6 million received at the closing and Euro 2.6 million from the proceeds of the liquidation of the Investietico Fund.

JUNE 2016

On **27th June 2016** Aedes signed with GE Capital Corporation the final contract for the purchase of a property at the price of Euro 12.5 million. The property is located in Rome in Via Veneziani 56, about 10 km south-west of the city, in the area called Parco de' Medici. The property, with a GLA of approximately 25,000 square meters, has an occupancy of approximately 78% of high standing tenants.

JUNE 2016

The merger project was published on **28th June 2016** and on **9th November 2016**, the merger of Pragatre SIIQ S.p.A., a wholly owned subsidiary, was concluded in Aedes. The objective of the operation is to ensure for the Group increased efficiency of the structure economically, operationally and financially.

SEPTEMBER 2016

On **28th September 2016**, the Board of Directors of Aedes SIIQ S.p.A. approved the Strategic Guidelines 2017-2021.

NOVEMBER 2016

On **3rd November 2016** the new extension at Serravalle Designer Outlet called Step 6 was opened to the public. The new implementation extends beyond the provincial road connecting the Serravalle Designer Outlet to the existing retail park, creating a functional and dynamic connection of the entire commercial offering of the Serravalle site. The expansion consists of 52 stores to a 8,748 square meters total retail GLA, to which are added 1,000 square meters of GLA for service/storage use, with a percentage of 75% current occupation.

DECEMBER 2016

On **29th December 2016**, the assignment was completed to Aedes of 16 properties, with simultaneous transfer of the debt to it, previously held by the property investment Fund "Redwood", in which Aedes had acquired 100% of the shares during 2016. The operation was performed by applying the provisions of the D.L. of 12th September 2014, no. 133, the so-called "Unlock Italy", converted with amendments by the Law of 11th November 2014, no. 164.

The transfer of buildings is part of the Aedes SIIQ strategy aimed at consolidating a real estate portfolio with predominantly commercial purpose of use held directly.

EVENTS AFTER THE REPORTING DATE

There were no significant events subsequent to the year-end.

SUMMARY OF THE SUSTAINABILITY REPORT

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3.1 Aedes Group's approach to sustainability



Established in 1905 and listed on the Milan Stock Exchange since 1924, Aedes SIIQ is a leading real estate company operating in Italy and qualifies as a Commercial Property Company, developing its real estate assets through investments in the retail and office sector and the provision of services with high added value.

In keeping with this strategy, Aedes SIIQ has a well-structured shareholder base and a solid ethical system based on a sustainable business from an economic-financial, social and environmental perspective. This system is a set of dynamic rules constantly oriented to the incorporation of best practices at European level, with which all employees must comply.

The ethical conduct of Aedes SIIQ is based on the Code of Ethics and respect for its values, in which it recognises and bases its activity:



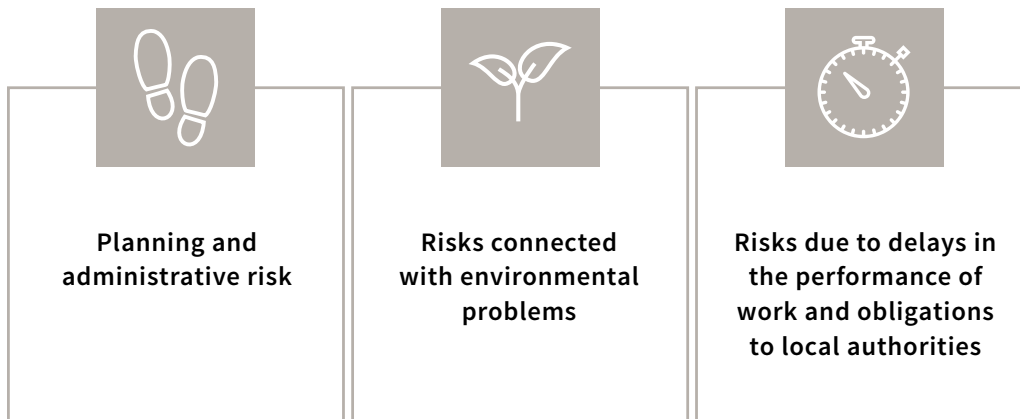
Risks and business uncertainties could have a negative impact on the strategy and on the Group's objectives, and so it is vital to adopt legal protections and solid structures to manage the risks promptly and proactively.

RISK ANALYSIS IN THE FIELD OF SUSTAINABILITY

For the Aedes Group, the end of 2016 has marked the beginning of its path to Corporate Social Responsibility, taking into account how its business is directly involved in the three dimensions of sustainability: economic, social and environmental.

From this awareness comes the need to map its strategic activities from the sustainability perspective, integrating the principles of social responsibility within the company procedures and internal risk assessment process.

MAIN SUSTAINABILITY RISKS



The project began with a preliminary comprehensive analysis of Aedes SIIQ business risks, in order to examine them in terms of sustainability and understand the main effects on Group vulnerabilities.

Following these first operations, no risks were identified particularly impacting on the business, but it is essential to conduct a constant and accurate control to ensure continuity.

Regarding **planning and administrative risk**, the business licences conform to current planning instruments and have valid commercial licences. Moreover, with reference to the approvals of the works, building permits have been issued without any major problems, in compliance with the procedures. To date, although there are no known causes of actual risk, the development projects still remain subject to the assessments of the competent authorities involved in administrative proceedings.

The business of Aedes SIIQ is closely linked to relations with local government and one of the main risks identified is inherent delays in the **work and in the fulfillment of the obligations in favour of local governments**. In fact, the deferral of deadlines relative to the timetable agreed with the administrations could bring about adverse effects on the financial position of the Group, not least considering the possibility of their leading to enforcement actions on some of the sureties, with the potential payment of infrastructure costs.

Finally, in accordance with environmental sustainability, it is essential to **monitor the risks associated with environmental issues**. From this perspective, the Group applies to its properties and real estate developments the international standards for environmental management in order to reduce the environmental risks associated with its activities. Despite this attention, Aedes SIIQs could be exposed to risks of liability for environmental damage, with a possible impact on its financial, economic and asset position. To date, there have been no environmental issues for the intangible assets, but, with a view to preventing risks, it should be noted that the Group has initiated an ad hoc waste disposal programme within the area held by one of the Group companies.

For the full monitoring of the Group's risks and activities, the Aedes SIIQ Board of Directors has established an internal **Committee for Control, Risk and Operations with Related Parties**, in accordance with the requirements of corporate governance imposed by the Italian Stock Exchange.

Composed of independent non-executive members, the Committee has been entrusted with consulting support and proposals, together with those set out in the Corporate Governance Code.

MATERIALITY ANALYSIS

At the end of 2016 Aedes Group carried out its first materiality analysis, in order to identify strategic priorities in the field of not only economic but also social and environmental activity, in order to define the content to be reported in this Sustainability Report, in accordance with international reference standards.

The process leading to the drafting of the Materiality Matrix, presented in this paragraph, is structured in **three main phases**:

- the relevant issues have been identified through the analysis of internal and external documentation to the Group, taking into account not only the GRI Guidelines, the EPRA Guidelines and industry-specific publications, but also a careful benchmark on aspects of the sector, GRI Guidelines and other publications;
- in the month of December 2016, the Group's first management line was given a questionnaire, which covered each topic of significant relevance in the construction and real estate sector, identified as shown in the Guidelines of the Global Reporting Initiative (GRI-G4): the working group was asked to identify priorities, by assigning scores to different aspects identified, which were the main topics to be reported in the area of sustainability, irrespective of the current organisation's ability to provide comprehensive and complete reporting.

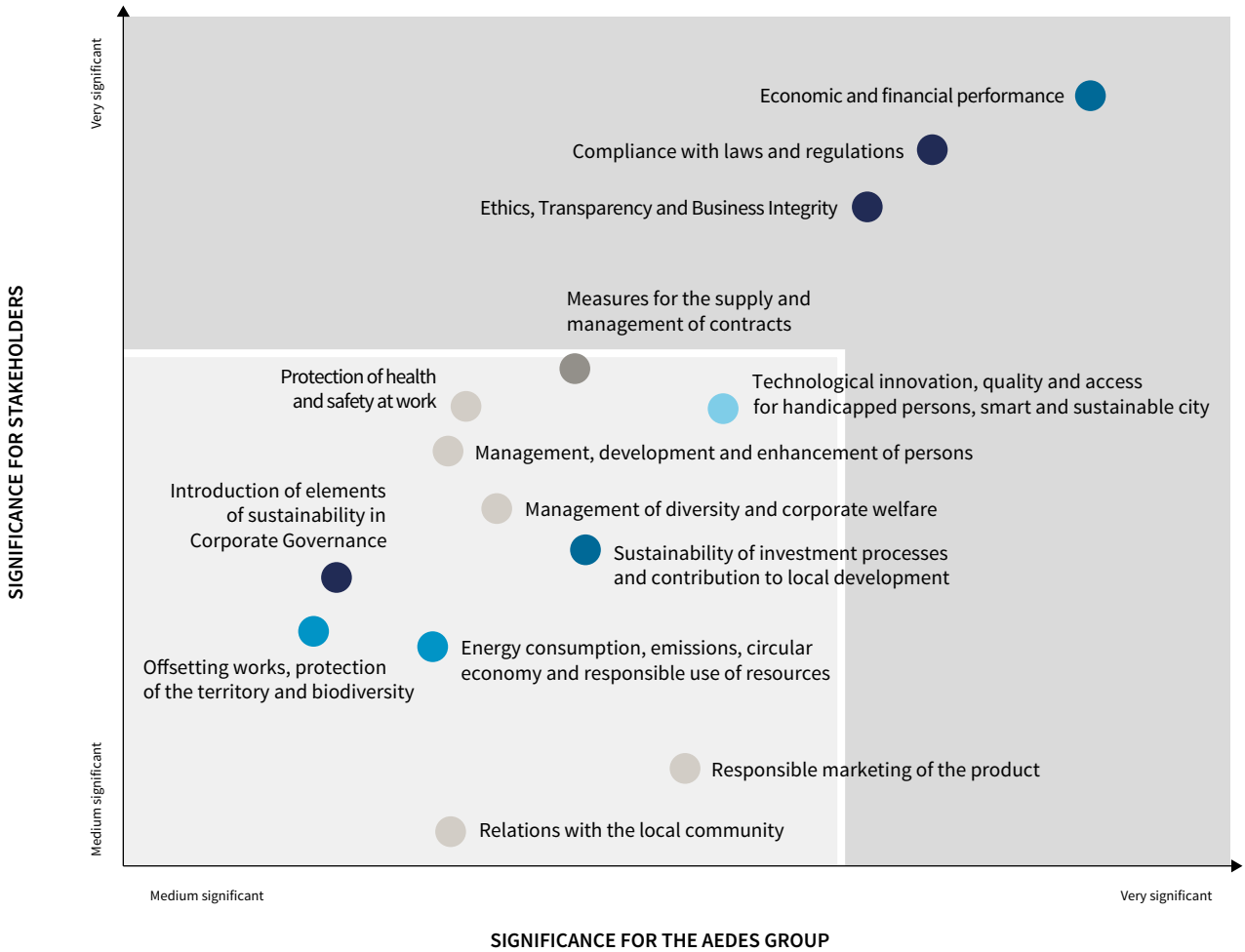
The assessment was expressed on the basis of a scale of 1 to 5, where 1 indicates that the subject has no impact for the Aedes Group or the decision-making of Stakeholders, while 5 indicates that the subject has a high impact on the Aedes Group or the decision-making process of the interest groups.

The materiality analysis took into account not only the views of Aedes SIIQs, but also those of the stakeholders, asking them to rate the issues and identify all those individuals or groups of individuals who influence or are influenced by the Group;

- the aspects that received an average rating equal to or greater than 3 are accounted for in the report, together with other topics which, while not having exceeded the threshold of high importance, are considered important in the relationship with the various Company Stakeholders.



THE MATERIALITY MATRIX OF THE AEDES GROUP



- Governance
- Economic responsibility
- Environmental responsibility
- Management of the property stock
- Supply chain
- Social responsibility

The materiality analysis is by definition an evolutionary process as it detects what are the areas in which the Aedes Group must address its own decisions and, with the development of the context and the gradual involvement of interest groups, the assessment of risks and opportunities related to sustainability scenario, and consequently the **Materiality Matrix**, will be subject to periodic revision.

3.2 Economic responsibility



ECONOMIC VALUE

The economic value generated represents the wealth generated by the Aedes Group, which in various forms is distributed to the stakeholders.

The main objective of the Aedes Group is to create a stable economic status and balance, in order to achieve for the year 2017 a recurring financial balance and be able to return to distribute dividends in 2018-2019.

For this reason, in the period 2017-2021, the Company intends to pursue the growth and consolidation of a “commercial” portfolio focusing on new generation retail and office assets, with the aim of maintaining, in the medium and long term, a real estate portfolio that generates recurring cash flows, with returns above the industry average.

The Group will continue to acquire properties and real estate portfolios already in revenue, mainly located in northern and central Italy, and will finalize the construction of a new generation of shopping and leisure centres through the pipeline of developments already in the portfolio.

Strategic Plan

The Strategic Plan currently in force is for the period 2014-2019, but the company has already identified with the Business Plan Guidelines 2017-2021 the short and medium term objectives.

More precisely:

- financial balance of leasing activity during 2017-2018;
- return to dividend distribution from 2018;
- Real Gross Asset Value in 2021 of approximately Euro 1 billion, with the creation of in-house development and the acquisition of revenue portfolios;
- Loan To Value equal to about 50%;
- occupancy rate of 95%.

CLIENT RELATIONS AND RESPONSIBLE COMMUNICATION

Ethics and communication are the cornerstones of the healthy and transparent business of the Aedes Group: acting and respecting ethics means conducting its core business according to a joint Code of Ethics shared by all employees. A net positioning that clearly defines the Group's sustainability values; in fact, the Company periodically communicates with its Stakeholders, in accordance with principles of transparency, clarity and reliability, in an ethical context which is becoming more and more advanced.

In fact, the Group is open to ongoing dialogue with its Stakeholders, which generates greater benefits for the territory and the local community, through meetings and dedicated events, capable of strengthening the values of sustainability within the Group structure.

Every year there is a full calendar of **sector events**, at which the Group undertakes to be present, strengthening its role within the network. Among the many events, 2016 began with participation in **"RE Italy"**, a biannual event organized by Monitorimmobiliare with the Italian Stock Exchange and with the support of Assoimmobiliare and Federimmobiliare, dedicated to Real Estate-SIIQ Funds, Law Firms, Retail, Advisor, Investors, Services, Credit Institutions and Public Properties.

In March 2016 the Group took part in **MIPIM** - The International Property Market, the world's leading event which brings together the most influential international players in many real estate sectors, such as offices, residential, retail, healthcare, sports, logistics and industry, held each year at the Palais des Festivals in Cannes.

In the context of sector events, the Chairman and Chief Executive Officer attended **Mapic Italy**, an event of two days of business and networking insights during which national and international retailers met the commercial real estate market to find the best opportunities in Italy.

Aedes SIIQ wants to position itself as an agent of innovation and change in the industry, which is why it has participated in key events such as the **Forecasts and Strategies Forum** organized by Scenari Immobiliari, which was held in September in Santa Margherita. A crucial event for those working in the retail sector and want to learn, understand and analyze Italian and foreign markets and companies through an exchange of views with the main protagonists.

In addition to the expansion of the network at sectoral events, Aedes Group is oriented to the sponsorship of its business activities, including the **opening of the Serravalle outlet**, which occurred in November and was attended by journalists from the retail and financial sector, the mayor and other local authorities.

Finally, the Group participated in 2016 in the **European Public Real Estate Association (EPRA)**, being at once a participant and active contributor, participating in two meetings, devoted to the issues of social responsibility, in Paris and Amsterdam.

EPRA: European Public Real Estate Association

Founded in 1999, EPRA is a non-profit organisation registered in Belgium that strives to establish best practices in accounting, reporting and corporate governance, to provide high quality information to investors and to create a context for debate and decision-making on issues that will determine the future of the real estate sector.

The activities of EPRA reflect its mission to promote, develop and represent the public real estate sector in Europe: the basic objective is to promote confidence and encourage more investments in real estate listed in Europe.


For Aedes Group, corporate communication is a fundamental activity, through which the Company discloses to the financial market and the sector all the important information they need to understand and appreciate the Company. In an increasingly dynamic digital reality, the Group is open to direct and interactive dialogue and has strengthened its identity on the major social channels, communicating its vision of the future and its strategic positioning. There follows the main terms of sharing and communication developed around the business:


➤ **Media Relations:**


the traditional press office that sends out press releases, the organisation of interviews between top management and journalists of financial publications and press conferences. In 2016, Aedes SIIQ strengthened its public relations activity thanks to interviews published in sector newspapers that involved the Chief Executive Officer and the Chairman, enhancing the Group's new strategy after its transformation into an SIIQ.

► **Social Channels:**

Aedes uses the major social channels to try to keep constantly alive the attention to the Company's dynamic and that of the real estate sector in general. During 2016 there were:

 300 retweets

 250 posts on Facebook

 250 posts on LinkedIn

In these three cases, about 15% of launches or post concerned financial data, and the rest can be divided between several main topics such as:

- description of the portfolio of the Aedes Group;
- housing market and overall financial performance;
- participation in events and sector conferences.

► **Investor Relation:**

this means communication to analysts and institutional investors and retail (small shareholders) in relation to the strategy and the main real estate and financial transactions carried out, which can help with understanding the Company.

Financial communication

In a sustainability perspective, it is vital for the Group to strengthen its economic and financial and asset identities, communicating transparently the results of the business to all stakeholders, making it easy for them to understand the results achieved and the long-term objectives.

The Group resurfaced on the financial market in early 2016, becoming a property investment company listed on the stock exchange and so declaring a willingness to deal constantly with the market and its rules in a transparent and structured way.

Aedes Group has established, on a voluntary basis, the **Investor Relation** unit, to manage in a timely and direct relationships both investors and small shareholders and has also given Intermonete SIM S.p.A. the remit of Financial Intermediary for buying and selling shares, Liquidity Provider and Specialist on the Aedes share for greater visibility and enhanced value of the security itself.

The economic and equity status is also communicated externally thanks to the **company website**, graphically revised and enhanced in its structure, which combines two new sections called "Investor Relation" and "Media Relation", with content also available in English.

In particular, the "Investor Relations" section contains the presentations used during **workshops**, **roadshows** and **conference calls** for the sector to communicate the results to the financial community. A novelty in financial communications is the **Executive Summary**, the contents of which are taken from the Annual Report, as a specific structured dialogue and with the creation of a dedicated mailbox as a direct communication channel.

Aedes Group is strongly committed to strengthening its relationship with stakeholders, from this perspective the organisation of three conference calls and two one-to-ones in Milan and the participation of Aedes at a conference organized by Intermonete in Geneva in which three investors were met should be noted.

The Group has outlined the guidelines for the development of the new business plan and to explain the Group's strategy over the next five years.



3.3 Responsibility for the community and the territory



CREATING VALUE AND INITIATIVES FOR THE TERRITORY

For Aedes Group it is essential to create value shared with the community in which it operates, promoting a continuous and constructive dialogue to learn about the needs and priorities of those who are present in the territory. In this context, it should be noted, in the operating costs, that there is a generous section for donations, sponsorships and contributions to the community, of an amount equal to **Euro 45,352** illustrated as follows:

- sponsorship of sport, cultural, scientific and social events: Euro 42,002;
- contributions to the community: Euro 2,900;
- charitable donations: Euro 450.

The proximity to the community is evidenced in particular by the enthusiastic support of cultural and sports initiatives organised by the local community, in particular with regard to:

- schools and training institutes;
- municipalities, such as Serravalle Scrivia and Pieve Emanuele;
- sports and cultural associations such as the Basket Club of Serravalle Scrivia, the Musical Body Foundation "Pippo Bagnasco", the Libarna Cultural Association and the Italian Environment Fund.

TENDER MANAGEMENT

The processes of **qualification and selection of business partners**, suppliers and General Contractors, are those imposed by the internal procedures of the Aedes Group. In particular, it should be noted that one of the Group's subsidiaries, Praga Construction S.r.l., is a general construction company which often conducts, alone or in temporary associations of companies, the General Contractor and Construction Management activities of the Group. Another General Contractor used was Itinera S.p.A., which in a Temporary Association of Companies with Praga Construction, in the course of 2016 has completed the expansion of the Serravalle Outlet shopping centre. The appointment conditions normally applied provide the criterion of **construction procurement keys** on an integrated basis, as required by the **executive** plan and subsequent **construction**, through selection and private discussion and negotiation.

The Group's business is complementary to a rich variety of activities and services, which makes it possible to interact with a number of suppliers that deal with raw materials and labour, technical advice and administrative, tax and specialist services.

To address the many financial and professional relations, the Group has set up specific procedures to regulate and coordinate the **activity of management of professional assignments to third parties**, which describe and govern the rules of conduct, the procedures and the criteria of the management activities of these assignments, subject to the principles of transparency, fairness and traceability of the decision-making process.

As for the management of **procurement of general goods and services**, there is an *ad hoc* procedure that seeks to:

- ensure the optimisation of the supplier portfolio in order to minimise the total cost of supply;
- maximise the synergies of the Group companies, strengthening the bargaining power with suppliers;
- ensure appropriate relations between the various company functions involved in various procurement processes in order to optimise the technical and commercial components relating to procurement;
- ensure the supply of materials, goods and services in terms of the quality and quantity prescribed;
- ensure valid documentation for tax purposes;
- enable easy accounting, in order to ensure compliance with the statutory regulations and adequate company disclosure;
- streamline methods of payment and archiving.

The Group has also adopted a selection **process of independent experts for the purpose** of carrying out assessments of the properties of the Group, which provides for specific activities in terms of personnel involvement, the selection and assignment of positions, the rights and obligations of the parties and frequency allocation of assignments.

In addition to the specific aspects, the Group's procedures provide standards of conduct for the regulation, control and monitoring of these processes, which all personnel must adhere to in accordance with the law and the rules of conduct contained in the Code of Ethics.

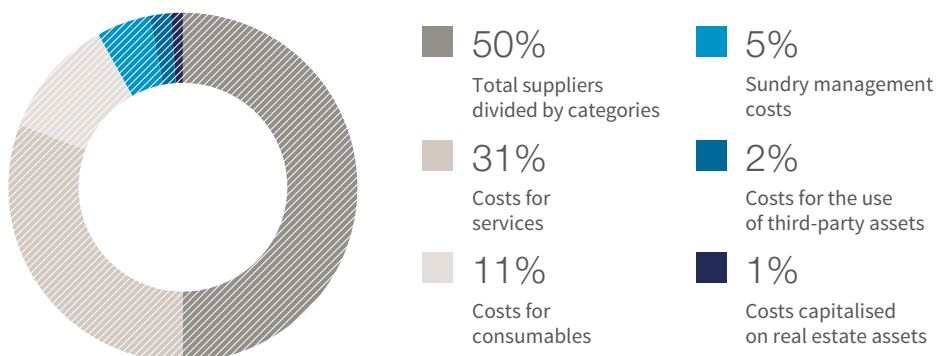
At the end of 2016, the Aedes Group reported relationships with about **900 suppliers** of materials and services, with a total **turnover** of about **Euro 43 million**, of which Euro 41 million were included under costs for services, materials, rents, leases and charges other operating and a further 2 million have been capitalised as investment property. The top 20 suppliers by revenue represent 85% of the total.

99% of the suppliers are based in Italy, with 1% being based in European countries.

For the reporting period, the main third-party suppliers of the Aedes Group are distributed with the following impact on the different budget categories:

Major third-party suppliers of the Group divided by cost categories

INCIDENCE SUPPLIERS BY COST CATEGORY - 2016



It should be noted that about **67% of the costs** incurred by the Aedes SIIQ Group on suppliers relate to costs for **construction** works and **technical consulting**.

The major third-party suppliers of Aedes Group can be divided among the following projects/areas of activity:

Project type	Number of suppliers	Incidence
Non-core companies	427	35%
Structural and general costs	300	25%
Others	235	19%
Suppliers of Group properties	194	16%
Head Quarter	48	4%
Suppliers of orders of non-Group assets	11	1%
Total	1,215	100%
of which inter-project suppliers	327	27%
Total suppliers	888	

With regard to the major projects listed above, the sales volume information for the years 2015 and 2016 is summarised below.

Project (values in Euro/000)	Country	2015	2016	Total
Serravalle Luxury Outlet	Italy	3,096	10,994	14,090
Orders of non-Group assets	Italy	2,921	7,955	10,876
Serravalle Outlet Mall	Italy	7	3,576	3,583
Head Quarter	Italy	1,561	1,383	2,944
Caselle Village	Italy	683	1,016	1,699
	Great Britain	560	257	817
	France	0	1	1
Caselle Village Total		1,243	1,274	2,517
Serravalle Retail Outlet Park	Italy	255	2,208	2,463
Total		9,083	27,390	36,473

Responsible management of the relationship with suppliers

The Aedes Group promotes a participatory dialogue with all local authorities and institutions to work together to improve the quality of life of citizens and the preservation of the natural heritage of the territories in which the Group operates. This intention is reflected in the commitment to manage **relationships with suppliers** in an **ethical and responsible manner**, as the choice of good partners plays a crucial role in the sustainability of the business and territory.

The assessment and selection of suppliers is based on the **analysis** of their **potential** to meet the supply requirements including in compliance with the laws on health and safety in the workplace. This **assessment** is called "**preventive**" and is based on specific technical criteria such as the possession of SOA Quality Assurance/ Attestation Certification for categories of interest, documentation of compliance with Occupational Hygiene and Safety Law and specific qualifications, imposed by the historical background of the relationship and a direct assessment. In confirmation of relationships, overall assessments are carried out annually, to verify the continuing satisfaction of the criteria mentioned above.

For this reason, the qualification and assessment of suppliers are regulated by the verification of technical quality requirements, economic and organisational aspects, environmental compliance, safety and Corporate Social Responsibility, even including the acceptance of the Group Code of Ethics.

This connection between the objective of development and the local sustainability values has the following priorities:

AEDES COMMITMENTS IN THE RELATIONSHIP WITH SUPPLIERS



The **projects and activities of the Group**, such as the Serravalle Retail Park project, have a significant **impact** in the area, both in terms of **employment**, as they are able to provide job opportunities to employees and suppliers, and in commercial terms, by connecting the **commercial** offering of tenants with the needs of the local population, expanding the possibilities of relaxation for residents.

In business development it is essential to maintain a constant relationship with the municipal authorities, and, in fact, the Group manages the design phase and construction in an attentive and professional manner.

In detail, when the building permits are granted, the General Manager endeavours to make sure that **local businesses** are used, delivering value directly on the surrounding territory, involving **partners and local authorities** in strategic projects, to manage training courses aimed at professional recruitment.

The concrete and final result of the Group's core business has multiple effects on the local business life and community, particularly the economic effects of a general and sectoral nature, such as on consumption, revenue and employment, and social effects on important issues such as mobility, aggregation and cultural, social and individual development.

3.4 Responsibility towards human capital

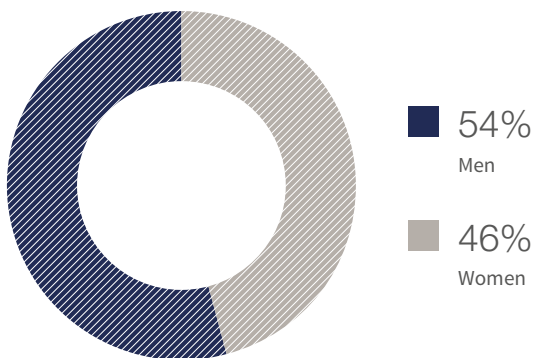


MANAGEMENT AND DEVELOPMENT OF PERSONS

Persons are the heart of a healthy and solid company, which is why Aedes Group considers it is essential to have a workforce enhanced by more and more qualified human resources, capable of constituting a professional and value added, to address and overcome the challenges posed by the market.

The Group has adopted a management and human resource development policy aimed at **valuing persons** and encouraging their **professional growth** and **career development**, convinced that the company's results are closely linked to the ability of its people to devote their energies to achieving results.

AEDES GROUP EMPLOYEES BY GENDER



The workforce of the Group at 31st December 2016 is made up of **65 employees**, of which 54% are men and 46% women. The Group's workforce also includes other four persons who have worked with the Group in various capacities.

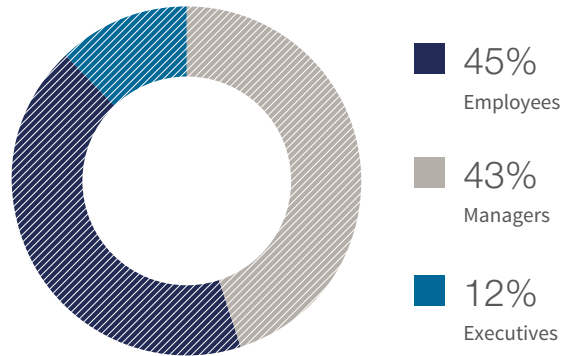
In the course of **2016, 18 new employees** have become part of the Group, representing an inbound turnover rate of about 27.7%, while the number of outbound employees amounted to 9, at a rate equal to about 13.8%.

EMPLOYEES OF AEDES GROUP INBOUND AND OUTBOUND BY GENDER AND AGE GROUP

No. of persons	No. of inbound employees - 2016					No. of outbound employees - 2016				
	<30	30-50	>50	Total	Hiring rate %	<30	30-50	>50	Total	Hiring rate %
Men	0	11	3	14	40%	0	4	1	5	14.3%
Women	1	3	0	4	13.3%	1	2	1	4	13.3%
Total	1	14	3	18	27.7%	1	6	2	9	13.8%

As for the breakdown of Aedes SIQ Group's personnel by professional categories, Executives account for 12% of the Group's population, Managers for 43% and employees for the remaining 45%. Executives and managers are all employed in the main business locations.

AEDES GROUP EMPLOYEES BY PROFESSIONAL CATEGORY



BREAKDOWN OF EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER

No. of persons	31/12/2016			31/12/2015		
	Male	Female	Total	Male	Female	Total
Executives	4	4	8	4	4	8
Managers	17	11	28	11	11	22
Employees	14	15	29	13	16	29
Total	35	30	65	28	31	59

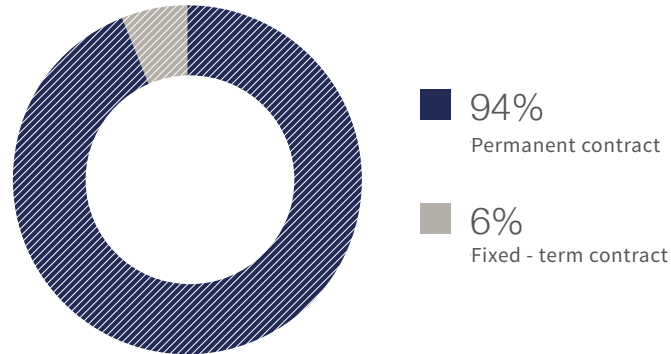
6% of the workforce is composed of employees under the age of 30 years, 80% are aged between 30 and 50 years and 14% are older than 50 years.

BREAKDOWN OF EMPLOYEES BY GENDER AND AGE GROUP

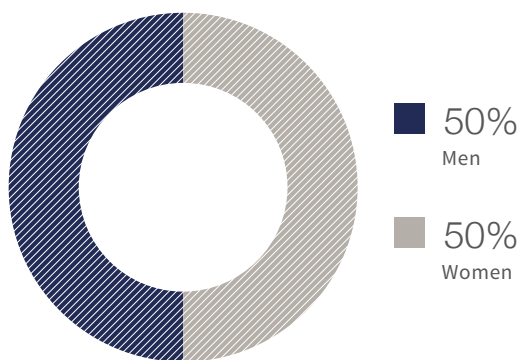
No. of persons	31/12/2016			31/12/2015		
	Male	Female	Total	Male	Female	Total
Under 30	3	1	4	4	1	5
30-50	27	25	52	19	25	44
Over 50	5	4	9	5	5	10
Total	35	30	65	28	31	59

For the Group, ensuring a stable and lasting employment relationship is an important requirement and as a motivational force of its employees an essential element in the growth and economic development. For this reason, **94%** of resources are on a **permanent contract** and 6% on fixed-term contract.

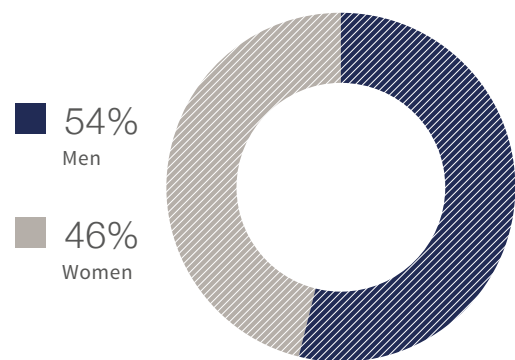
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT



BREAKDOWN OF FIXED-TERM EMPLOYEES BY GENDER



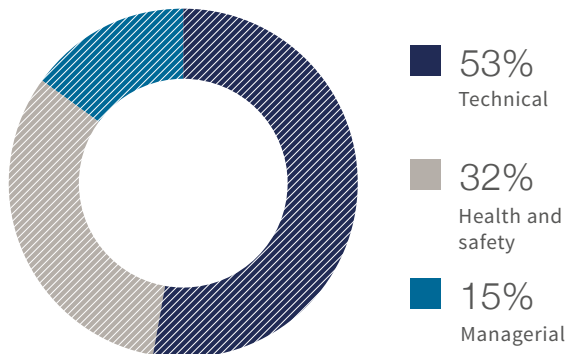
BREAKDOWN OF PERMANENT EMPLOYEES BY GENDER



Aedes SIIQ S.p.A. considers **personnel training** a fundamental lever for the continuous improvement of its employees, from which it derives **added value** to the overall business of the Group.

During 2016, the Human Resources Department conducted a thorough **analysis of the training requirements of the employees**, in collaboration with their Managers, to better understand the company's workforce requirements. The analysis was started by an assessment of the **skills required** by each job role, in order to identify gaps and provide targeted training and development. The first results of the analysis of the training paths have emerged since the second half of 2016, providing, for 2017, an additional path with rich possibilities of implementation. During the year the Group provided more **than 750 hours** of training to its personnel; in particular, 30% of the total hours involved the training of employees, 34% that of Middle Managers and 36% that of Senior Management. The **training areas** identified relate to **technical, managerial** and work-related **health and safety issues**. In particular, the Group has devoted 239 hours to training in health and safety, 402 to the more technical aspects of the business, such as market abuse, real estate finance, management control, project management, and Microsoft office tools, and finally 112 hours to management training, oriented to the management of human resources and leadership.

HOURS OF TRAINING BY SUBJECT AREAS IN 2016



In particular, in 2016, a project was launched among the Aedes Top Management, called **Leadership Evolution**, with the aim of developing their managerial skills, reflecting on different leadership styles, exploring, comparing and expanding prospects, different ways to generate synergy and trust and promoting a sharing process and transversality of communication for greater collaboration and motivation of persons. Along the way the issues of management and employee motivation were also discussed, delegation skills, effective feedback, listening and empathy.

Actions carried out by an external trainer with sports credentials alternated classroom moments with experiential moments outside the work environment that have strengthened team identity.

With a view to continuous improvement in the resource enhancement process in the course of 2016 the Group has established a Performance Management Process (PSM), which will be implemented in 2017 and aims to align the organisational and strategic goals with individual accounts, actively involve all employees and empower young people by increasing their motivation, thereby improving communication between supervisor and subordinate.



From left: Benedetto Ceglie, Carlo A. Puri Negri, Giuseppe Roveda, Gabriele Cerminara



From left: Alessandro Vitucci, Laura Orengo, Andrea Parizzi



From left: Giovanni Magnotta, Alessandra Cintelli, Barbara Patania, Ruggero Bimbatì

3.5 Responsibility for the environment

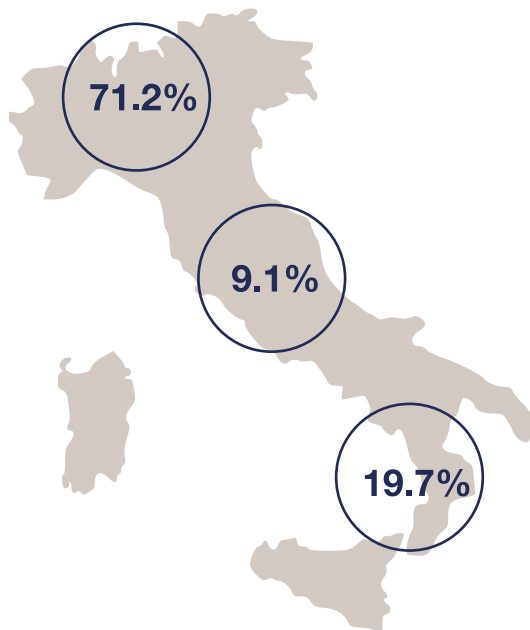


ENVIRONMENTAL SUSTAINABILITY POLICY

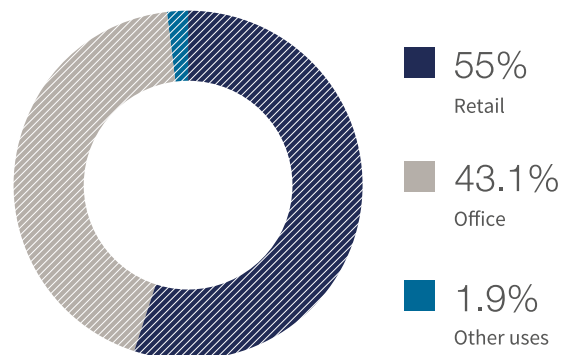
The Aedes Group interacts daily with the external environment, as a key resource for its projects and activities, and regards as crucial the sustainable development of the territory and **protection of the environment** in which it operates, while respecting the rights of communities and future generations.

Following is a graphic representation of the geographical layout and the use of the Group's revenue portfolio.

REVENUE PORTFOLIO, GEOGRAPHIC LOCATION








REVENUE PORTFOLIO, COMPOSITION OF THE INTENDED USE



To make it easier to understand the Group's approach, it is necessary to draw a distinction between the major business areas, as each has different impacts on the environment due to the nature of its activities.

We set out below the main activities of the Group and their potential environmental impact:

Name	Description	Potential environmental impact
AREAS OF PROPERTY SUBJECT TO REAL ESTATE DEVELOPMENT PROJECTS 	Many of the projects in this category include business operations for commercial use.	<ul style="list-style-type: none"> • Development of management policies and efficiency; • implementation of long-term monitoring plans.
PROPERTY BUILDINGS LEASED TO THIRD PARTIES 	The properties of this business category are fully leased to third parties.	<ul style="list-style-type: none"> • Activation of accounting systems on energy and water consumption; • planning of scheduled interventions for greater efficiency; • involving tenants in building efficiency projects.
REAL ESTATE PROPERTY INTENDED TO BE LEASED TO THIRD PARTIES, BUT CURRENTLY FREE 	These are properties leased to third parties, but currently without any property of a tenant.	<ul style="list-style-type: none"> • Planning for retraining interventions; • sustainable and efficient actions for the benefit of the future tenant and property.
BUILDINGS OF PROPERTIES FOR SALE 	This category includes real estate that is not intended to remain in the Group's portfolio.	<ul style="list-style-type: none"> • Raising awareness about implementable sustainability projects.
PROPERTIES OF COMPANY HEADQUARTERS LEASED TO AEDES SIIQ BY THIRD PARTIES 	Aedes SIIQ is the lessee of its company headquarters, rented from a third-party property company.	<ul style="list-style-type: none"> • Development of reporting of the consumption of water and energy system; • implementation of environmental impact reduction interventions; • projects for environmental redevelopment of the site.

MEASURING ENVIRONMENTAL IMPACTS

The Aedes Group regards as essential the environmental sustainability in the context of its management, planning and operations, and we are committed to minimising the impacts of the business on the environment and complying with all legislative and regulatory requirements.

The priority areas on which the Aedes commitment is focused to reduce its environmental impact are as follows:

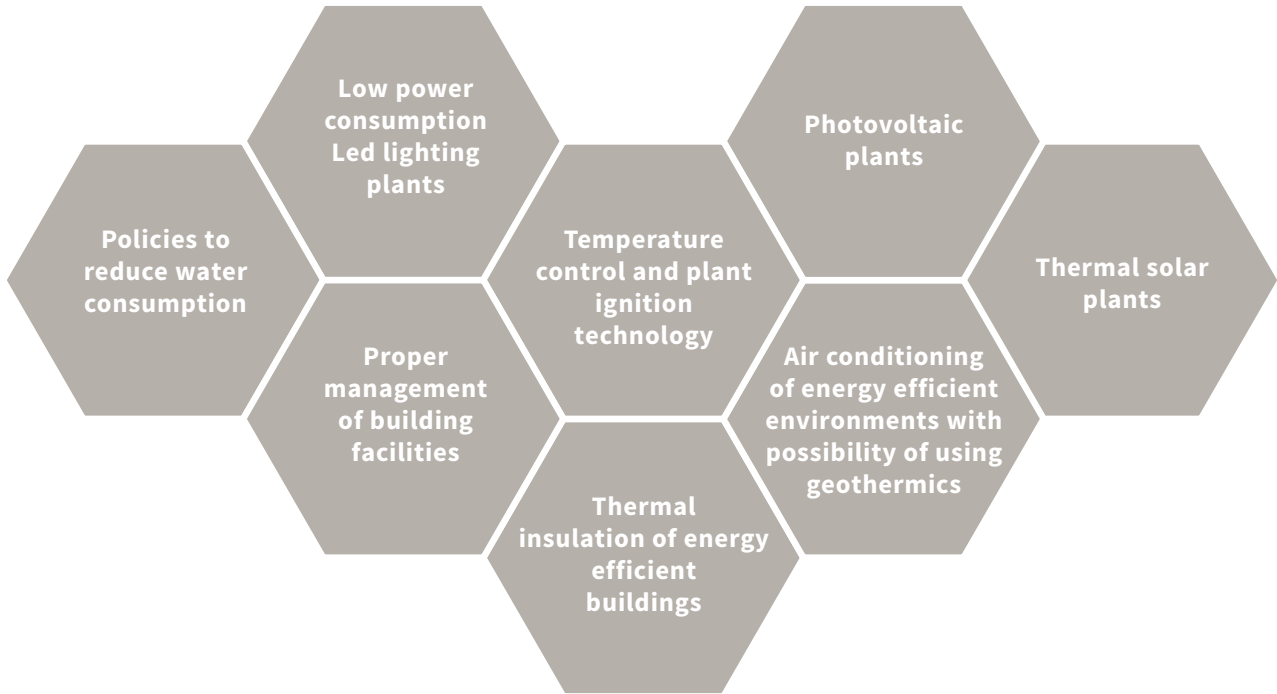
- efficient use of resources, optimising the use of energy and natural resources;
- recovery and recycling of waste;
- protection of biodiversity and ecosystems;
- containment of atmospheric emissions;
- investments for more sustainable mobility.

Scope of reporting of environmental data

The scope of reporting for the following information is limited to office space of the main company headquarters in Milan and that of the secondary office in Serravalle Scrivia. With regard to the branch, it should be noted that in 2016 it was used in a sporadic and occasional manner, as the entire personnel have been transferred to the main office since the end of 2015.

Management of energy consumption, emissions and efficiency measures

The Group undertakes to protect the environment and limit the use of natural resources through environmental responsibility policy and planning for sustainable development interventions:



With reference to the areas owned, the Aedes Group undertakes to manage information and awareness policies on its virtuous behaviour in relation to energy consumption, through ad hoc training of employees and suitable communication campaigns and signage for the use of services by clients.

3.6 Responsibility in real estate management



REAL ESTATE MANAGEMENT

The real estate assets are managed within the company thanks to the role of **Project and Facility Management**, a strategic role in providing support and coordination of the activities contributing to the performance during the evolution of the building process.

Real estate assets under development are managed within the company thanks to the role of the **Project Management** function that provides support and coordination of the activities contributing to the performance during the evolution of the building process.

Project Management

The Project Management function is concerned with planning and managing, from a technical and economic perspective, construction and related activities to support the Group's real estate development activities. This function works closely with the company's internal areas, such as the Investment & Asset Management and Investment & Development Management Functions and the relevant Departments, during the planning steps for operations, to ensure the feasibility of their interventions within the timing and budget required. Finally, it assumes a role of great importance in the selection of suppliers and contractors for the implementation of assigned works, in compliance with the Policy, Regulations and procedures, ensuring compliance with the provisions contained in Legislative Decree 231/2001.

The real estate revenue is managed, in technical maintenance terms, within the company, thanks to the role of the **Facility Management** function, which provides support and technical coordination of the activities that contribute to the financial, administrative and strategic management of the property portfolio.

Facility Management

Facility Management is responsible for planning and managing technical and economic aspects of maintenance activities to support the management of building and plant efficiency in the properties owned by the Group.

This function collaborates strongly with the internal area of the company, the function Investment & Asset Management and its leadership in order to provide maintenance activities on time and on budget. Finally, it has a role of great importance in the selection of suppliers and contractors to be used in maintenance operations for the implementation of assigned works, in respect of Policy, Regulations and procedures, ensuring compliance with the provisions contained in Legislative Decree 231/2001.

Starting from the definition and design phase of the construction, until the verification phase of completion of the works and technical-bureaucratic testing, this body monitors all activities and ensures performance quality and cost control. The activity is developed at an early stage, with the drafting of a relative analysis, and then proceeds with the appropriate site audits, through the provision of appropriate reports, certification of "State of Progress of Works" and the final completion tests of the works.






In addition, it assists the **Investment & Development Management** Department in its project coordination activities aimed to obtain permits to start construction work.

Investment & Development Management

This is a key role in the company, which is responsible for planning, directing and coordinating the activities and performance in terms of valuation of real estate development projects in the portfolio.

An area strongly connected with all stages of the business and with various interlocutors, both internal and external, such as advisors, financial subjects involved and retailers, with the aim of optimising the real estate development enhancement and promoting retail real estate development projects.

More specifically, Facility Management manages, controls and monitors the direct coordination of the following activities carried out by the relevant persons in charge:

	Drafting of the executive plan		Purchasing and Procurement Process
	Performance of the work process		Relations with third parties during the performance of the work
	Testing, acceptance and final certification of the work		

In addition to the above, Facility Management runs, in the ordinary use of a building, a large number of services, processes and activities for the building itself, its spaces and the persons who use them. In detail, it directly controls and monitors the coordination of the following activities carried out by the relevant persons in charge:

	Preventive maintenance and corrective services of civil and installation works		Activities for the acquisition of static and energy data
	Cleaning common parts		Monitoring the status of regulatory compliance
	Extermination and disinfestation		Surveillance and measure of efficiency of the systems and in particular those of security
	Surveillance and reception service		Possible extraordinary emergency maintenance work
	Maintenance of green areas		Any other reporting activities

In view of the new 2017 targets, internalisation is planned of the activities of Property Management, which develops and manages every asset and asset utilization path defined by the Asset Management function, intervening in administrative and real estate management. It also manages the payment of all taxes related to real estate, with the task of verifying the correct application of tax rates and tax categories.

In greater detail, it manages, monitors and supervises the coordination of the following activities directly by the Administrative Property Manager and the Technical Property Manager.

ACTIVITIES OF THE ADMINISTRATIVE PROPERTY MANAGER

	Taking charge of the property
	Administrative management of active relationship with lessees and passive relationship with suppliers/contractors
	Tax Management (IMU, taxes and charges imposed on real estate)
	Management reports on real estate insurance and handling any claims
	Administrative archive documentation of the Property Management
	Management of loans to the tenants

ACTIVITIES OF THE TECHNICAL PROPERTY MANAGER

	Intervention planning services, drafting budget proposals and technical control
	Management of the maintenance activities of the construction parts, structural and plant including associated technical procedures, administrative and authorisation
	Management of users and connections
	Management of real estate units not leased and services related to the common areas
	Technical reporting and support activities
	Emergency management and safety

3.7 Reporting standard used: GRI-G4

The Aedes Group has prepared this Sustainability Report for the first year, with the aim to set a path of increasingly transparent communication of performance in the field of sustainability, obtained by the Group during 2016. “Sustainability” is the ability of an organisation to achieve the development of its business in compliance with the environmental and social compatibility values, participating in the definition of well-being and progress, with a positive impact on all Stakeholders.

The present report has been prepared in accordance with the guidelines “G4 Sustainability Reporting Guidelines” published in 2013 by the Global Reporting Initiative (GRI), in accordance with the application-level “Core”. The disclosure is limited to the areas identified (i.e. material aspects) for the Group and its stakeholders in terms of ESG - Environmental Social Governance - impacts.

This first Sustainability Report relates to Aedes Group and the data collection perimeter is bordered by the following companies:

- Cascina Praga SIINQ S.p.A.
- Novi Praga SIINQ S.p.A.
- Pragaquattro Center SIINQ S.p.A.
- S.A.T.A.C SIINQ S.p.A.
- Pragaundici SIINQ S.p.A.
- Petrarca Fund
- Redwood Fund
- Efir S.ar.l.
- Dante Retail Fund
- Pragasei S.r.l.
- Praga Service Real Estate S.r.l.
- Praga Construction S.r.l.
- Società Agricola La Bollina S.r.l.
- Bollina S.r.l.
- Golf Club Castello di Tolcinasco SSD S.r.l.

TABLE OF GRI-G4 INDICATORS

Indicator	
General Standard Disclosure	
Strategy and analysis	
G4 - 1	Declaration of the highest decision-making authority on the importance of sustainability for the organisation and its strategy
Profile of the organisation	
G4 - 3	Name of the organisation
G4 - 4	Main brands, products and/or services
G4 - 5	Headquarters
G4 - 6	Countries of operation
G4 - 7	Ownership structure and legal form
G4 - 8	Markets served
G4 - 9	Size of organisation
G4 - 10	Characteristics of the workforce
G4 - 11	Percentage of employees covered by collective bargaining agreements
G4 - 12	Description of the organisation's supply chain
G4 - 13	Significant changes in size, structure, ownership structure or the organisation's supply chain occurring in the reporting period
G4 - 14	Application of a prudent approach to risk management
G4 - 15	Subscription or adoption of codes of conduct, principles and charters developed by external organisations/associations relating to economic, social and environmental performance
G4 - 16	Participation in national and/or international associations in which the organisation has positions on governance bodies
Materiality and reporting scope	
G4 - 17	Entities included in the budget
G4 - 18	Process for defining the contents of the Sustainability Report
G4 - 19	Aspects of materials identified
G4 - 20	Aspects of materials internal to the organisation
G4 - 21	Aspects of materials external to the organisation
G4 - 22	Changes of information with respect to the previous report
G4 - 23	Significant changes in terms of objectives and perimeters since the previous report
Stakeholder engagement	
G4 - 24	Categories and Stakeholder groups involved by the organisation
G4 - 25	The Stakeholder identification process
G4 - 26	Approach to Stakeholder engagement, including frequency and type of activity
G4 - 27	Key aspects emerging from Stakeholder engagement
Profile of the Report	
G4 - 28	Reporting period of the Sustainability Report
G4 - 29	Date of previous report publication
G4 - 30	Reporting Cycle
G4 - 31	Contact point
G4 - 32	GRI content index
G4 - 33	External assurance policies and practices
Governance	
G4 - 34	Governance structure
Ethics	
G4 - 56	Values, principles, standards and rules of conduct of the organisation
Specific Standard Disclosure	
Economic indicators	
Material aspect - Economic Performance	
G4 - DMA	General information on management methods
G4 - EC1	Direct economic value generated and distributed
G4 - EC4	Significant financial assistance received from government
Material aspect - Market Presence	
G4 - DMA	General information on management methods
G4 - EC6	Direct economic value generated and distributed
Material aspect - Indirect economic impacts	
G4 - DMA	General information on management methods
G4 - EC7	Proportion of senior management hired mainly where the activity takes place
Material aspect - Procurement practices	
G4 - DMA	General information on management methods
G4 - EC9	Percentage of spending on locally-based suppliers at significant locations of operation

Indicator	
Environmental indicators	
Material aspect - Materials	
G4 - DMA	General information on management methods
G4 - EN1	Material used
G4 - EN2	Percentage of materials that are recycled as input materials
Material aspect - Energy	
G4 - DMA	General information on management methods
G4 - EN3	Energy consumption within the organisation
G4 - EN4	Energy consumption outside the organisation
G4 - EN5	Energy intensity
G4 - EN6	Reduction of energy consumption
Non-material aspect - Water	
G4 - DMA	General information on management methods
G4 - EN8	Water withdrawal by source
G4 - EN10	Percentage of water recycled and reused
Material aspect - Biodiversity	
G4 - DMA	General information on management methods
G4 - EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas
Material aspect - Emissions	
G4 - DMA	General information on management methods
G4 - EN15	Direct greenhouse gas emissions (Scope 1)
G4 - EN16	Greenhouse gas emissions generated by energy consumption (Scope 2)
G4 - EN17	Other indirect greenhouse gas emissions (Scope 3)
Material aspect - Waste and discharges	
G4 - DMA	General information on management methods
G4 - EN22	Total water discharges by quality and purpose of use
G4 - EN23	Total weight of waste by type and disposal method
Material aspect - Products and services	
G4 - DMA	General information on management methods
G4 - EN27	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation
Material aspect - Compliance	
G4 - DMA	General information on management methods
G4 - EN29	Monetary value of significant fines and total number of non-monetary sanctions due to non-compliance with environmental laws and regulations
Non-material aspect - Transport	
G4 - DMA	General information on management methods
G4 - EN30	Significant environmental impacts of transporting products and services and employee mobility
Material aspect - Overall	
G4 - DMA	General information on management methods
G4 - EN31	Expenditures and investments for environmental protection, by type
Material aspect - Environmental assessment of suppliers	
G4 - DMA	General information on management methods
G4 - EN32	Percentage of new suppliers evaluated on the basis of environmental criteria
Material aspect - Complaint mechanism	
G4 - DMA	General information on management methods
G4 - EN34	Number of complaints filed related to environmental impacts, initiated and resolved through formal mechanisms for handling complaints
Social indicators	
Subcategory - Labour practices and adequate working conditions	
Material aspect - Employment	
G4 - DMA	General information on management methods
G4 - LA1	Total number of new hires and turnover by age group, gender and geographical areas
G4 - LA2	Benefit and other additional contributions provided to full time employees that are not provided to part-time employees, by operational location
Non-material aspect - Industrial relations	
G4 - DMA	General information on management methods
G4 - LA4	Minimum period of notice for operational changes specifying whether or not these conditions are included in collective bargaining
Material aspect - Health and safety at work	
G4 - DMA	General information on management methods
G4 - LA6	Type of injury, accident rate, occupational diseases, lost days, absenteeism and total number of fatalities divided by employee category
G4 - LA7	Roles at high risk of accident or occupational disease
Material aspect - Training and education	
G4 - DMA	General information on management methods
G4 - LA9	Average hours of training per employee per year, by gender and by employee category

Indicator	
Material aspect - Diversity and equal opportunities	
G4 - DMA	General information on management methods
G4 - LA12	Composition of governance bodies and breakdown of the personnel by gender, age, adhesion to group membership and other indicators of diversity
Material aspect - Equal pay for men and women	
G4 - DMA	General information on management methods
G4 - LA13	Ratio of basic salary of women and that of men by employee category and divided by significant operational locations
Material aspect - Assessment of suppliers on the basis of work practices	
G4 - DMA	General information on management methods
G4 - LA14	Percentage of new suppliers assessed on the basis of criteria related to work practices
Material aspect - Mechanisms for complaints regarding labour practices	
G4 - DMA	General information on management methods
G4 - LA16	Complaints filed on work practices, analysed and resolved through formal mechanisms for handling complaints
Subcategory - Human Rights	
Non-material aspect - Non-discrimination	
G4 - DMA	General information on management methods
G4 - HR3	Total of episodes related to discriminatory practices and actions taken
Non-material aspect - Rights of the local community	
G4 - DMA	General information on management methods
G4 - HR8	Total of incidents of violation involving rights of indigenous persons and actions taken
Non-Material aspect- Human rights assessment of suppliers	
G4 - DMA	General information on management methods
G4 - HR10	Assessment of suppliers based on criteria related to human rights
Subcategory - Society	
Material aspect - Local communities	
G4 - DMA	General information on management methods
G4 - SO1	Operations involving the local community, impact assessment and development programs
Material aspect - Anti-corruption	
G4 - DMA	General information on management methods
G4 - SO5	Cases of corruption and actions taken
Non-material aspect - Political contributions	
G4 - DMA	General information on management methods
G4 - SO6	Value of political contributions
Material aspect- Anti-competitive behaviour	
G4 - DMA	General information on management methods
G4 - SO7	Total number of legal actions in response to anti-competitive behaviour, anti-trust and monopoly practices and their outcomes
Material aspect - Compliance	
G4 - DMA	General information on management methods
G4 - SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations
Material aspect - Assessment of suppliers for impact on society	
G4 - DMA	General information on management methods
G4 - SO9	Percentage of new suppliers assessed on the basis of criteria concerning impact on society
Material aspect - Mechanisms for complaints on the basis of impact on society	
G4 - DMA	General information on management methods
G4 - SO11	Complaints about impacts on society, analysed and resolved
Subcategory - Product liability	
Material aspect - Marketing communications	
G4 - DMA	General information on management methods
G4 - PR6	Sale of banned or challenged products
G4 - PR7	Cases of non-compliance with regulations relating to marketing activities
Material aspect - Compliance	
G4 - DMA	General information on management methods
G4 - PR9	Sanctions for non-compliance with laws and regulations on the use of products and services

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and coordination of Augusto S.p.A. – Registered Office in Milan,
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Subscribed and paid-in share capital Euro 212,945,601.41
Milan Companies' Register and Tax Code no. 00824960157
Milan Chamber of Commerce no. 112395
VAT no. 13283620154

Consulting and coordination: **Ergon Com S.r.l.**
Graphic project: **Vertigo Design**
Portraits: **Aldo Castoldi**

