Financial Statements

as of 31st December 2016

111th Financial year

AEDES SiiQ
COMMERCIAL PROPERTIES

Financial Statements

as of 31st December 2016

111th Financial year

AEDES SiiQ
COMMERCIAL PROPERTIES

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COMPANY PROFILE

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 portofolio 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

BOARD OF DIRECTORS

Name	Role
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

Name	Role
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.

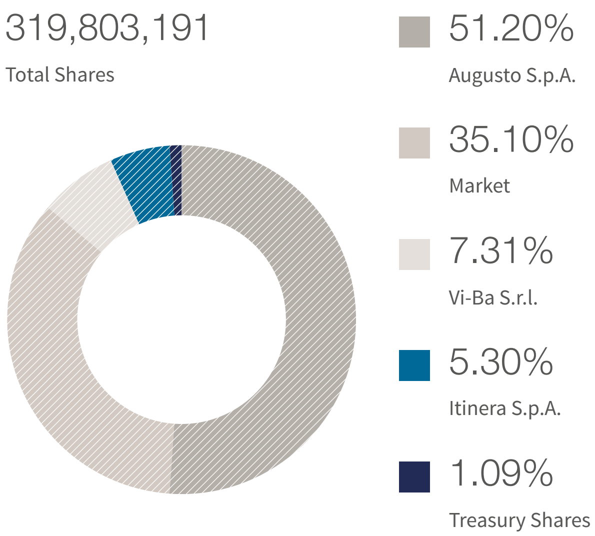
At the date of approval of the financial statements, the share capital of Aedes SIIQ S.p.A. amounts to Euro 212,945,601.41 and is divided into 319,803,191 ordinary shares.

There follows a list of Shareholders who, as of 31st December 2016, on the basis of Consob[1] 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 capital[2].

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



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

2.1 Performance Indicators

FINANCIAL HIGHLIGHTS

	2015	2016
NOI	16.2	15.2
EBITDA	0.4	0.2
EBIT	7.9	29.7
NET PROFIT	6.1	30.2
GAV[1]	321.3	398.6
PFL	(164.4)	(163.2)
LTV%[2]	51.2%	40.9%
PROPERTY NAV[3]	169.1	243.8
SHAREHOLDERS' EQUITY	275.3	303.4
NFP	(95.9)	(150.6)
GEARING RATIO	60%	54%
AVERAGE COST DBT%	2.77%	2.62%
EPRA NAV	279.0	299.8
EPRA NAV/SHARE	0.87	0.95
EPRA NNNAV	286.3	306.6
EPRA NNNAV/SHARE	0.90	0.97

2015 2016 In millions of Euro

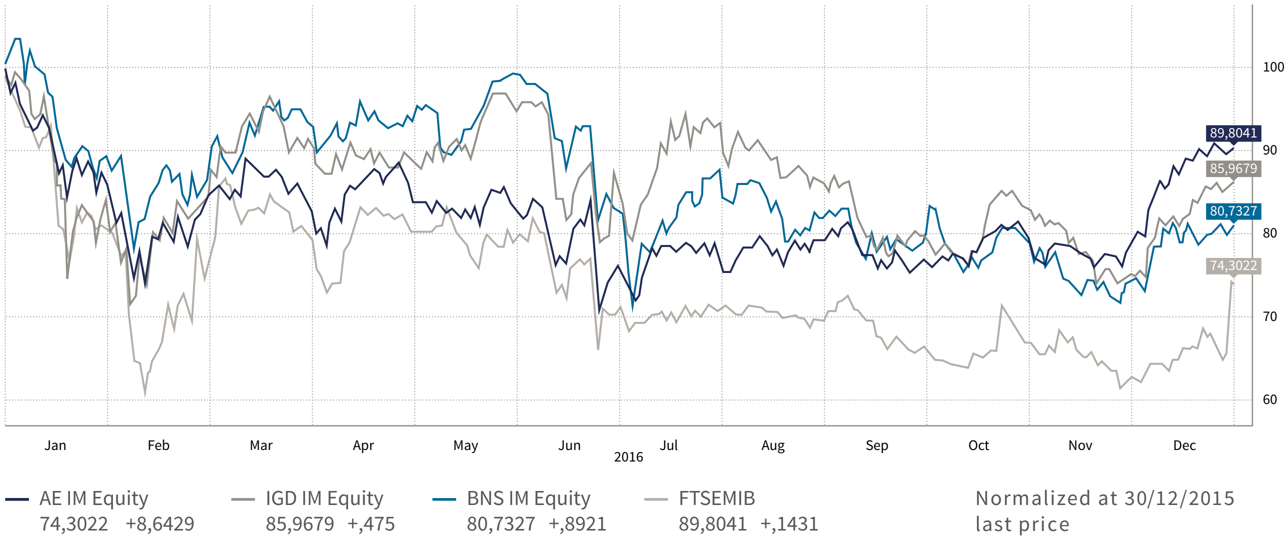
MARKET PERFORMANCE DATA[4]

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 competitors[5] and the market index[6].



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 SIIQ and IDG SIIQ
[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.

2.2 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.

Attached are the property portfolio Evaluation Reports entrusted by the management of the fund to CB Richard Ellis and K2Real S.r.l..

2.3 Evaluation Reports of Independent Experts

- CB RICHARD ELLIS VALUATION S.P.A.
- K2REAL S.R.L.

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

(i) Addressees of the Report; or

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

This Report is to be read and construed in its entirety and reliance on this Report is strictly subject to the disclaimers and limitations on liability on page 12. Please review this information prior to acting in reliance on the contents of this Report. If you do not understand this information, we recommend you seek independent legal counsel.

CBRE

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VALUATION REPORT

CBRE

VALUATION REPORT

CBRE

CBRE VALUATION S.p.A.
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This copy of the Report has been translated for information purposes only. In case of doubt or discrepancies the Italian version shall be read and it shall prevail.

Report date	15 March 2017
Addressee	Aedes SIIQ S.p.A. Via Morimondo n. 26 – edificio 18 20143 Milano To the kind attention of Dott. Alessandro Vitucci To the kind attention of Arch. Cristiano Ciappolino
The Property	Various (see list below) n. 56 mixed use properties located in Italy and France. For further details please refer to the summary table attached below.
Ownership Purpose	Investment
Instruction	To update the value asset by asset the unencumbered freehold interest in the subject properties (the Property) on the basis of Market Value, as at Valuation Date, in accordance with our engagement letter n. 76bis/16 dated 7 April 2016 and your confirmation dated 27 April 2016.
Valuation Date	31 December 2016
Capacity of Valuer	Independent

Purpose	Financial
Market Value	Market Value as 31 Dicember 2016 **€ 337,329,000.00** **(THREE HUNDRED THIRTY SEVEN MILLION THREE HUNDRED TWENTY NINE THOUSAND/00 EURO)** exclusive of VAT/marketing Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms. We have valued the Properties individually (asset by asset) and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole. For further details, please refer to the summary table attached below.
Compliance with Valuation Standards	The valuation has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014) ("the Red Book"). We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently.
Special Assumptions	None
Variation from Standard Assumptions	None
Market Conditions	The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date. Nevertheless, we cannot exclude that there are more segments of demand and/or offer, own of some of the

activities examined, such as to change, but not significantly, the adoption of the single parameters we selected and used as a reference.

Verification

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks, which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

Valuer

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

Independence

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

Disclosure

The principal signatory of this report has not continuously been the signatory of valuations for the same addressee and valuation purpose as this report. CBRE Valuation S.p.A. has not continuously been carrying out valuation instructions for the addressee of this report.

CBRE Valuation S.p.A. has carried out Valuation services only on behalf of the addressee for under 5 years

Conflicts of Interest

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

Reliance

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

Publication

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

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation – Professional Standards or the incorporation of the special assumptions referred to herein.

We inform that the present report has been prepared by:

- Luca Bosio
- Alessia Breda (CBRE Hotel)
- Barbara Crupi
- Marco Donadio (MRICS - Registered Valuer)
- Doris Mininni
- Marinella Trossello

under the supervision of Manuel Messaggi, Elena Gramaglia MRICS and Raffaella Peloso (CBRE Hotel).

CBRE VALUATION S.p.A.
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Project Reference: 8586

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

The valuation of the subject properties have been carried out according to the information received and considering new documentation provided by the Client, which we assumed to be complete and correct:

- Information on the development areas
- Floor areas (with floor and use breakdown)
- Lease contracts
- Costs to be paid by the Property owner (property taxes - I.M.U., TA.S.I., insurance for some assets)
- Plans
- Assumed development costs for some areas
- Urban information relative to the remaining building capabilities

Other potential sources of information are specified in the present certificate.

AEDES SIIQ provided us with all costs for the development areas to be paid by the Property owner, then CBRE checked these costs and considered them adequate. Asset n° 30 is an exception (CBRE assumptions)

The Property

Our certificate includes the single short reports containing a brief summary of the property details on which our valuations have been based as well as the relative valuation spreadsheets.

Inspection

In this semester we inspected just assets n. 3-23/3-34-48-50 in November-December 2016.

The inspections were undertaken by:

- Marco Donadio (asset 3-23_3)
- Luca Bosio (asset 34)
- Cinzia Venuso (asset 48)
- Silvia Franceschin (asset 50)

Areas

As instructed, we have not measured the Properties and we have relied upon floor areas provided to us by the

Client: we have not verified surfaces provided and have not made check measurements.

Environmental Matters

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings or the potential presence of other environmental risk factors and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value.

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

Repair and Condition

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

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

Titles, Tenures and Lettings

Details of title/tenure under which the Property is held and of lettings to which it is subject are as supplied to us.

Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents.

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

We have not conducted credit enquiries on the financial status of any tenants.

The subject analysis aims to determine the Market Value of the subject property and not potential commercial licenses and/or relative start-ups.

VALUATION ASSUMPTIONS

Market Value

The valuations have been prepared on the basis of "Market Value" which is defined as:

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

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

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

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Rental Values

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

The Property

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

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

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the Property is not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Property which are regulated by environmental legislation are properly licensed by the appropriate authorities;

(c) the Property possesses current energy performance certificates (APE) as required under government directives.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Property is free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Property;

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Property. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Lettings, Planning, Taxation and Statutory & Local Authority requirements

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Property possesses a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Property is not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required;

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and

(k) In Italy it is common, since it is fiscally profitable, that real estate transfer occur through share deals: therefore we normally do not consider transaction costs in valuations.

Our valuation does not consider any reduction relating to costs such as taxes, legal expenses, transfer, etc; all the amounts pertaining costs and/or return that have been mentioned in this valuation report, have to be considered net of VAT and leasing costs.

LEGAL NOTICE

This valuation report (the "**Report**") has been prepared by CBRE Valuation S.p.A. ("**CBRE**") exclusively for Aedes SIIQ S.p.A. (the "**Client**") in accordance with the terms of engagement (off. N. 76bis/16) entered into between CBRE and the addressee(s) dated 7th April 2016 and your letter of Acceptance dated 27th April 2016 ("the **Instruction**"). The Report is confidential and it must not be disclosed to any person other than the Client without CBRE's prior written consent. CBRE has provided this report on the understanding that it will only be seen and used by the Client and no other person is entitled to rely upon it, unless CBRE has expressly agreed in writing. Where CBRE has expressly agreed that a person other than the Client can rely upon the report then CBRE shall have no greater liability to any party relying on this report than it would have had if such party had been named as a joint client under the Instruction.

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

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

(ii) €15,000,00 million (Fifteen Million/Euro); and

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

CBRE

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PROPERTY REPORT

CBRE

PROPERTY DETAILS

The Property

The subject Property consists of n. 56 mixed-use assets located in Italy and France.

NUMERO STABILE	CITTÀ	INDIRIZZO
02-Pragaundici SIINQ S.p.A.	Serravalle Scrivia	Serravalle Outlet Village - Fase 7
03-Novipraga SIINQ S.p.A.	Serravalle Scrivia / Novi L.	Serravalle Retail Park - Fase C
04-Pragaotto S.r.l.	Serravalle Scrivia	La Bollina - Market Place
05-Pragaotto S.r.l.	Serravalle Scrivia	La Bollina - Sport & Recreational
06-Pragaotto S.r.l.	Serravalle Scrivia	La Bollina - CMS/Sviluppo residenziale
07-Pragaotto S.r.l.	Serravalle Scrivia	La Bollina - CAS1/Sviluppo residenziale Luxury
08-Aedes SIIQ S.p.A.	Santa Vittoria d'Alba	Roero Center - Fase C
09-Pragaotto s.r.l.	Santa Vittoria d'Alba	Roero Center - Fase D
10-Pragaquattro SIINQ S.p.A.	Castellazzo Bormida	Castellazzo Design Center
11-Satac SIINQ S.p.A.	Caselle	Caselle Designer Village
11-Satac SIINQ S.p.A.	Caselle	Caselle Designer Village
12_1-Cascina Praga SIINQ S.p.A.	Serravalle Scrivia	Praga Business Park
12_2-Cascina Praga SIINQ S.p.A.	Serravalle Scrivia	Praga Business Park - Capacità edificatoria
13-Aedes SIIQ S.p.A.	Santa Vittoria d'Alba	Roero Center - Fase B
14-Pragaotto S.r.l.	Serravalle Scrivia	Serravalle Golf Hotel
15-Pragaotto S.r.l.	Serravalle Scrivia	Hotel Villa Bollina
16-Pragaotto S.r.l.	Serravalle Scrivia	Cascina Nuova
17-Pragaotto S.r.l.	Serravalle Scrivia	Cascina Vittoria
18-Pragaotto S.r.l.	Serravalle Scrivia	SS 35/Piazza XXVI Aprile- Res P.ta Genova
19-Pragafrance Sarl	Cannes - Francia	2 Bv. De la Croisette
21-Soc. Agricola LaBollina Srl	Serravalle Scrivia	CAS1 - Comparto agricolo (Vigneti)
22-Pragaquattro SIINQ S.p.A.	Castellazzo Bormida-Borgoratto Alessandrino	Lotto Agricolo - Castellazzo-Borgoratto Alessandrino
23_1-Cascina Praga SIINQ S.p.A.	Serravalle Scrivia	Capacità edificatoria urbanistica - produttivo
23_2-Cascina Praga SIINQ S.p.A.	Serravalle Scrivia	Lotto 9C - commerciale
23_3-Cascina Praga SIINQ S.p.A.	Serravalle Scrivia	Lotto 10 B - produttivo
23_4-Cascina Praga SIINQ S.p.A.	Serravalle Scrivia	Lotto 11 - produttivo
24_1-Novipraga SIINQ S.p.A.	Novi Ligure	Capacità edificatoria urbanistica - commerciale
24_2-Novipraga SIINQ S.p.A.	Novi Ligure	Capacità edificatoria urbanistica - produttivo
24_3-Novipraga SIINQ S.p.A.	Novi Ligure	Capacità edificatoria urbanistica - residenziale
25_1-Aedes SIIQ S.p.A.	Santa Vittoria d'Alba	Capacità edificatoria urbanistica - commerciale
25_2-Pragaotto s.r.l.	Santa Vittoria d'Alba	Capacità edificatoria urbanistica - produttivo
26-Pragaquattro SIINQ S.p.A.	Castellazzo Bormida	Capacità edificatoria urbanistica - commerciale
27-Aedes SIIQ S.p.A.	Milano	Via Agnello 12
28-Aedes SIIQ S.p.A.	Milano	Via San Vigilio 1
29-Pragaotto S.r.l.	Milano	Via Carlo De Angeli 3
32-Aedes SIIQ S.p.A.	Catania	Via Etnea 116 - 124
33-Aedes SIIQ S.p.A.	Roma	Via Veneziani, 56
34-Aedes SIIQ S.p.A.	Brescia A	Via Rieti, 6 - Sub.9
35-Aedes SIIQ S.p.A.	Brescia B	Via Rieti, 6 - Sub.8 - Happy Casa
36-Aedes SIIQ S.p.A.	Bra	Borgo San Martino (Strada Statale 231)
37-Fondo Redwood	Acqui Terme	Via Cassarogna 46
38-Aedes SIIQ S.p.A.	Bassano del Grappa	Via Pigafetta,4
39-Aedes SIIQ S.p.A.	S. Giovanni Teatino	Via Vittorio Emanuele 57
40-Aedes SIIQ S.p.A.	Rosà	Via Capitan Alessio, 132
41a-Aedes SIIQ S.p.A.	Caleppio di Settala	S.S. Paullese km 10
41-Aedes SIIQ S.p.A.	Caleppio di Settala	S.S. Paullese Km 10
42-Aedes SIIQ S.p.A.	La Spezia	Via Carducci
43-Aedes SIIQ S.p.A.	Genola A	Via Frasinetto 24 - Unieuro
44-Aedes SIIQ S.p.A.	Genola B	Via Frasinetto 24 - Facit
45-Aedes SIIQ S.p.A.	Saluzzo	Via Torino 73
46-Aedes SIIQ S.p.A.	Castagnito A	S.P. Neive 16 - Unieuro
47-Aedes SIIQ S.p.A.	Castagnito B	S.P. Neive 69 - Bazar
48-Fondo Redwood	Roma	Via Salaria, 1272
49-Aedes SIIQ S.p.A.	Feroleto Antico - Lamezia Terme	Località Carrube, Blocco B6
50-Aedes SIIQ S.p.A.	Tavagnacco	Via Nazionale, 116
51-Aedes SIIQ S.p.A.	Trezzano S.N.	Via C. Colombo, 18/20

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In Italy, it is common and often advantageous from a fiscal standpoint for transfers of real estate to take place via transfers of the capital of real estate companies (so-called share deal as opposed to asset deal). Our valuations do not take into account this possibility, where it exists.

Costs such as taxes, legal and agency fees, etc., have been considered in addition to the assumed value; all costs and/or revenues stated in this report, as well as deriving values, are exclusive of VAT and marketing costs.

VALUATION CRITERIA

Valuation approach

We followed generally accepted valuation methods and principles.

In particular, in order to determine the Market Value of the subject properties, we have used the following valuation methods:

Comparable or Market Method

The Comparable or Market method is based on a comparison between the property in question and other similar properties recently disposed of or acquired on the same or competitive marketplaces. In case of lack of properties directly comparable with the subject property, we refer to cases which can be considered similar, carrying out appropriate corrections.

The values have been modified in order to consider parameters such as age, usury, state of maintenance and repair and location according to the market data collected.

Besides, in order to determine the final unit values, we have considered other factors which could influence them and in particular:

- the floor area layout;
- the building area;
- the type of construction;
- the assume duration;
- the particular characteristics in its current use.

Discounted Cash Flow Method

The valuation through the discounted cash flow has been carried out discounting the rents deriving from the in force lease contracts; at the end of the relative leases or lease periods, we assume, where necessary, a refurbishment for the change of use or a renewal of the properties in order to optimized and let them at congruous market rents; the optimized income has been capitalized.

Costs for the change of use and final capitalized value have been discounted at a rate which considers the risks deriving from the specific cases. The result of this operation determines the current value of each asset.

The elements considered in the DCF are:

- gross annual income deriving from the lease contracts;
- indexation of the current rents;
- time schedule relative to spaces occupation according to the lease contracts (use plan);

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- management costs of the rented buildings (Property tax - I.M.U., TA.S.I. -, administration, insurance, reserve for extraordinary maintenance, recording fee);
- potential investments necessary for the use optimization;
- time schedule for the optimization and re-lease;
- Capital Gain assumption;
- market rents;
- discounted and capitalization rates for each asset.

Residual (or Transformation) method

In order to state the Market Value of the subject Property, we have carried out the valuation applying the Residual (or Transformation) method, according to the submitted project, the received building permits and the market benchmark to compare with the subject Property.

The Residual (or Transformation) method, is based on the discount, at the date of valuation, of the cash flows calculated over a period corresponding the conversion of the area and of all the transactions, (cash flows are the result of the difference between income and costs) so the open market value is the difference between the open market value of the transformed area and the costs of development; income and costs are current values, discounted at a right rate. In order to identify the value obtained by the Transformation Method with its market Value, it is necessary to refer to an "ordinary" entrepreneur. An "ordinary" entrepreneur features good technical and organization skills, he can have access to third party financial means in order to finance the development operation, i.e. he is someone who produces a good at an average cost as the majority of the businessmen; someone whose aim is earn profits (Developer's Profit on Cost) proportional to the risk of the initiative, to the purchase costs and the costs to sustain to complete the initiative, to the potential revenues and relative time schedule; all "not-ordinary" transformation operations would create positive or negative extra profit.

For developments lasting less than 5 years, normally the main aspect of the investment is the Developer's Profit on Cost, a percentage between the expected margin (revenues-costs) and the total costs including the purchase of the Property.

On the contrary, for developments lasting more than 5 years normally the main aspect of the investment is the Equivalent Yield (unlevered target I.R.R.).

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Valuation methodologies

The market value of the subject properties has been obtained through on-site inspections carried out by CBRE VALUATION S.p.A., in order to determine the real estate situation at the present date (quality, conditions, characteristics, etc..) in addition to the documentation provided (floor area, uses, etc.).

This semester we have inspected just assets n 3-23/3-34-48-50

Information on local market has been collected in order to determine all data necessary to develop valuation considerations (rental values and current prices, demand and supply levels, operators' expectations).

All data have been referred to the different functional uses of the properties, either the current use, in order to the determine the congruous rental value , and future use, in order to determine the highest and best use of the asset.

The highest and best use is defined as the reasonably probable and legal use which is physically possible, financially feasible, and that may confer the highest value to the property.

All data collected have been properly adjusted in order to be adapted to the specific characteristics of the properties under valuation; they have also been used to determine their attractiveness on the market itself.

In case of poor state of maintenance and repair of the buildings, we have determined costs and time schedule necessary to recover their physical condition in order to be in line with reference real estate market.

Floor area

Our valuation is based on data provided by the Property owner.

We have not measured any asset.

Lease situation

Our valuation is based on data provided by the Property owner.

Management costs

The amounts relative to Property taxes (I.M.U. and TA.S.I.) have provided by the Property owner and have not been verified.

State of maintenance and repair

CBRE have not undertaken a structural survey, nor tested the services. We have not carried out verification in order to establish whether there is any potential for contamination (asbestos or other toxic material) and have therefore assumed that none exists.

In case of poor state of maintenance and repair we have included in the D.C.F. capex in line with the Italian market habit.

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Law verification

We have carried out the present valuation assuming that all properties are in line with the in force regulation relative to their use as at valuation date. We have not carried out any verification in relation to this regulations.

Taxes, other Management costs and Miscellaneous

In Italy we do not consider the transaction costs for valuations. For this reason our valuation does not include any deduction relative to costs such as direct and indirect taxes, legal costs and transaction costs, etc.

Portfolio valuations, Companies' Disposal, Postponed Payments

Each property has been valued singularly and not as belonging to a portfolio.

In Italy properties are often transferred through capital disposal of real estate companies (thus having often a fiscal profit). Our valuations do not take into consideration this possibility, if existing.

Information

We have relied up information provided by the Property owner and we assumed such information to be exact and complete.

Mortgage

We have not considered the potential presence of mortgages or similar which could be connected to the subject properties.

Basis of Value

Money indicators

The money indicators used (prices, costs, rents) derive from the local market surveys, supported both by our data base and by real estate publications, and are referred to the date of the present valuation.

Please note that the abovementioned considerations develop flows (costs-revenues) at **nominal** money (**real** money for developments).

Time schedule

According to the asset typology (land lot subject to development, income building, vacant building) we have considered different time schedules, in line with the assumed lease/sale strategy.

Management costs

Where the case, the considered costs to be paid by the Property owner are:

- Administration costs: variable amount based on the total rents or on the commericial area;

- Reserves for extra ordinary maintenance: determined as incidence on the Reinstatement Cost or on ERV;
- Insurance: for some assets provided by the Client, for other assets assumed as incidence on the Reinstatement Cost;
- Property taxes (IMU+TASI): provided by the Client;
- Recording fee: equal to 0.50% of the perceived rents;
- Miscellaneous (shared costs): partially assumed by CBRE, partially provided by the Client

Capex

In contrast to the Reserves for extra ordinary maintenance, the Capex are precise costs necessary to optimize and/or change the use of the property before its re-lease/disposal. The amounts stated in the report, as at valuation date, are obviously overrated when considered in the DCF.

Rents

The rents necessary for the valuation have been provided by the Client.

Market rents / Market prices

The market rents or market prices to consider at the end of the in force leases or relative to the vacant portions have been determined according to market data collected in the subject area.

Assumed inflation

We assumed an inflation equal to 1,50% for the whole period considered.

Growth of Market Rent

We have assumed a market growth equal to the inflation assumed to be 1.50% starting from the second year.

Rates

Each asset has been valued singularly. The rates considered as basis of valuation are:

- **Discounted rate of the perceived rent;**
- **Discounted rate of the re-lease/disposal;**

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- **Discounted rate of the development operation;**

Each rate includes the spread, the illiquidity and the segment risk, assuming a financial structure made by equity and by third party capital.

The rate relative to equity is determined by adding to the risk free rate, assumed to be equal to the **Rendistato Index**, which is the weighted average yield on a basket[1] of government securities, calculated monthly by the Bank of Italy and used as reference index, a spread which considers the investment lack of liquidity and an additional spread which considers the specific investment risk (segment risk).

The **Risk free** rate is the Rendistato Index with homogeneous expiry compared with the investment period.

The **lack of liquidity** could be defined as the difficulty to convert the investment value in cash; it is a risk connected to the transaction period; this risks depend on the building features.

The segment risk is connected to the specific characteristics of the investment; the higher is the possibility that an expected result is not achieved, the higher is the risk of that investment. It is a risk which depends on the reference market characteristics and on the competitiveness of the property under valuation within the reference market.

These two factors determine the spread on equity.

The remuneration of debt (third party capital) is equal to the "I.R.S." rate at 15 years plus a spread connected to the total risk of the subject development initiative. The **I.R.S. rate** (Interest Rate Swap) is the benchmark rate calculated by the European Banking Federation that indicates the average rate at which the major European banks stipulate swaps to hedge interest rate risk. It is used as an indexation parameter in the financial markets and for the stipulation of bank loans.

The **Spread** is the additional delta that banks add to the above mentioned index in order to determine the loan rates. It depends on the investor's warranties and on the specific investment risk.

The return on equity is determined by adding to the Risk free rate a spread on equity (lack of liquidity + segment risk). Third party capital remuneration, instead, is equal to the "I.R.S" rate at 15 years plus a spread.

[1] The basket on which is determined the Rendistato index consists of all treasury bonds ("BTP") quoted on MOT, with more than 1 year residual life. The BTP indexed to the inflation of the Euro zone are excluded. For further information please refer to the institutional web site of Bank of Italy (§http://www.bancaditalia.it/banca_centrale/operazioni/titoli/tassi/rendi)

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Considering the percentage basis of the financial structure, normally 50% and 50% respectively, we obtain the rate used in the valuation.

This is used either to determine the discounted rate of rents and the discounted rate of the re-lease.

Vice versa the capitalization rate represents the "synthetic" factor, which allows the conversion from expected income into current value. This rate is deduced from the market as it represents the ratio between rental value and transaction price.

Fundamental Data of the used Rates

In the present valuation as at 31 December 2016 the considered fundamental data are specified as follows:

- Planned inflation: 1,50%
- Equity: 50% of the invested capital
- Equity – mobile average on 12 months gross Rendistato: 1,26%
- Debt: 50% of the invested capital
- Third party - mobile average on 12 months I.R.S. at 15 years: 1,22%

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1. OBJECT OF THE ANALYSIS

1.1. Identification

The perimeter relative to the real estate held in the real-estate investment fund reserved to qualified investors, named "Petrarca", managed by Aedes BPM Real Estate SGR S.p.a., was, on the Reference Date of December 31st 2016, composed of num. 5 real estate assets identified below.

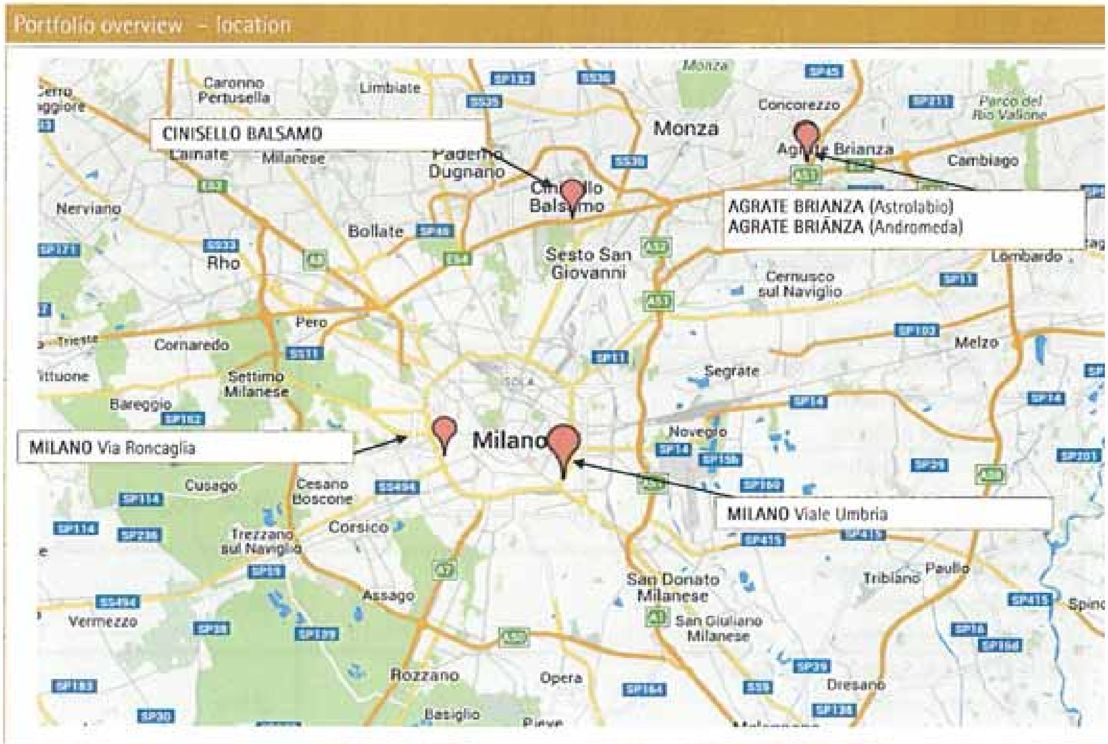
Real Estate Assets held by the Fund

Real estete assets held by "Petrarca" Fund_ Ref. Date: December 31st 2016		
N.	Description & Location	Main Use
1	**AGRATE BRIANZA - Via Cardano (Palazzo Astrolabio)** Location: business district Typology: office building	Office - retail
2	**AGRATE BRIANZA - Via Paracelso (Palazzo Andromeda)** Location: business district Typology: office building	Office
3	**MILANO - Viale Umbria** Location: semi-center Typology: loft/retail (medium size)	Retail - restaurants
4	**MILANO - Via Roncaglia** Location: semi-center Typology: office building	Office
5	**CINISELLO BALSAMO - Via Gorki** Location: semi-center Typology: office building	Office

1.2. Geographic distribution & location

The asset allocation for Fondo "Petrarca"is characterised by properties located in the Milan area:

- 2 assets are located within the "Centro Direzionale Colleoni" in the municipality of Agrat Brianza;
- 1 assets located in the municipality of Cinisello Balsamo;
- 2 assets in a semi-central location within the municipality of Milan, close to the city's exte ringroad or *circonvallazione esterna.*



The overall letting status of the portfolio which is held by the Fund, at the analysis Reference Da results in a vacancy level equal to ca 50-55% of the GLA - Gross Lettable Area – considered for purposes of the valuation. Specifically:

- **AGRATE BRIANZA** Via Cardano (Palazzo Astrolabio)	*partially vacant*
- **AGRATE BRIANZA** Via Paracelso (Palazzo Andromeda)	*partially vacant*
- **MILANO** Viale Umbria	*partially vacant*
- **MILANO** Via Roncaglia	*fully rented*
- **CINISELLO BALSAMO** Via Gorki	*partially rented*

2. VALUATION

2.1. Valuation purpose

With reference to each of n. 5 real estate asset indicated above, and held by the real estate closed-end Fund named "Petrarca", the valuation analysis has been carried out with the aim to express an Integrated Indication of Value, as of the Reference Date of December 31st 2016 on an "AbyA – Asset by Asset" basis (e.g. considering each asset as entire building or real estate complex), for the estimation of **"FV-Fair Value (as is)"** under the same assumptions as **"MV-Market Value"**[1], whereas **"FV-Fair Value (as is)"** is the estimated amount for which an asset or liability should exchange between market buyers and sellers, in which it is physically and legally found ("as is") as of the Reference Date, whereas for status "as is", presuming the following items - a state of preservation and maintenance conditions, a rental situation, zoning and urban planning situation, all surrounding characteristics and other eventual elements affecting the value – they are to be as verified and/or assumed by the typology of analysis as of the Reference Date.

For further details please refer to the specially prepared Glossary in Annex A. Please note that, in the event that a real estate asset is, at the Reference Date, already vacant or is or subject to a pre-established release plan, and subject to specified planning procedures, and that it is as such fully exploitable for its highest and best use, FV-Fair Value (as is) and FV-Fair Value (HBU) coincide. (To the contrary if, on the other hand, the asset does not respond to any of the above requirements at the Reference Date, the variables relating to the rental status and to the town planning processes to be activated for an enhancement project will influence, either positively or negatively, the value).

Implicit in this definition is the consummation of a sale as of a specified date (i.e. the "Reference Date") and the passing of title from seller to buyer under ordinary conditions:

- buyer and seller are ordinary and typically motivated (character of "ordinary counterparts"), whereby for "ordinary" is to be intended the player of average economic, strategic and intellectual abilities, not to produce any elements affecting the free conclusion of the negotiation;
- "free determination of the counterparts" to the conclusion of the contract, without any restriction of knowledge and free will nor under compulsion: both parties are well informed or well advised, equipped of reasonable knowledge and acquaintance with regard to the nature and specific characteristics of the asset being negotiated, to its current/potential use and to the

[1] See: VPS 4 (Value basis, assumptions and special assumptions) of the "International Valuation Standards – RICS 2014"

state of the free market as of the Reference Date, and acting according to their best interests without presuming any unfair behavior, so that the price is not affected by undue stimulus;

- a reasonable time was allowed for exposure on the open market: hypothesis that the real estate asset is offered on the free market for a period reasonably sufficient to collect the manifestation of interest from a willing counterpart (an interest to the purchase, in case the asset is offered on sale and/or an interest to the lease, in case the asset it is offered leasehold).
- payment is made in terms of cash (Euro) or in terms of financial arrangements comparable thereto;
- character of "ordinary negotiation" that expressly excludes special contractual terms or circumstances, such as atypical financings, agreements and particular concessions obtained by any of the subjects being involved in the sale: the transfer price represents the normal consideration for the asset sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2.2. Valuation process

In order to estimate the FV-Fair Value of all the subject properties held by the Fund, a "Full Analysis" has been carried out as of the Reference Date (on an "AbyA – Asset by Asset" basis).

A "Full Analysis" is a complete valuation analysis including technical and site inspection (both the internal technical inspection of the asset and the inspection of the site where it is located), carried out after accurately making on-site inspections of the asset and based: on data obtained by documents supplied by the Client, know-how relative to market practice and applicable professional standards, and parameters provided by the most accredited Italian institutions monitoring the real estate market, as well as K2Real comparables database, and , especially, on all detailed and relevant information collected on site (such as quantity and quality / location and urban context / equipment and machinery / state of preservation and maintenance conditions / zoning / detailed investigation of the local reference marketplace, and all other relevant information necessary to complete the analysis).

With regard to size data (especially relating to floor areas), this was obtained from the documentation provided by the SGR or asset management company and was subject to spot checks during the site-inspection.

As far as regards the technical inspections, these were performed on all of the properties during the month of December 2015. We assume therefore that, at the Reference Date for this analysis, a property's physical characteristics and its locational context have not changed significantly compared to the situation identified during the last inspection carried out.

This analysis represents an "update appraisal", processed according to a "full, light analysis". On the Date of Reference of 30/06/2016, the variations in the values of the property asset may be derived from market fluctuations that have a positive or negative impact on it, from variations related to the evolution of the local urban context, from variations related to the state of preservations and/or maintenance conditions due to age, functional obsolescence, non- and/or deferred maintenance, from any variations to the plan forecasts concerning the current town-planning instrument and from any and every progress of works, in the event of property assets being the object of modernisation operations (transformation /upgrading/conversion/development).

With reference to the above, one is to understand that the appraisal followed a procedure similar to that of a "full analysis", that is, a complete, inclusive appraisal with a technical&site inspection (detailed technical inspection, both inside and out), processed based on the input data contained in the documentation supplied by the Client (or by someone on his behalf), on the know-how pertinent to evaluative practices and on the parameters collected from Institutional Sources through the real estate market observatory (OMI in Italian), on details detected on-site (location and urban context / asset value / technical installations / state of preservation / maintenance conditions / town-planning analysis / detailed survey of the local market and any and all other information required to develop the analysis), in addition to data available in the K2R database of comparables on the Date of Reference, adjusting them to the reduction of part of the activities ascribed on the strength of the nature of the analysis; in the case in point, reference has been made to the information supplied during the first appraisal (our ref. MF-15-0029.02 Date of Ref. 30/06/2016), as pertains to the technical documentation, whereas any updates derived from the results of the technical&site inspection and market variations were acknowledged, just as any and every variation that occurred within the management and rental situation.

2.3. Technicality and main assumption

Better described, as above, the on-going activities involved in the valuation process aimed at estimating the FV-Fair Value (as is) of the each property; illustrated hereunder are the analysis criteria, approaches and main assumptions which have been relied on.

2.3.1. Technicality

During the valuation analyses, K2Real relied on generally accepted valuation concepts and methods, also recognized by the overall guidelines issued by the Bank of Italy in relation to the valuation of real estate assets belonging to Italian real estate funds, as well as on the overall guidelines to the international standards IVS and RICS, with particular reference to principles indicated within the so called "Red Book" i.e. "Standard professionali di valutazione RICS – Gennaio 2014" that represents the version in Italian language, with reference to the technicalities hereafter described.

(i) **"Income Approach / Financial Approach"** – based on cash-flow forecast, including income from operations and resale, and calculation on the present value of such cash-flows. In particular such technicality is referred to as "DCF-Discounted Cash Flow Analysis with TV-Terminal Value", provided by:

- determination, for the more appropriate period of time, of the future incomes deriving from the leases and/or sales (including TV-Terminal Value) of all or parts of the real estate asset by compounds and/or single entities that constitute it (entire building, portion of a building, real estate unit, land lot);
- determination of the eventual operating costs and of the eventual capital expenditures and/or costs of valorization, requalification and/or renovation;
- estimated UFCF-Unlevered Free Cash Flows pre-tax;
- accrual to the Reference Date of the appraisal of the cash flows.

(ii) **"Market Approach"** – based on the comparison of similar properties recently sold/leased or currently being sold/leased on the same marketplace or on different marketplaces having similar characteristics, as the reference asset, and adjusting them to the reference asset through adjustment factors depending on location, size, quality, utility, maintenance conditions, sales conditions and other issues affecting value.

For the purposes of determining the "IIV-Integrated Indication of Value", the technicalities of the analysis described above were applied depending on the needs of the analysis itself, as evidenced by individual appraisal forms and as specified in individual analytical reports about each real estate asset subject to analysis. For the purposes of this methodological note it can be stated that, in the context of the Financial Approach the Market Approach was inserted with regard to the determination of the rental level (MR-Market Rent/ERV-Estimated Rental Value) for the various uses considered, as well as for an assessment of the final value of the asset with reference to transactions comparable to the subject assets under analysis.

2.3.2. Parameters & assumptions

For the analyses according to the DCF-Discounted Cash Flow Analysis approach, the following assumptions are used as a basis for the analysis.

(i) projections were effected in currency (nominal terms);

(ii) inflation index was calculated as a geometric mean of historical inflation and programmed inflation (over a period of 10 years);

(iii) an increase in market values and rents in line with inflation index was foreseen;

(iv) incomes were re-evaluated annually based on laws in force, i.e. at 75% of the ISTAT index relative to consumer prices for families of workers and employees;

(v) a percentage of vacancy and variable irrecoverableness (credit loss) was adopted depending on the possibility of renewing the existing contracts and/or finding a new tenant upon their expirations, taking into consideration the typological characteristics of the property, the average absorption timing by the reference marketplace and the specific interest by the tenant in the property itself;

(vi) property management and administrative expenses have been calculated as a percentage of potential gross receipts;

(vii) insurance of the property was based on data supplied by the Client;

(viii) estimate of the percentage of extraordinary maintenance, whenever the real value provided by the Client is not available, as a percentage of the Reinstatement Cost[2]. In particular, in accordance with consolidated appraisal practice, "Maintenance" may generally vary as a function of the type of building construction, the construction period, etc... (so as to anticipate greater/lesser maintenance requirements for the building in the medium- and long-term);

(ix) estimation of registration tax on rental agreements as per National Law N. 248/2006, as conversion law of Decree N. 223/2006, conventionally assuming a split of the amount due (1% of the agreed rent) by 50% between Lessor and Lessee;

(x) IMU (Municipality Tax on Real Properties) was based on data supplied by the Client (and estimated for HBU status).

(xi) estimate of direct development costs based on a detailed estimate of expenditure per individual quantity to be built/converted/put to new use by type of project (demolition, construction, renovation and transformation in the broad sense of the term), unless an amount for the completion of these activities has already been determined

(xii) estimate of all other cost items that contribute to the determination of total development costs: indirect costs (design and site management) and contingencies, as a percentage of direct costs; municipal charges (urbanisation charges and contribution on the construction cost) according to the rates applicable in the relevant municipality by rate brackets and type of project, whether or not the latter results in changes to the zoning burden;

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[2] Defined as the cost to rebuild the asset in accordance with the construction technologies and with materials used during the original period of construction, for insurance purposes, with the explicit exception of land.

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3. RESULTS

Throughout the analysis carried out, and based on all the above premises, main assumption and basic parameters, we can reasonably indicate its IIV-Integrated Indication of Value ("FV-Fair Value (as is)") about the assets object of valuation analysis, as of the Reference Date of December 31st 2016.

The following is attached S.V.-Summary of Values (regards detail and specific consideration, see the analytical reports).

S.V.-Summary of Values as of December, 31st 2015

Real estete assets held by "Petrarca" Fund_ Ref. Date: December 31st 2016		
N.	Assets	FV-Fair Value [euro]
	TOTALE	61.290.000,00 (euro sixty-one million two hundred ninety thousand,00)

....

In view of the above, referring expressly to the basic parameters and main assumptions, as illustrated in the point bearing the same title, and without prejudice to the surrounding conditions and disclaimers, as per the annexes forming an integral part of this document, it is deemed fair that the most probable economic counter-value for the asset in question, in the conditions and legal status, in which it is found on the Reference Date and based on the documentation supplied, is equivalent to the values expressed, hereby pointing out value volatility, as derived from the current scenario of uncertainly – exacerbated by the events 'Brexit' not yet fully stabilized and indeterminacy about the political and national economic prospects and global– within which the values were estimated.

Respectfully submitted.

K2REAL – Key to Real
Real Estate Partners
Chartered Surveyors
Tania Garuti – MRICS
Managing Partner

Annex – Modus Operandi & Limiting Conditions

1 K2Real expressly indicated the Reference Date on which every opinion of value and/or any deliberation implemented was referred. The opinion of value expressed was based on the rental and zoning situation, market conditions and purchasing power of the currency as of the Reference Date.

2 K2Real did not investigate the title to or any liabilities against the real estate properties, but relied on the information provided by the Client. For the purpose of the valuation, K2Real assumed that the right of ownership was exercised within the borders and that there was no violation of property rights or trespassing. K2Real do not neither investigate nor assume any responsibility with regards to any right or encumbrance of the properties under appraisal.

3 Possible environmental liabilities of the subject properties are not considered. Environmental liabilities are the costs which may be incurred to avoid environmental damages or to modify situations which do not comply with ongoing regulations. K2Real did not carry out any environmental enquiry but it exclusively formulated, for the valuation purposes, an hypothesis on the conformity of the real estate to the environmental regulations in force.

4 The analysis that K2Real carried out specifically exclude examination of the environmental impact derived from dangerous substances (asbestos, formaldehyde, toxic waste, etc.) or potentially dangerous substances, or structural damages and contamination derived from the effects of earthquakes.

5 K2Real shall not proceed with on-site, metric measurements, aimed at verifying the surface areas and dimensions of the real estate assets in the purpose of this evaluation.

6 K2Real did not make a specific compliance survey to verify permits, building licenses or assessments, but it has considered the properties as conforming to existing regulation. K2Real did not carry out verifications on the compatibility of the real estate assets with the prescriptions in force about accessibility of the disabled to work places.

7 K2Real did not carry out any soil analyses, nor investigated eventual issues regarding the exploitation of gas and minerals present in the subsoil.

8 The analysis K2Real conducted specifically excluded the review of legal and fiscal aspects.

9 K2Real conducted market surveys, the results of which it considers representative of the market situation on the date of reference of this valuation. Nevertheless, it is impossible to rule out that other segments of supply and/or demand, in reference the activities analysed, that can cause part of the unitary parameters used as input data in this analysis to vary, although not significantly, exist. It should be also noted that any issue in relation with sustainability do not reflect the criteria for a specific operator, but broader market criteria.

10 The expressed values do not include VAT and the costs were not considered, therein including taxes, potentially associated with the sale and/or acquisition of the property assets.

11 This document and the attachments of which it is composed contain forecasts and projections made by K2Real relative to the performance of the accommodation sector. K2Real also analysed the economic and financial analyses provided by the Customer and the assumptions underlying the relative models. Considering however that it is impossible to predict future events with certainty, any conclusion relative to economic and financial forecasts cannot be considered definite, nor can the comments presented by K2Real be considered a guarantee of the anticipated developments.

12 K2Real, in relation to the uncertainty of the scenario where you place the expressed opinion of value, for the present analysis referred to the VPGA9 Red Book "rating in markets susceptible to changes: certainty and uncertainty", to which reference should be made on.
As a result of the developments in the financial sector, which resulted in considerable restriction effects of the credit and lack of liquidity and, more generally, the crisis and the global recession that involved many economies, including Italian, register of extreme uncertainty about the outlook of the future market scenario, with obvious consequences in terms of risk and volatility of the sales values of rents of the properties. Based on these considerations, we recommend that, if you are preparing to make concrete transactions, refer to updated estimates which take into account the evolution of such events. This recommendation is still also be considered (i) the scenario that includes the issue of Brexit not yet fully stabilized in terms of the impact on financial markets (as well as the property sector) and (ii) of indeterminacy about the political and national economic outlook and global; it therefore considers that the quota setting can produce multiple factors that can affect, directly and indirectly, on the market of real estate investments such as to create significant volatility of the assessments.

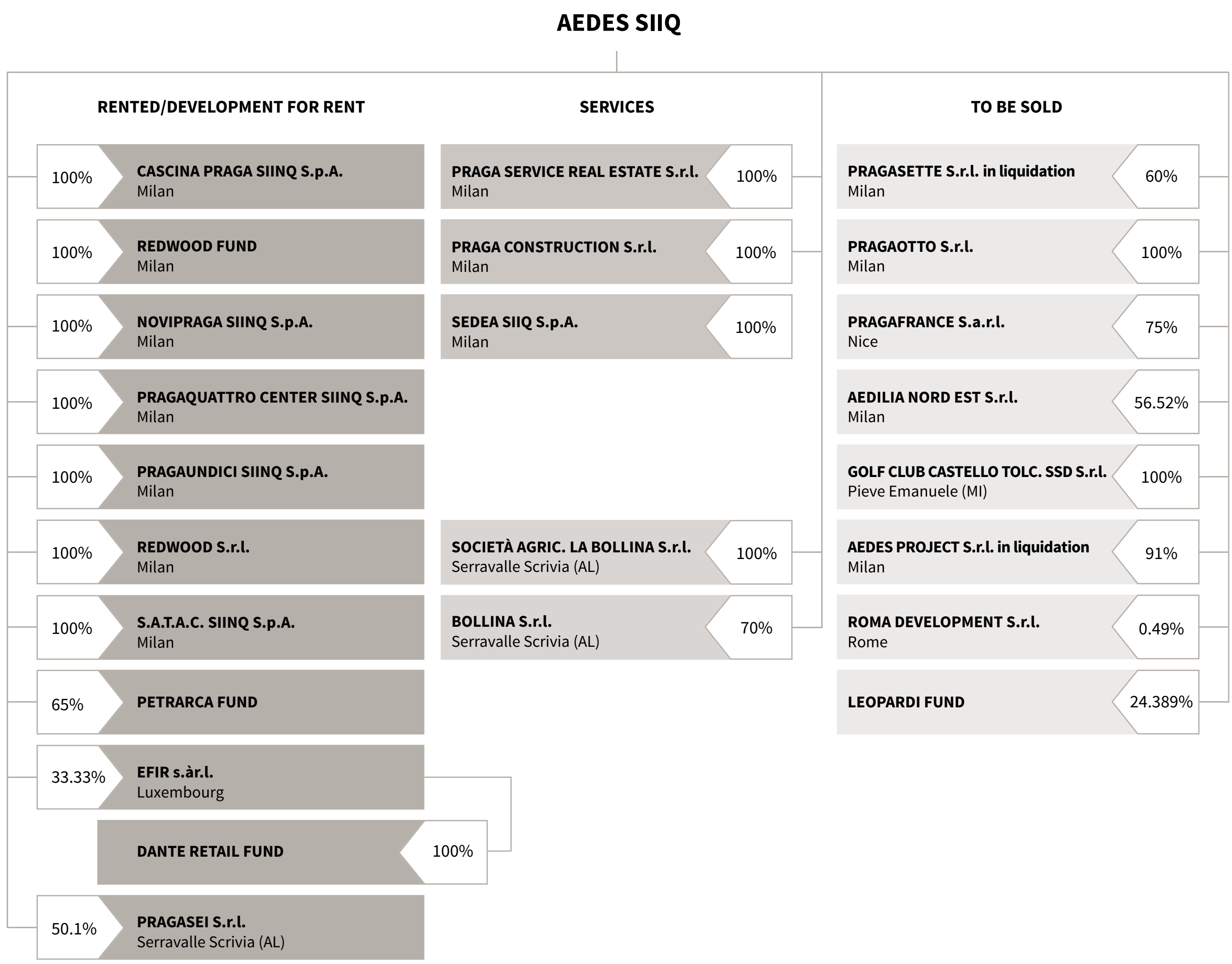
13 Also considering that the past returns are not indicative of future returns, K2Real provides no guarantee that the Customer will achieve investment targets nor does it assume any liability for possible inaccuracies regarding the data reported and/or elaborated in this document, and in the attachments of which it is comprised.

2.4 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 became 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:

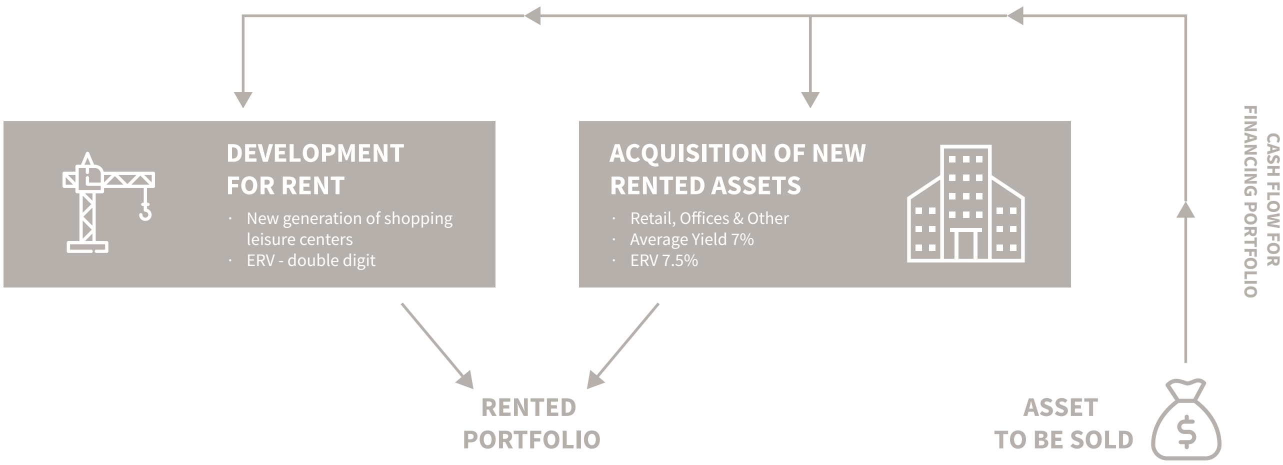


An annex to this Report provides further information in relation to the investments held directly and indirectly by the Parent Company.

2.5 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 SIIQ 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 SIIQ 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 subsidiares 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.

2.6 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 subsidiares	(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”.

The following economic data are analysed by item.

Total revenues

Total revenues amounted to Euro 21.6 million, up 8% from the previous year’s figures. In line with the property company model and in adherence to the tax regime reserved for Reits, the rents on rental revenues increase to 70% of total revenues compared with 35% in the previous year.

Revenues (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 fixed inventories	1,129	635	494
Profit from sale of subsidiares	(3)	3,814	(3,817)
Margin from General Contractor	413	662	(249)
Margin of Project Management	75	266	(191)
Revenues from non-core services	2,230	2,081	149
Other revenue	2,756	3,462	(706)
Total	**21,633**	**19,982**	**1,651**

Real estate sales margin (Euro/000)	31/12/2016	31/12/2015	
Proceeds from sales of investment properties	0	1,300	(1,300)
Gross revenue from real estate inventories	745	7,421	(6,676)
Cost of sold Inventory	(832)	(6,727)	5,895
Net margin	**(87)**	**1,994**	**(2,081)**

Profit from sales of other inventories (Euro/000)	31/12/2016	31/12/2015	
Gross revenues from other inventories	2,236	1,551	685
Cost of sales other inventories	(1,107)	(916)	(191)
Net margin	**1,129**	**635**	**494**

Margin from General contractor (Euro/000)	31/12/2016	31/12/2015	
Revenue from general contractor services	22,486	6,628	15,858
General contractor fees	(22,073)	(5,966)	(16,107)
Net margin	**413**	**662**	**(249)**

Margin of Project Management service delivery (Euro/000)	31/12/2016	31/12/2015	
Revenue from Project Management	597	504	93
Costs of Project Management	(522)	(238)	(284)
Net margin	**75**	**266**	**(191)**

Gross revenues from rentals amounted to Euro 15.1 million compared to Euro 7.1 million at 31st December 2015. The increase of Euro 8.0 million, equal to 114%, is the result of the acquisition of assets and income property portfolios made by the Group in the second half of 2015 and continued in the year 2016. Thanks to these acquisitions, the Group has reached an annual rent level totaling Euro 18 million.
Income from real estate sales includes (a) proceeds from sales of investment properties, nil at 31st December 2016, compared to Euro 1.3 million at 31st December 2015; and (b) the gross revenues from sales of properties held as current assets amounting to Euro 0.7 million at 31st December 2016, from Euro 7.4 million at 31st December 2015, with a loss of Euro 0.1 million at 31st December 2016 from a profit of Euro 0.7 million at 31st December 2015.
The margin on the sale of subsidiares, essentially nil in 2016, was Euro 3.8 million at 31st December 2015.

The margin from General Contractor services amounted to Euro 0.4 million at 31st December 2016 from 0.7 million at 31st December 2015.
The margin from project management services amounted to Euro 0.1 million at 31st December 2016 from 0.3 million at 31st December 2015.
Finally, there is other revenue of Euro 2.8 million at 31st December 2016 compared to Euro 3.5 million in 2015.

Direct costs

Direct costs totaled Euro 6.4 million at 31st December 2016, compared to 3.7 million at 31st December 2015, an increase of Euro 2.7 million due to the growth of real estate assets.

Description (Euro/000)	31/12/2016	31/12/2015	Change
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

Net Operating Income, due to the total revenues and total direct costs mentioned above, amounted to Euro 15.2 million from Euro 16.2 million at 31st December 2015, with a negative change of Euro 1.0 million. Nevertheless, taking into account only the Group's real-estate activities, the Net Operating Income recorded a profit of Euro 13.1 million, up by Euro 0.5 million compared to 12.6 million at 31st December 2015.

Description (Euro/000)	Real-estate assets	Non real-estate assets	31/12/2016	Real-estate assets	Non real-estate assets	31/12/2015	Change
Net Operating Income	**13,097**	**2,104**	**15,201**	**12,571**	**3,661**	**16,232**	**(1,031)**

General Expenses

General and administrative expenses amounted to Euro 13.6 million compared to Euro 15.5 million as at 31st December 2015, a fall of Euro 1.9 million.

Description (Euro/000)	31/12/2016	31/12/2015	Change
Cost of headquarters personnel	(3,174)	(2,869)	(305)
Consultancy	(3,397)	(6,398)	3,001
G&A	(7,017)	(6,255)	(762)
Capitalized non-real estate costs	*(1,334)*	*(2,972)*	*1,638*
Capitalization of non-real estate costs which can be capitalized	*1,354*	*2,972*	*(1,618)*
Capitalized internal costs	21	0	21
Total general expenses	**(13,567)**	**(15,522)**	**1,955**

EBITDA

EBITDA, due to Revenue items, Direct Costs and General Expenses as outlined above, is equal to a profit of Euro 0.2 million from Euro 0.4 million at 31st December 2015. The property activities of the Group alone by contrast showed an EBITDA of Euro 0.7 million at 31st December 2016, an increase of 0.9 million compared with a loss of Euro 0.2 million recorded at 31st December 2015.

Description (Euro/000)	Real-estate assets	Non real-estate assets	31/12/2016	Real-estate assets	Non real-estate assets	31/12/2015	Change
EBITDA	**731**	**(560)**	**171**	**(240)**	**621**	**381**	**(210)**

Adjustment to the fair value of investment properties

In the year 2016 investment properties increased in value due to the adjustment to fair value, identified on the basis of appraisals performed by independent experts, for a net amount of Euro 29.8 million, as the sum of increases for Euro 37.2 million and decreases for Euro 7.4 million, compared to an increase in value of Euro 5.8 million for the year 2015, with a positive variation of Euro 24.0 million, as a result of purchases of properties in the period.

(Write-down)/Write-back of Inventories

In 2016 the item write-downs or write-back on inventories amounted to a negative balance of Euro 0.8 million, compared with a negative figure of 0.9 million, with an increase between the two years of Euro 0.1 million.

Depreciation, amortisation and write-downs

Amortisation, depreciation and write-downs at 31st December 2016 amounted to Euro 2.5 million, compared to 0.1 million at the end of 2015, an increase of 2.4 million. This item is broken down as follows:

- amortisations/depreciations for Euro 0.7 million, compared to Euro 0.3 million in 2015;
- write-downs for Euro 0.2 million, mainly on loans of a commercial nature, compared to 0.6 million in 2015;
- provisions for risks and charges of 1.6 million from a release of Euro 0.8 million in 2015.

Income/(Charges) from associates and joint ventures

Income from associates and joint ventures have a positive balance of Euro 3.0 million, an improvement on the negative balance of Euro 1.1 million at 31st December 2015, mainly due to adjustment to market values, consistent with the policies adopted by the Group, of the property of the affiliate Pragasei S.r.l., which owns a commercial outlet opened to the public on 3rd November 2016.

Non-recurring income of real estate investment disposal

This item is nil in 2016, whereas in 2015 we recorded the sale of the investment in Neptunia S.p.A., in performance of the agreements signed together with the debt restructuring agreement, with a positive contribution of Euro 2.1 million to the result on the income statement.

Restructuring Income/(Charges)

The item "Restructuring income/(charges)", from nil in 2016, in 2015 showed a positive balance of Euro 1.7 million and related mainly to a profit from the full and final settlement negotiated by the Company with a Funding Institute.

EBIT

The EBIT, as a result of the positive results above with particular reference to purchases of properties carried out in 2016, amounted to a positive figure of Euro 29.7 million, compared to Euro 7.9 million in 2015.

Financial Income/(Charges)

Financial expenses net of financial income and including the effects of adjustment to fair value of IRS derivatives, amounted to Euro 3.6 million compared to 3.2 million at 31 December 2015, an increase of 0.4 million.
The item mainly consists of:

- financial income: Euro +0.9 million in line with 2015;
- financial charges: Euro -4.0 million from Euro -5.3 million;
- adjustment to fair value of derivative instruments: Euro -0.5 million (Euro 0.1 million in 2015);

The fall in net financial expenses was mainly due to lower average debt.

Income taxes

The figure for income taxes is positive for Euro 3.1 million (from a negative figure of Euro 0.1 million in 2015) and consists of:

- current taxes for Euro 0.1 million (Euro 2.3 million in 2015, which included charges related to the so-called exit tax for the adjustment of the load tax values to normal[1] values in relation to real estate (falling in the exempt operations) belonging to the companies that have joined the SIIQ and SIINQ regime); and
- Euro 3.2 million of net positive effect (Euro 2.2 million in 2015) of deferred and prepaid taxes.

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**

A. Fixed Capital

The total item amounted to Euro 398.4 million against Euro 326.3 million at 31st December 2015 and is mainly composed of:

- intangible assets essentially nil compared to Euro 1.3 million at 31st December 2015. The change was due to the sale of Aedes Real Estate SGR S.p.A. and the related goodwill;
- investment properties and other tangible assets for Euro 344.2 million from Euro 269.9 million at 31st December 2015;
- capital investment in associates and joint ventures for Euro 54.0 million, compared with Euro 53.0 million at 31st December 2015;
- other financial assets amounting to 0.1 million from 2.0 million at 31st December 2015, with a change of Euro -1.9 million entirely attributable to the deconsolidation of the Investietico Real Estate Fund units owned by Aedes Real Estate properties SGR S.p.A..

B. Net Working Capital

Net working capital amounted to Euro 61.7 million against Euro 55.5 million at 31st December 2015, and consists of:

- inventories for Euro 56.3 million compared to Euro 54.5 million at 31st December 2015;
- trade and other receivables of Euro 27.0 million, compared to 23.7 million at 31st December 2015;
- trade payables and other payables for Euro 21.6 million, compared to Euro 22.7 million at year-end 2015.

[1] Membership of the scheme involves, under paragraph 126 of Law 296/2006, "the normal realizable value of properties and real rights on properties to be leased by the company owned at the close of the last financial year in ordinary regime". The higher taxable amounts resulting from the entry into the special regime, pursuant to subsection 130 of Italian Law 296/2006, were, at the choice of the participating companies, including in the company income for tax year 2015 and so transferred to the "Aedes" tax consolidation mentioned above.

C. Invested Capital

As a result of the changes mentioned above, invested capital increased from Euro 381.8 million at 31st December 2015 to Euro 460.1 million at the end of 2016. It is funded by equity for Euro 303.4 million (66%), for Euro 150.6 million (33%) by net financial debt and for Euro 6.1 million (1%) by other net non-current liabilities.

D. Shareholders' Equity

Shareholders' Equity amounts to Euro 303.4 million up from Euro 275.3 million at 31st December 2015.The positive change of Euro 28.1 million is attributable for Euro 30.2 million to the result of the period and in a residual manner to other changes.

This item is composed of Euro 296.4 million of the equity attributable to the Group (Euro 269.1 million at the end of 2015) and Euro 7.0 million of the net equity attributable to non controlling interest (Euro 6.2 million at the end 2015).

E. Other non-current Assets and Liabilities

Other non-current assets and liabilities have a negative balance of Euro 6.1 million against a negative balance of Euro 10.6 million at the end of 2015. The item is broken down as follows:

- Euro 1.0 million of severance indemnity (from Euro 1.2 million in 2015);
- Euro 2.5 million of net assets (Euro 0.8 million in liabilities at the end of 2015) related to deferred tax assets and liabilities;
- Euro 6.0 million (Euro 6.3 million at the end of 2015) relating to provisions for risks primarily to contractual obligations (Euro 0.7 million from Euro 1.0 million), provisions for tax contingencies (Euro 2.4 million from Euro 3.4 million), provisions related to the management of real estate (Euro 0.2 million from Euro 0.2 million) and provisions for future liabilities (Euro 2.6 million from Euro 1.6 million);
- Euro 1.2 million of non-current net payables (Euro 2.4 million at the end of 2015);
- Euro 0.4 million of net liabilities to fair value of derivative instruments (Euro 0.1 million of net assets at the end of 2015).

I. 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.

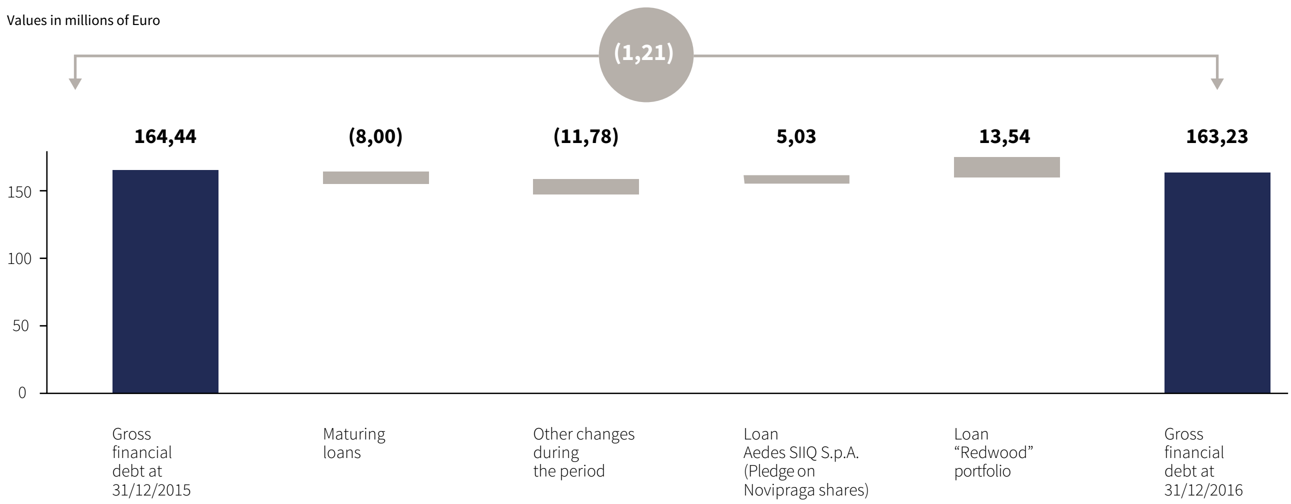
There follows the table detailing the net financial debt of the Group as at the end of FY 2016, compared with the end of the previous year:

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
Cash and cash equivalent	**12,610**	**68,497**	**(55,887)**
Current financial receivables	**0**	**0**	**0**
Current financial 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 financial 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.

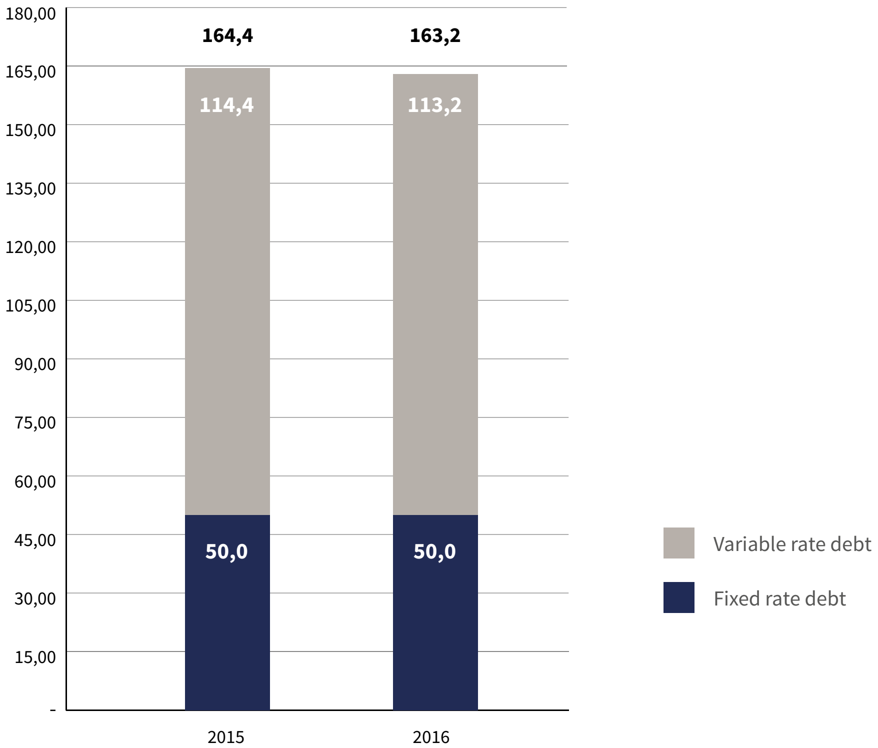


In particular, the effects on the variation of the debt are referable to:

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.



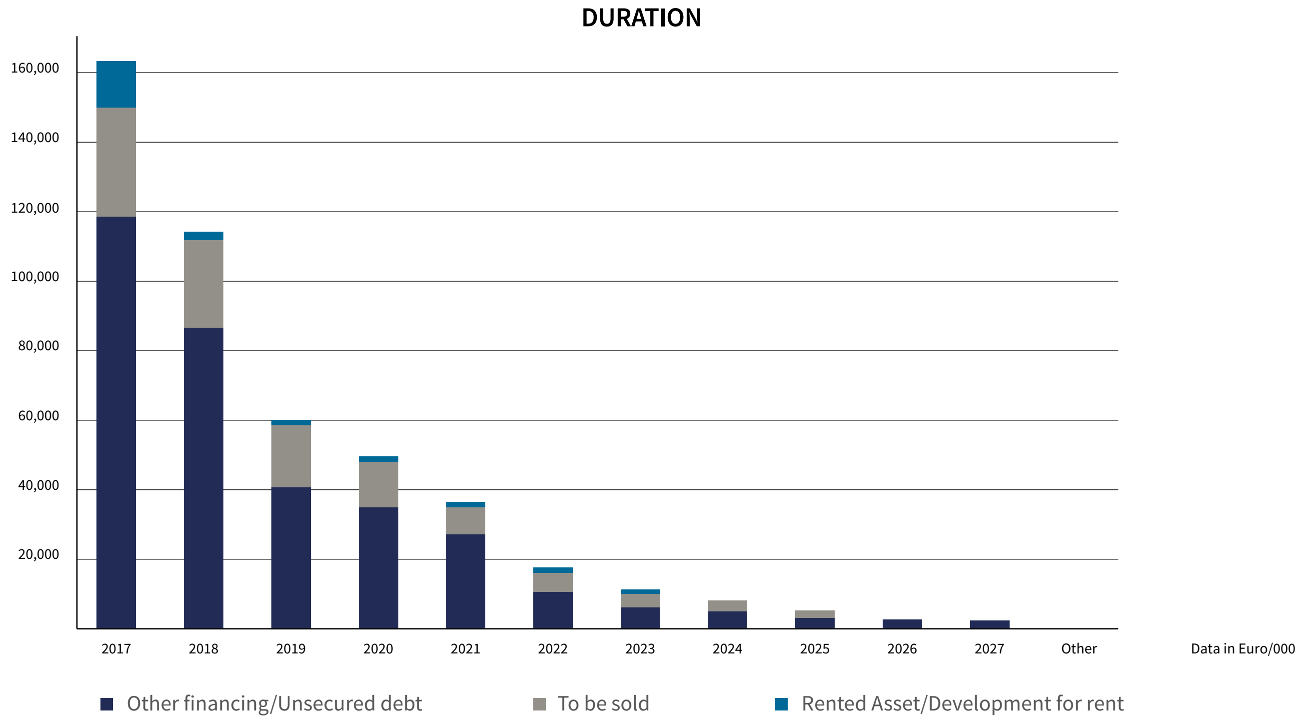
Here below is a reclassification of the financial debt of the Group by type of guarantee:

(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.



2.7 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 NNNAV (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 NNNAV	**306,597**	**286,284**
EPRA NNNAV per share (Euro)	**0.97**	**0.90**

(*) Excluding treasury shares

The EPRA NAV and EPRA NNNAV 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

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**	**Produc-tion**	**Entertainment**	**Servi-ces**	**Admini-strative**	**Cost to date (Euro/000)**	**Cost to comple-tion (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 - Serraval-le 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**

(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).

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.

2.8 Glossary of terms and alternative performance indicators used

Herein this document, in addition to the statements and conventional financial indicators provided by the IFRS, are various reclassified statements and alternative performance indicators in order to allow for a better measurement of the economic-financial trend of the Group. These statements and indicators should not be considered as a substitute for those required by the IFRS. In particular, among the alternative indicators used, the following are noted:

Net Working Capital
Equivalent to the algebraic sum of:
- Trade and other receivables (Current part): net receivables due from clients, receivables due from subsidiaries and associated companies, receivables due from others, tax credits, accrued income and Prepaid expenses
- Inventory (lands, real estate initiatives in progress and down payments, properties)
- Financial assets held to maturity
- Trade payables (Current part)
- Payables for Current taxes

Non current asset
Include the following items:
- Investments in property
- Other tangible fixed assets (plants, equipment, other goods, fixed assets in progress)
- Goodwill and other intangible fixed assets
- Investments in companies measured using the equity method
- Financial assets available for sale
- Financial receivables (Non-current part)

Cost of sold
Corresponds to the consolidated carrying value of the inventory at the time of their disposal.

EBIT *(Earnings before interests & taxes)*
It is equal to the Operating Result not including financial charges capitalized in inventories.
This indicator can be also calculated net of Non-current items in kind and in this case specific explanations are given.

EBITDA *(Earnings before interests, taxes, depreciation & amortisation)*
It is equal to operating income before depreciation, amortisation, impairment, adjustments to fair value of fixed investments, provisions for risks and income and expense from associates and joint ventures, as well as item income/expense restructuring. This indicator has the function of presenting a recurrent situation of operating profitability.

GAV *(Gross Asset Value)*
This is the total value of property assets calculated at current market values.

Gearing Ratio
This is an index by which we measure the incidence of loan capital on the assets of a business. It is formulated by the ratio between loan capital and assets.

NAV ***(Net Asset Value)***
This means the difference between the total asset value calculated at current market values and the total value of liabilities.

NAV ***(Net Asset Value)*** **Real Estate**
The difference between total real estate assets at current market value and the net financial position linked to the real estate assets.

NOI ***(Net Operative Income)***
This is equal to EBITDA gross of indirect costs. This indicator is designed to present the operating profitability before the indirect and overhead costs.

Gross financial debt (GFD)
Equivalent to the algebraic sum of:
- Current financial liabilities
- Non-current financial debt

Net Financial Position (NFP or net debt)
It is equivalent to the Gross Financial Position net of:
- Liquidity, or cash (cash on hand and fixed deposits), cash equivalents and securities
- Current financial receivables

EPRA Performance Indicators
Reference is made to paragraph 2.6 “EPRA Performance Indicators” for the definition of the indicators used.

The following is a reconciliation table between revenues and costs presented in the Management Report and the data in the financial statements.

Total revenues shown in the management report (Euro/000)	**21,633**
Revenues for chargebacks to tenants	1,288
Costs for general contractor services and project management	22,708
Cost of sale of property and non-property inventories	1,939
Profit from sale of investments	3
Revenues from sales and services and other revenues shown in the financial statements	**47,571**

Total costs shown in the management report (Euro/000)	**(21,462)**
Costs for General Contractor services and Project Management	(22,708)
Profit from sale of investments	(3)
Revenues for chargebacks to tenants	(1,288)
Costs capitalized among inventory	(1,274)
Total costs shown in the financial statements	**(46,735)**

Revenues from charge-backs to tenants in the management report are presented as a reduction of “Net losses for vacant” whereas in the notes to the consolidated accounts they are reported under “Income from goods and services”.

With reference to the costs of General Contractor and Project Management activities, it is noted that the operating report shows revenues net of the direct costs that are included in the notes to the item “Costs for raw materials and services”.

With reference to the cost of goods sold of inventories, it should be noted that while the Management Report shows the revenues net of the cost of goods sold, in the explanatory notes it is shown in the change in inventories.

2.9 Comparison of actual results with the Plan

The financial result for 2016 and the balance sheet figures are better than expected in the 2014-2019 Business Plan ("**Plan**") approved by the Aedes Board of Directors on 27th May 2014 and subsequently amended, most recently, on 1st December 2014.

Income Statement

The income statement as at 31st December 2016 reported an EBIT (positive EBIT) of approximately Euro 29.7 million, against which the Plan envisaged an outcome within a range of between Euro 40 and 45 million. The EBIT gap is, however, offset by the additional income statements, with particular reference to the lower financial expenses recorded, amounting to Euro 3.6 million at year-end compared to Euro 10.9 million from the Plan and to differences in the tax item, positive Euro 3.1 million at the end of 2016 compared to a negative expectation of Euro 6.9 million from the Plan. The Net Result, also accounted for by the "Profit/(Loss) after taxes on fixed assets held for sale", amounting to Euro 1.0 million, is therefore at the end of the financial year 2016 standing at a positive value of Euro 30.2 million, an increase of Euro 3.7 million compared to an expected figure of Euro 26.5 million.

Balance Sheet

As for the balance sheet, the Plan provided a total of liabilities included in a range between Euro 210 and 230 million, against which the final figure for 2016 shows a total of Euro 198.7 million and thus better than expected.

The figure relevant to the net financial position amounts to, at 31st December 2016, approximately Euro -150.6 million compared to the figure expected by the Plan of Euro -155.3 million. The difference is positive at around Euro 4.7 million.

Finally, equity stood at Euro 303.4 million, compared with a figure expected by the Plan within a range between Euro 280 and 310 million, thus placing itself near the top of that range.

With the results at 31st December 2016, the Company has achieved the objectives of the Plan, as has already happened in all previous closures as of 31st December 2014. Taking account of the transformation into an SIIQ and in order to anticipate the arrival of a regime of property company structure, the Company will prepare an updated plan during the year 2017.

2.10 Comment on the performance of the Parent Company Aedes SIIQ S.p.A.

The Parent Company, Aedes S.p.A. SIIQs, closed the year 2016 with a profit of Euro 17.3 million, an increase of Euro 16.7 million compared to 31st December 2015, which amounted to Euro 0.6 million.

The Shareholders' Equity of the Company stands at Euro 285.0 million, against an amount of Euro 268.8 million at the end of 2015. The variation is mainly attributable profit for the year 2016.

Here below is the table detailing the net financial debt of the Parent Company as at the end of FY 2016, compared with the previous year:

NFP (Euro/000)	31/12/2016	31/12/2015
Cash	3,849	55,555
Other cash on hand	0	0
Securities held for trading	0	0
Cash and cash equivalent	**3,849**	**55,555**
Current financial receivables	**0**	**0**
Current financial payables	(25,929)	(7,936)
Current part of the Non-current debt	0	0
Other Current financial payables	(1,314)	(1,272)
Current financial debt	**(27,243)**	**(9,208)**
Net Current financial debt	**(23,394)**	**46,347**
Non-current bank payables	(24,790)	(23,073)
Bonds issued	0	0
Other non-current payables	(15,413)	(16,753)
Net Non-current financial debt	**(40,203)**	**(39,826)**
Net financial debt	**(63,597)**	**6,521**

2.11 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 SIINQ 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.

2.12 The real estate portfolio

EVOLUTION OF THE REAL ESTATE MARKET[1]

Real estate scenario

The volume of investment properties in Italy in the last part of 2016 reached Euro 3.8 billion, the best quarterly result of the last 10 years, exceeding the Q4 2007-2016 average by 80%. This brought the annual volume to Euro 9.1 billion, an increase of 12% over the previous year.

	2015	Q4 2016	2016	Change YoY (%)
Office	3.0	1.6	3.6	20%
Retail	1.4	1.1	2.6	86%
Industrial and logistic	414	397	628	52%
Hotel	830	313	1.1	33%
Other sectors	876	137	742	-15%
Mix-used	1.6	195	455	
Total	**8.1**	**3.8**	**9.1**	**12%**

Sources: CBRE Research

In Q4 2016 foreign capital in Italy has accounted for 56% of total investment, with Euro 2.1 billion, with a positive growth rate of 6%, while the quarter saw continued growth of the share of domestic capital and over the entire year it came to represent about 40% of total investments compared to 25% in 2015.
In Q4 2016 the Office sector recorded the largest share of investments with more than Euro 1.6 billion, representing 43% of the total, up 26% from the fourth quarter of 2015. Expectations were confirmed for the Retail sector, which follows with more than 1 billion transactions, equal to 29% of the invested volume.
In particular, the High Street, with about Euro 440 million, has achieved an all-time record result.
In addition, prime and secondary yields of the High Street and the Office sector saw further contraction; this accentuates the gap between prime and non-prime, and the forecast on the growth of interest rates in the coming months remains uncertain.
2016 was the year of logistics, with about Euro 630 million invested, a figure just below the peak of 2007 (Euro 660 million), thanks to the growing development of e-commerce.
At European level, the volume of transactions over the last 12 months amounted to Euro 250 billion, down 10% compared to the same period last year.

Retail Sector

2016 ended with over 2.6 billion invested in the Retail sector. Of these, about 1.1 billion were transacted only in the last quarter of the year.
Foreign capital in Q4 accounted for 87% of investments. Nevertheless the share of the annual total decreased slightly, witnessing a timid return of domestic investors. After declining in recent months, according to Istat, consumer confidence in December 2016 began to grow again. Positive prospects for families. In December, four new retail projects under construction in Italy were completed: three shopping centres, two in the regions of Southern Italy, one in Tuscany and a new format in the province of Milan.
The year ended with about 306,000 square meters completed, the highest volume of the last five years (2012-2016). According to the sample of shopping centres managed by CBRE, in the last 12 months (January-December 2016) sales were down slightly (-0.8%); the December figure showed an unexpected contraction, which will probably be partially recovered in January.

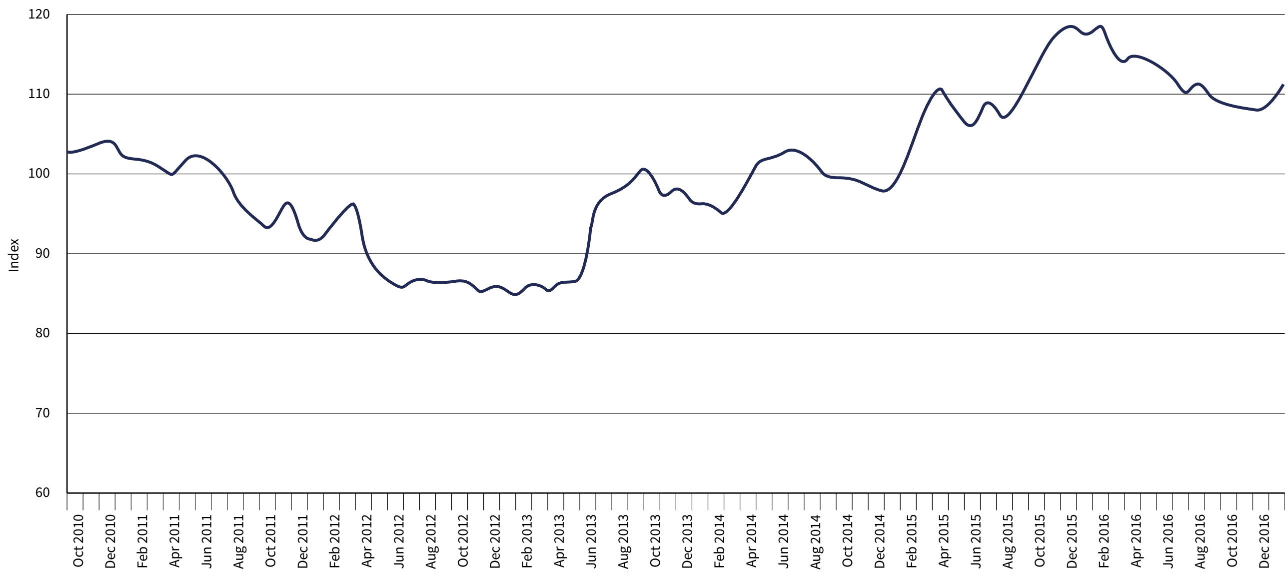
[1] Sources: CBRE; Basic data of the Company.

The prime rents are confirmed to be stable in Milan and Rome for both shopping centres and the high street, while yields have declined slightly in the last quarter. With at least 1.5 billion already in the pipeline, investment activity for 2017 remains lively.

Prime net SC Yield	Prime Net HS Yield	Prime SC Rent Mt	Prime HS Rent Mt	Retail Investments
5.00%	3.25%	Euro 900 per sqm	Euro 6,000 per sqm	Euro 1,1 bln

The arrows indicate the change from the previous quarter

CHART 1: EVOLUTION OF CONSUMER CONFIDENCE INDEX IN ITALY



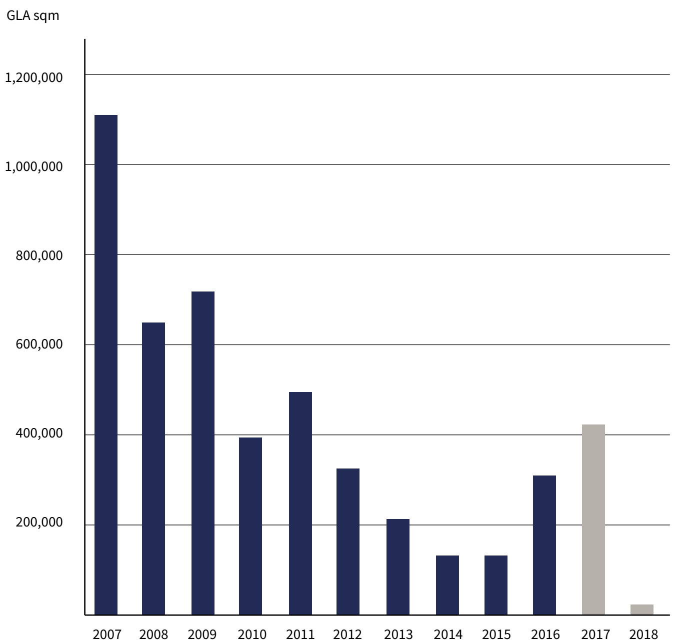
Source: CBRE Research, Q4 2016

In the last quarter of the year four commercial projects were completed for a total GLA of 130,000 square meters. There are three shopping centres (Grandapulia in Foggia, Le Cotoniere in Salerno, Grosseto Shopping centre) and a new format, Scalo Milan, in Locate Triulzi. The projects confirm the interest of investors and developers in the regions of Southern Italy. With approximately 305,000 square meters completed, 2016 confirms the year of the return of developments, with a total area more than double that of last year. The volume under construction with delivery scheduled in 2017-18 is approximately 450,000 square meters of which 62% is represented by shopping malls. The rising tourist flows and the initiatives that have involved Milan make the city the primary location for retailers looking to the Italian market to open new flagship stores, followed by Rome. Work continued on the opening of new outlets for international brands and domestic. There are still many retailers seeking new spaces in Milan and probably in the next few months Starbucks will open its first Italian store. In addition, the rumours that work on the first flagship of Apple in Milan should begin in 2017 are now confirmed. Prime stable rents for shopping centres and high street.

Earnings (%)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Higt Street Prime	4.00	3.50	3.50	3.50	3.50	3.25
Higt Street Secondary	5.75	5.00	5.00	5.00	5.00	4.75
Shopping Centre Prime	5.50	5.00	5.00	5.00	5.00	5.00
Shopping Centre Good Secondary	6.50	6.00	6.00	6.00	6.00	5.90
Retail Park Prime	7.00	6.00	6.00	6.00	5.90	5.90
Retail Park Good Secondary	7.50	7.25	7.25	7.25	7.00	7.00

Source: CBRE Research, Q4 2016

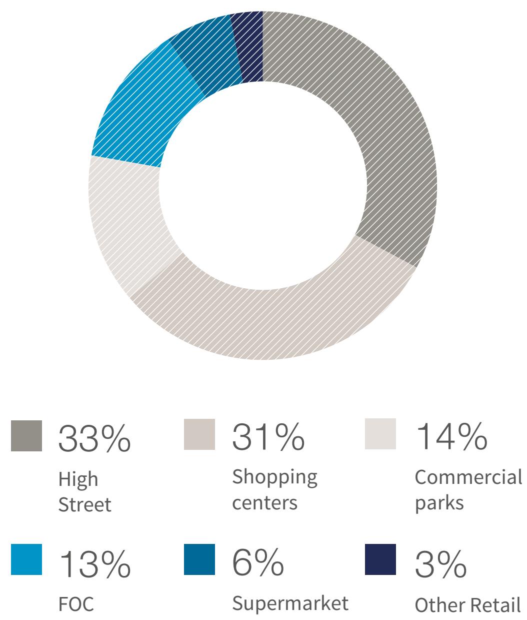
There remains a strong interest in the Retail sector in 2016 and with over a billion invested in the last quarter of the year, and total retail investment has returned to a of Euro 2.6 billion, a growth of over 80% compared to 2015, 28% of the total investment properties in Italy. Two operations in particular have contributed to the result with over 500 million value: the sale of a High Street portfolio (12 assets) and the acquisition of two outlets, Vicolungo (Novara) and Castelguelfo (Bologna) in the context of a pan-European retail portfolio by a JV between Neinver and TH Real Estate. The outlet sector, generally reserved for specialists, is today becoming increasingly important among institutional investors drawn to attractive returns and a format that offers good performance even in times of market crisis. The other hot Retail sector is confirmed to be the high street which in the fourth quarter recorded more than Euro 400 million invested; this brought the annual volume to nearly Euro 900 million, more than double compared to 2015 and amounting to about 30% of the total retail volume.
The High Street is in the radar of an increasing number of investors, core and core plus, which no longer stop only in Milan and Rome, but are also beginning to study other secondary cities, smaller but with rich basins that benefit from good tourist flow. The returns showed a slight reduction for good secondary shopping centres and the High Street sector.



Source: CBRE Research, Q4 2016

Completed

Under construction



Source: CBRE Research, Q4 2016

Offices sector

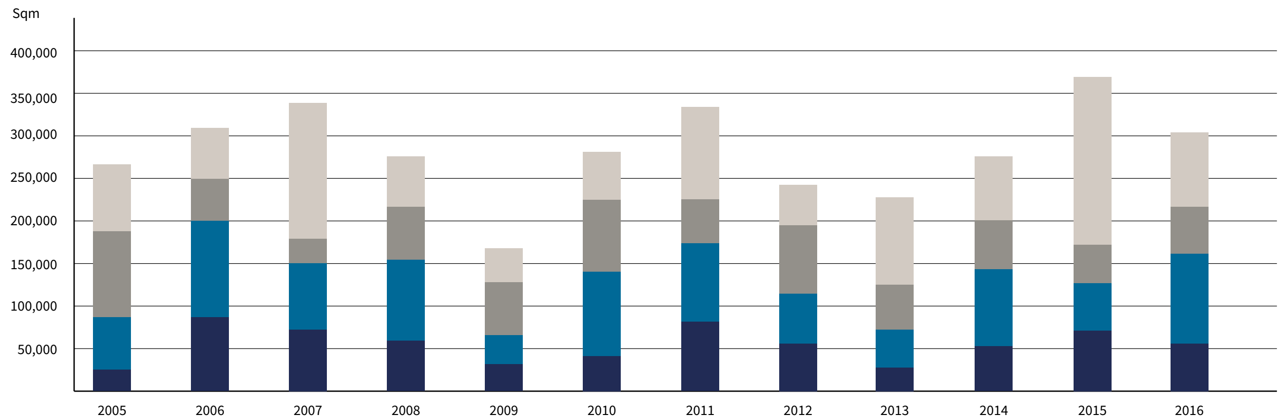
THE MILAN MANAGEMENT MARKET

In the fourth quarter of 2016, the take-up amounted to 86,795 square meters, an increase of 63% compared to Q3 but down sharply from last year. 2016 closed with a volume of 304,200 square meters absorption, lower than the figure of 2015 record but still higher than the average of the last 10 years (2007-2016).

Vacancy Rate 12.1% | Prime Rent Euro 500 per sqm | Take-up 86,795 sqm | Investments Euro 904 mln | Prime Net Yield 3.75% | Completion 30,200 sqm

The arrows indicate the change from the previous quarter

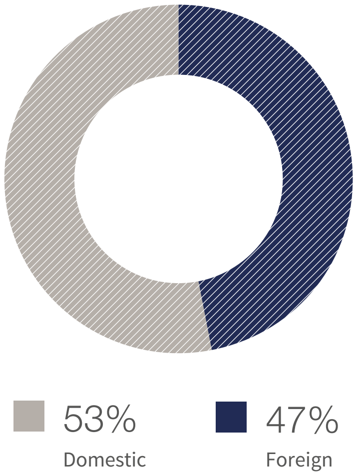
QUARTERLY EVOLUTION OF ABSORPTION IN MILAN



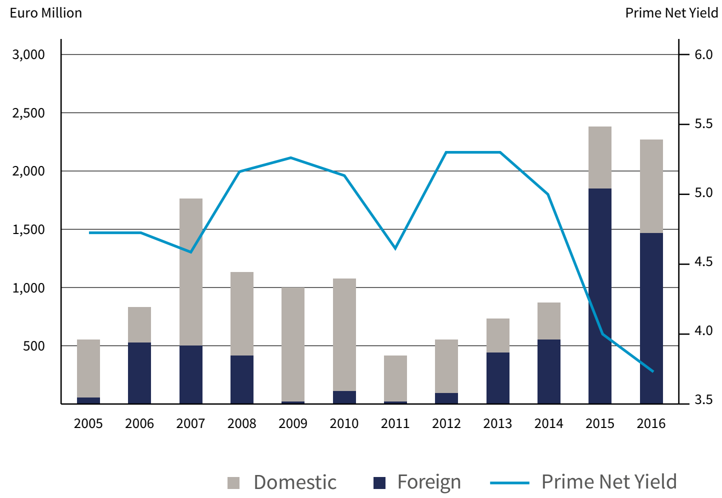
The year was characterised by transactions > 10,000 square meters involving major international companies. Milan is an interesting destination, with a more vibrant market and in line with other European countries. In December 2016 around 260,000 square meters of office space are under construction, a slight fall compared to the last quarter. Of these, 60% are speculative projects. Prime rent remained stable at Euro 500 sqm/year for the sub-markets CBD and Porta Nuova while the average rent rose and, in Q4 2016 amounted to Euro 285/sqm/year.
In spite of the predictions of the impact of the referendum on the housing market, investment activity in the latter part of the year was high with over Euro 900 million of capital invested in the Milan administrative sector alone. In Q4 2016 domestic capital accounted for 53% of the volume transacted. Among the most active players institutional investors interested in core products located in central areas stand out. Prime net yield and good secondary net yield decreased respectively to 3.75% and 5.50%.

	2015	2016	Q4 2016
Vacancy rate (%)	12	12.1	**12.1**
Take Up (000 sqm)	370	304	**86,7**
New stock (sqm)	62,5	87,1	**13,8**
Prime rent (Euro per sqm)	490	500	**500**
Weighted average rent (Euro per sqm)	268	263	**285**
Prime net yield (%)	4.00	3.75	**3.75**
Secondary net yield (%)	5.50	5.5	**5.5**
Volume of investments in office (Euro/mln)	2,390	2,285	**903,5**

The volume of investments in the Milan Office sector in the fourth quarter of 2016 exceeded Euro 900 million, nearly triple the previous quarter but a slight fall (-15%) compared to last year's figure. The outcome of the December referendum has not affected the investment activities of the year: 2016 closed with Euro 2.3 billion invested in the business sector, a result that exceeds by 90% the average calculated over the last 10 years (2007-2016). Leading the result are two operations in CBD: the acquisition of the Banca di Roma Palazzo, purchased for about Euro 220 million, and the sale of an office property in Corso Europa for about Euro 90 million. In the fourth quarter domestic capital accounted for 53% of total investments, among the most active players being institutional investors focused on core products. First and good secondary net returns showed a slight decline, reaching 3.75% and 5.50% respectively.



Source: CBRE Research, Q4 2016



Source: CBRE Research, Q4 2016

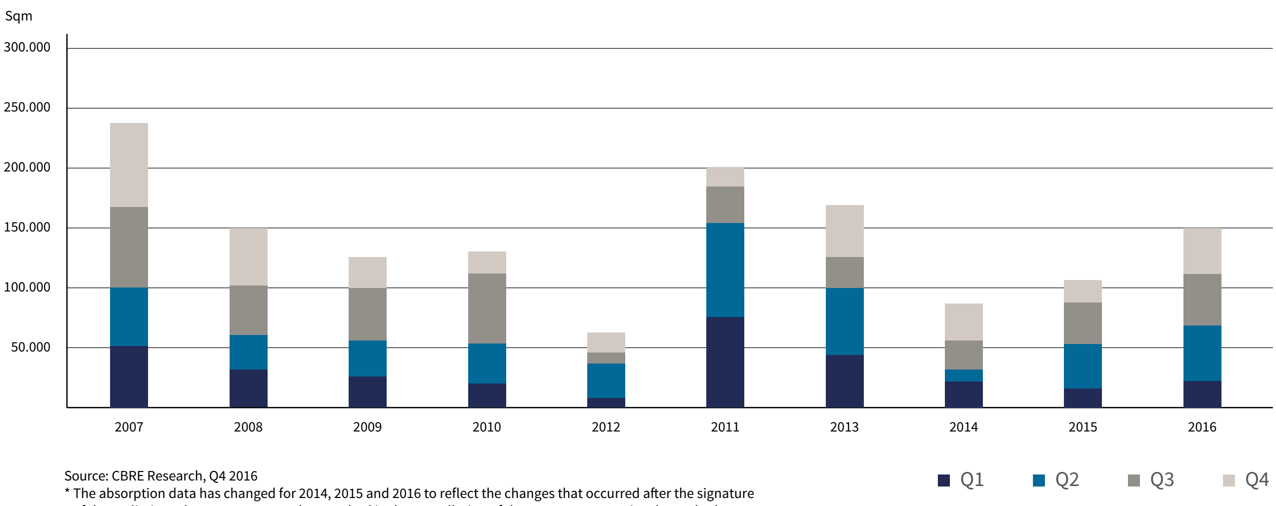
ROME OFFICE MARKET

The absorption in the fourth quarter of 2016 amounted to 42,371 square meters, a slight increase (3%) from the previous quarter. In the last part of the year, 29 units had been absorbed, a figure in line with the quarterly average of 29.5 units. The absorption for the full year 2016 amounted to approximately 150,300 square meters, confirming the positive trend compared to previous years (43% in 2015 and 73% in 2014). The average size of the absorbed units was about 1,460 square meters, up slightly (6.5%) compared to the previous quarter. Prime stable rent in CBD and rising rent in the Eur zone of respectively Euro 400 and 330 sqm/year.

Vacancy Rate	Prime Rent CBD	Prime Rent EUR	Take-up	Completion
9%	Euro 400 per sqm	Euro 330 per sqm	42,371 sqm	51,823 sqm

The arrows indicate the change from the previous quarter

QUARTERLY EVOLUTION OF ABSORPTION IN ROME*



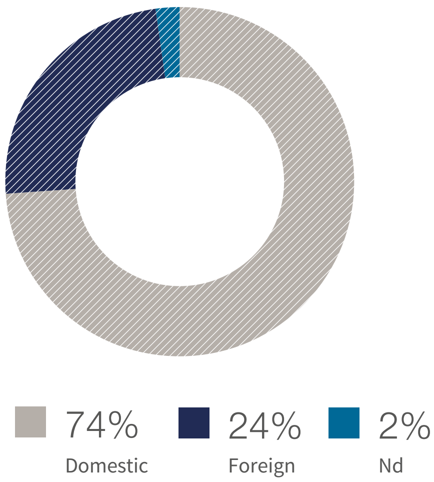
Source: CBRE Research, Q4 2016
* The absorption data has changed for 2014, 2015 and 2016 to reflect the changes that occurred after the signature of the preliminary lease agreements that resulted in the cancellation of the agreements previously reached. This applies specifically to: Q4 14 (-27,000 sqm); Q4 15 (-33,000 sqm) and Q1 16 (-50,000 sqm)

In the quarter there was an expansion of tendencies in the Eur Laurentina area of 10,000 square meters, which involved an Italian energy company; this, together with two additional leases recorded in the Eur zone Centre, represented an approximately 45% reduction in total quarterly absorption. There was a fall in the pipeline of developments, with 92,000 square meters under construction/renovation and awaiting delivery between 2017 and 2018; two projects for about 52,000 square meters were completed in the quarter. They are the new HQ of BNP Paribas in Tiburtina, and the C Block of Via dell'Arte 25. There was an increase in investment in Q4, amounting to about 200 million; raw yield stable at 4.00% net.

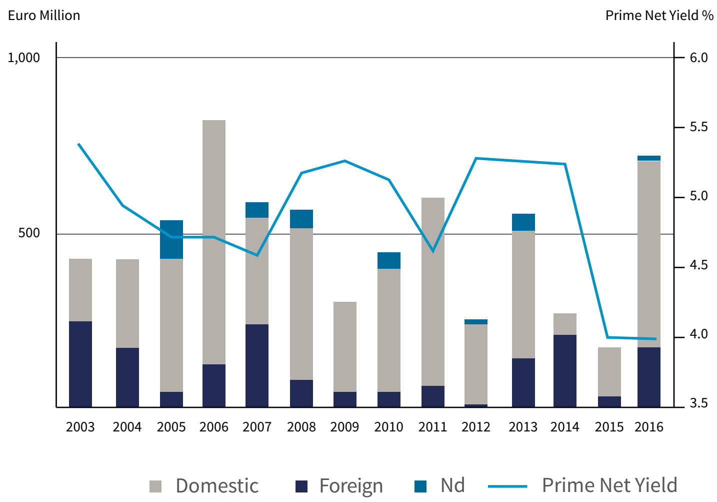
	2015	2016	Q4 2016
Stock (sqm)*	7	7	**7**
Vacancy rate (%)	9	9	**9**
Take Up (000 sqm)	136	150,1	**42,2**
Prime rent CBD (Euro per sqm)	380	400	**400**
Prime rent Eur (Euro per sqm)	320	330	**330**
Prime net yield (%)	4.00	4.00	**4.00**
Volume investments in office (Euro/mln)	173	719	**184**

* Surface areas owned by the Public sector are excluded from the stock

Investment in the administrative sector in Rome in the fourth quarter of 2016 amounted to about Euro 200 million, more than double compared to Q3. The total volume of the year reached Euro 720 million, a remarkable result of over four times the entire volume of 2015 investments. As in the third quarter, the last part of the transactions were almost all of domestic origin, for an annual total of about 75%: the main operation involved the sale of a building in the historical Centre, Piazza Augusto Imperatore, by an Italian property fund. The interest in the capital remains high even if it remains a difficult market for foreign investors. The near absence of speculative developments, the inefficient infrastructure system and growing political instability does not have a market-friendly profile. The prime performance was stable at 4.00% net.



Source: CBRE Research, Q4 2016



Source: CBRE Research, Q4 2016

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:

	GAV					NAV			
(Euro/000)	**Consolidated pro quota**	**Not consolidated Funds & join ventures**	**Total Portfolio**	**% on Total Portfolio**	**LTV Ratio**	**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 details[1]:

(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.

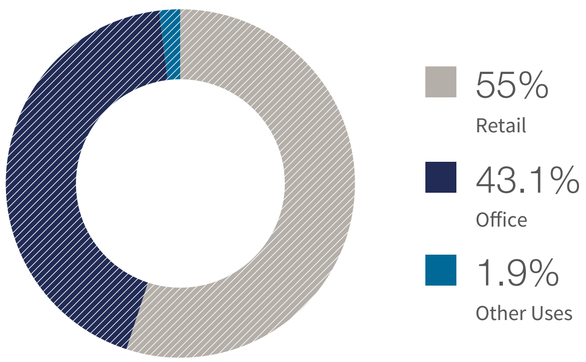
The breakdown by application highlights 55% Retail properties, 43% Office properties and the remaining 2% as real estate for so-called Other Uses.

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.

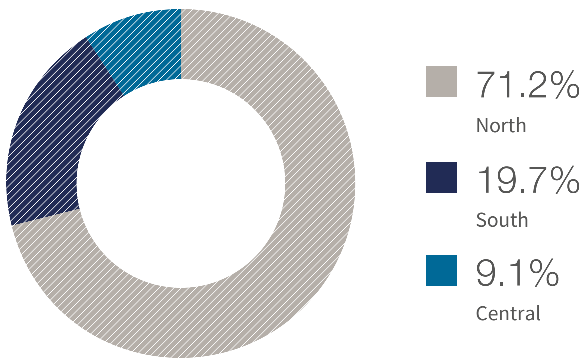
The geographic position of the investments in Rented Assets is in Northern Italy for 71%, Southern Italy 20% and Central Italy for 9%.

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 SIIQ model.

RENTED ASSETS
Rented by use



RENTED ASSETS
Geographic Breakdown



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

Catania, Via Etnea 116-124 – Aedes SIIQ 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.

Caselle Torinese (TO), Satac SIINQ S.p.A.

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 SIIQ 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 29th December 2015 the request was submitted in order to start the Verification Stage pursuant to art. 10, paragraph 1 of the regional law of 14th December 1998, no. 40. At 31st 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 2nd May 2016 the project was excluded from environmental assessment stage under Article 12 of LR 40/98. With D.G.C. 150 of 28th 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 7th November 2005, no. 17-1334. Publication expired on 27th 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.

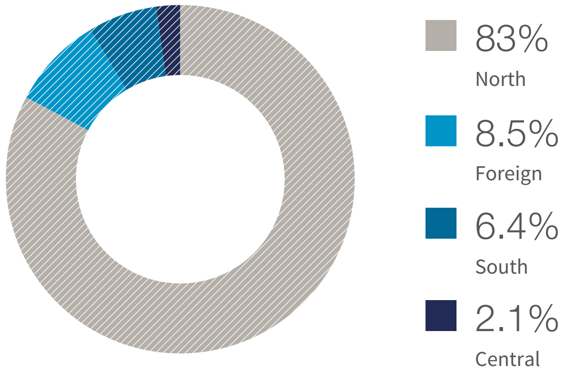
To Be Sold Portfolio

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.

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.

2.13 The legislative and regulatory framework of SIIQ

The Special Regime of the SIIQ (Listed Property Investment Companies), was introduced by art. 1, subsections from 119 to 141, of Italian Law 296 of 27th December 2006 (Financial Law for 2008) and subsequently supplemented and amended. Lastly, in particular, art. 20 of Italian Law Decree 133 of 12th September 2014, in force as at 13th September 2014, and converted, with amendments, from Italian Law 164 of 11th November 2014, introduced various significant amendments. The requirements for admission to the special tax regime guaranteed to the SIIQ can be summarised as follows:

Subjective Requirements
- Company set-up in the form of an S.p.A. (joint-stock company)
- Residence within the territory of the State of Italy or an EU Member State
- Status of a company listed on Italian regulated markets

Statutory Requirements
- Investment rules
- Limits of risk concentration on investments and counterparts
- Maximum limit of financial leverage, on an individual and group level

Investment Structure Requirements
- Control requirement: no Shareholder must hold more than 60% of the voting rights in the Ordinary Shareholders' Meeting and profit sharing rights
- Outstanding Shares requirements: at least 25% of the shares must be held by Shareholders that do not hold more than 2% of the voting rights in the Ordinary Shareholders' Meeting and profit sharing rights (not applicable to already listed companies)

Objective Requirements
- Financial year of the activity of property rental as a main activity, condition verified by two indices:
  - *Asset test*: property intended for lease activity for an amount of at least 80% of the company assets
  - *Profit test*: revenue from lease activities amounting to at least 80% of the positive items of the revenue statement
- Obligation in each year to distribute to the shareholders at least 70% of the net revenue arising from the leasing activity and possession of investments
- Distribution requirement, within 2 years following disposal, for 50% of capital gains realized on the leased properties and shares in SIIQs, real estate funds and qualified SIINQ

The failure to comply for three consecutive years with one of the priority conditions will result in the definitive termination of the special regime and the application of the ordinary rules from the third year in consideration.

Once the satisfaction of the subjective and investment requirements had been verified and the necessary Company By-Law amendments made, Aedes SIIQ S.p.A. exercised on 26th November 2015 the option for entry into the Special Regime, effective as at 1st January 2016. Pursuant to art. 130 of Italian Law 296/2006 the Company opted, in lieu of application of the substitute tax, for the inclusion of the overall amount of the capital gains, net of the relevant capital losses, calculated based on the normal value of the properties, within the company revenue for the period prior to that of the special regime, i.e. 2015.

With reference to the Statutory Requirements, The Company By-Laws provide, in summary, that the activities of the company are performed in compliance with the following rules relevant to investments, limits of risk concentration and financial leverage:

1. investments in a single property, different from the development plans covered by a single town planning scheme, to an extent not exceeding 25% of the Group's property assets;
2. revenues from rents, from only one renter or renters belonging to the same group, to an extent not exceeding 30% of the overall revenues from the property leasing activities of the Group. The mentioned limit is not applicable should the property assets be rented to one or more renters belonging to a group of national or international importance;
3. financial leverage at a Group level not exceeding 65% of the value of the property assets; financial leverage on an individual level not exceeding 80% of the value of the property assets.
   The above-mentioned limits can be surpassed in the event of extraordinary circumstances or those beyond the control of the Company. Unless otherwise in the interest of the Shareholders and/or the Company, the surpassing of the limits cannot continue for more than 12 months.

In view of the assets and revenue of the Parent Company at 31st December 2016, the first reference year for checking the parameters set by the Special Regime of the SIIQ, as from the Company's predictions, proved already to have met the capital requirement but not yet the revenue. In fact, relative to the asset test, the value of properties and areas owned to be leased is more than 80% of the total value of the assets, while in relation to the profit test, the amount of revenues and dividends arising from letting of properties held through ownership or other property rights represents less than 80% of the positive components of the revenue statement. For further information reference is made to paragraph 5.7 of the financial statements section Estimates and critical assumptions.

2.14 Management of main business risks

Here below are the main sources of risk and admissible hedging strategies.

STRATEGIC RISKS

- **Market risk**
  Market risk is the possibility that changes in the general economy, exchange rates, interest rates or commodity prices will adversely affect the value of assets, including real estate, liabilities or expected future cash flows.
  The Company periodically performs a sensitivity analysis in order to monitor the effects of changes to the discount or capitalisation rates or revenues on the value of the assets themselves.

OPERATING RISKS

- **Credit risk**
  The credit risk mainly consists in the possibility that clients, in particular the tenants of assets owned, will become insolvent. The Group is not characterised by significant concentrations of credit risk given the adequate diversification in terms of renters.
  The activities carried out to reduce the exposure to credit risk are based on an analysis of the composition of the client portfolio for each business area which aims to ensure an adequate guarantee of the financial strength of the same clients. Where deemed necessary suitable guarantees are required for property transactions.
  The maximum theoretic exposure to credit risk for the Group is represented by the book value of the financial assets reported in the financial statements, as well as by the par value of the guarantees issued on payables of third-party commitments indicated in Note 32.
  Most of the financial assets are due from associated companies. These financial assets are mainly represented by receivables, the collection of which is related to the development/transfer cycle of the property assets of the associated companies. Any write-downs of financial assets takes place on an individual basis and it is believed that impairment losses are representative of the actual bad debt risk.

- **Rental risk**
  The rental risk is the possibility that the property assets will remain for long periods of time without a tenant, exposing the Group to the reduction in cash flows from rents and the increase in real estate costs.
  The Group has adopted a policy aimed at having a constant relationship with tenants in order to retain the same.
  The current situation in the housing market, especially with reference to the business sector, does not rule out the possibility that certain tenants may, on expiry of the contract or during the exercise window of the so-called break option, exercise the right to terminate the lease or demand renegotiation of the rent.
  The Group monitors this risk by maintaining constant relations also with the leading specialised real estate agencies.

- **Risks arising from the use of construction companies**
  The Group in the development of their initiatives makes use of the construction company, whose relations are governed by specific contracts under the law. Although the Group uses leading construction companies and tender contracts, in the event of disputes with the end user, provide the possibility for recourse on the contractor, it cannot be ruled out that the mentioned construction companies do not meet their obligations in a timely manner with potential adverse effects on the operating and financial activities of the Group.

Risk to health and safety and environmental risk

The Aedes Group has taken all measures necessary for the protection of health in the workplace, as required by law. For the purposes of the regulations, it is stated that during 2016 there have been no accidents involving serious or very serious injuries at work or deaths.
The risks related to the occurrence of events that may cause effects on the environment or on the health of the population in areas of influence of the Group's activities are the subject of increasing attention by public regulators and increasingly stringent legislation. It is noted that, during the year, the Aedes Group did not cause any damage to the environment for which it has been declared guilty or has been subject to sanctions or penalties for environmental offences or damage.
The Company is strongly committed to the prevention of such risks and has adopted management systems capable of preventing and documenting the management approach to these issues.
In addition, the company pays special attention to the aspect governing administrative liability, safety and environmental concerns about the risk of commission of offences, as defined by Legislative Decree 231/01.
For more information, reference is made to the two paragraphs of the Sustainability Report: "3.1 Aedes Group approach to sustainability" and "3.4 Responsibilities to persons".

COMPLIANCE RISKS

Responsibility pursuant to Italian Legislative Decree 231/01

The risk pursuant to Italian Legislative Decree 231/01, is that the Company may incur penalties related to the regulation of the responsibility of the companies for the commission of the offences pursuant to Italian Legislative Decree 231/01.
In order to limit the aforementioned risk, the Company has adopted an "Organisational Model" or "Model 231", structured into a so-called General Part, which illustrates objectives, structural guidelines and the implementation method for the Organisational Model, and a so-called Special Part that, in summary, describes the criminal offences pursuant to Italian Legislative Decree 231/01 considered significant as a result of the risk assessment work, establishes rules of conduct for the recipients of the Model 231 and sets standards for the preparation of the procedures involved in business areas.
The Company has also drawn up a Code of Ethics, applicable to all persons working for the Group and that have committed to comply and enforce the principles of the Code in the scope of their duties and responsibilities.
The Company has also appointed a Board of Statutory Auditors which has autonomous powers of initiative and control, body in charge of supervising the effectiveness, adequacy, operation and compliance with the Organisational Model, also providing for the constant updating of the same.
For more information, reference is made to the two paragraphs of the Sustainability Report: "3.1 Aedes Group approach to sustainability".

Regulations for Listed Companies

The Company has the status of an issuer of securities listed on a regulated market and is therefore subject to specific regulations dictated by operational and control bodies.
The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. In particular, the Company Affairs Department and Investor Relations Department supervise the handling of obligations in respect of the management and supervisory authorities and are responsible for the management of the information provided to the market. This process, which provides for a close coordination with the internal functions for the identification, verification and communication of administration data and information, is carried out in compliance with the specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Manager in Charge.

- **Responsibility pursuant to Italian Law 262/05**
  The risk under Law 262/05 relates to the liabilities of the executive responsible for preparing the Company's financial reports, under Law 262/05.
  The Company, in compliance with the regulatory provisions of Italian Law 262 of 28th December 2005, "Investment Law", has adopted an administration-accounting system related to the financial reporting, with the purpose to (i) ascertain that the Internal Audit System currently in force is able to provide a reasonable certainty regarding the true and correct representation of the equity, economic and financial information submitted; (ii) implement adequate administration-accounting procedures for the preparation of the statutory and consolidated financial statements, as well as any other communication of a financial nature; (iii) guarantee the effective application of the administration and accounting procedures prepared over the year to which the above documents relate.

- **Tax Risk - SIIQ regime requirements**
  The risk relating to the SIIQ regime is that the Company may not comply with the profitability and capital requirements for staying in that tax regime, with the consequent loss (in the event that this continues under the terms of law) of the status of SIIQ. The Company intends to place adequate emphasis on the monitoring of the associated tax risks; the assessments made on the tax model used are prepared with the assistance of selected specialised professionals. Separate book-keeping is provided for taxable and tax exempt transactions. The structure is designed to carry out periodic asset tests and profit tests in order to monitor compliance, including the requirements laid down by the legislation including on a prospective basis.

In view of the assets and revenue of the parent company at 31st December 2016, the first reference year for checking the parameters set by the Special Regime of the SIIQ, as from the Company's predictions, the capital requirement was already met, but not yet the revenue. In fact, relative to the asset test, the value of properties and areas owned to be leased is more than 80% of the total value of the assets, while in relation to the profit test, the amount of revenues and dividends arising from the letting of properties held through ownership or other property rights is less than 80% of the positive components of the revenue statement.

FINANCIAL RISKS

- **Interest-rate risk**
  The interest rate risk to which the Group is exposed originated mainly from the medium and long-term financial debt.
  Borrowings issued at variable rates expose the Group to a cash flow risk; borrowings issued at fixed rates expose the Group to a fair value risk.
  The risk faced by the Aedes Group mainly originates from debt indexed to a variable market rate, with consequent risk of cash flow fluctuations.
  The exposures do not include the interest risk rate loans to fixed rates, as the changes in fair value are not recognised in the revenue statement and have no cash flow variables as a function of market conditions.
  Interest rate risks can be limited by executing derivatives contracts. The instruments normally used are interest rate swaps "plain vanilla" or "step-up", which transform the variable rate into a fixed rate, and/or cap, which set a maximum limit on the interest rate payable by the Company, and/or collar or instruments represented by the purchase of a cap and sale of a floor, which set a lower limit and an upper limit on the interest rates payable by the company allowing it to maintain a floating rate within the set range.
  The choice of the derivative instrument is made by analysing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

Taking into consideration the particularly advantageous rates and in order to reduce the overall exposure of the Group to the interest rate risk, given that as at year-end of the previous year the Group had 100% of its financial payables at a variable rate, the Company signed, on 4th November 2015, a derivative contract with the following characteristics:

Type	nil cost Collar
Effective	31st December 2015
Maturity	31st December 2020
National	Euro 50 million, Bullet
Variable Rate Euribor	3 months, act/360, quarterly
Cap strike	1.00%
Floor strike	0.00%

The notional subscribed amounts to approximately 30.63% of the gross financial debt of the Group at 31st December 2016. It is noted that the instrument is not combined with a specific loan but has the purpose of limiting the risk of increasing interests rates on the overall exposure of the Group. Therefore, any variations in the period will be recorded in the income statement as period adjustments to the mark-to-market.

Exchange rate risk

The Group, at 31st December 2016, does not have an exchange rate risk given that it does not have exposures in currencies other than Euro.

Liquidity risk

Liquidity risk is the risk that the Company and the Group is unable to meet its payment obligations due to difficulty in raising funds (funding liquidity risk) or liquidate assets on the market (asset liquidity risk). The result is a negative impact on net revenue in the event that the Company or the Group are forced to incur additional costs to meet their commitments or, as an extreme consequence, a situation of insolvency that endangers business continuity.
The Company, through the Finance Department and continuous supervision by the Parent Company's executive bodies, maintains close monitoring of cash and short-term financial commitments. For this purpose, the Group monitors the liquidity risk through the preparation of a detailed economic and financial budget prepared on a monthly basis, taking into account a period of not less than one year and a consistent management of real estate sales and financial commitments.

In identifying the criteria to be used for the preparation of these financial statements, the Company/the Group taking into account operational and financial commitments on cash flows affecting all Group companies for a period of 12 months from the date of the forthcoming approval of the current year's budget, including the planned investment activities and forthcoming deadlines of certain loan agreements currently in place.
On the basis of the needs arising from the financial budget, the Company has identified the main sources of funding, mainly due to:

- refinancing activities of certain assets;
- sale of certain non-strategic assets;
- rescheduling of short-term credit lines.

Based on the information and the documentary evidence available at the time of preparing the financial statements at 31st December 2016 and of the progress of the initiatives currently in place with regard to the above hedging sources, there are no significant risks regarding the possibility that the actions taken are not designed according to the timetable and procedures provided in the financial budget. Accordingly, the Directors consider that there are no uncertainties about the ability of the Company and of the Group to meet its financial obligations, both current and prospective, in the foreseeable future.

MAIN LITIGATIONS IN PROGRESS AND TAX AUDITS

Here below is the information relevant to the main litigations and tax audits that involve Group companies, in progress as at the date of the 2016 financial statements. With reference to such litigations, and any other minor litigations, the Group made provisions for risks where a probable unfavourable outcome in court is expected.

Main past litigations

FIH LITIGATION

On 14th December, 2011 Fih S.a.g.l. (formerly Fih SA) brought arbitration proceedings against Satac S.p.A. (now Satac SIINQ S.p.A.) on the subject of the appeal of the recapitalization resolutions passed by the shareholders of Satac of 10th November 2011 (the “First Arbitration”); at the same time, Fih filed an appeal with the Court of Alessandria asking, by injunction, for the suspension of the shareholders’ resolution. As described in previous annual and interim financial reports, to which reference is made for the reconstruction in particular of the events that gave rise to the litigation mentioned, it should be noted that the grounds of appeal put forward by the First Arbitration Fih were based on: (i) the alleged non-compliance with the law of the balance sheet - prepared by the administrative body of Satac under art. 2446. civ. and at the base of the first capital increase, intended to cover the losses and recapitalize the company - that would be taken for the sole purpose of excluding Satac from Fih; (ii) on the alleged illegality of the resolution concerning the second capital increase, due to the fact that Fih, not having participated in the resolution to reset reset and recapitalize the company - and, therefore, no longer partner - could not participate in the subscription and the second increase.

In February 2012, the Alessandria Court rejected the petition filed with which Fih requested the suspension of the resolution to recapitalize Satac (contested with Prime Arbitration), ordering Fih to pay the legal expenses.

With a ruling issued on 4th December 2014, the Arbitration Board rejected all applications submitted by Fih in the First Arbitration. The award was subject to appeal under art. 827 ff. Code of Civil Procedure by Fih SA before the Court of Appeal of Turin. In a judgement published on 17th January 2017, the Court of Appeal dismissed in its entirety the action for annulment brought by Fih and ordered Fih to pay Satac the legal costs of the appeal judgement.

In May 2014 Fih, still in relation to the events that led to its exit from the shareholder, lodged in Milan an arbitration proceeding (the “Second Arbitration”) against Pragacinque S.r.l. (now Aedes). In connection with the Second Arbitration, in May 2014 Fih also brought before the Milan Court proceedings against Pragacinque for the confiscation of 55.15% of Satac and for the preservation of the Pragacinque activities. By a decision of 12th June 2014 the Court of Milan - rejecting the measure of confiscation and considering groundless the requirement of danger in delay relative to the other measures required - rejected the above appeal of Fih and ordered it to pay legal costs to Pragacinque S.r.l.. In particular, the Court, in rejecting the confiscation request of Satac shares equal to 55% of its capital, noted that “the Satac share capital was written off by a resolution of November 2011, so that, by reason of the resulting cancellation of the shares, the original object has ceased to exist, of which was Fih holder before the relevant resolution. The mentioned resolution passed by the shareholders’ meeting of Satac, regarding the nil setting of the capital and the rebuilding of the same does not result as having been neither voided nor suspended. Therefore, it does not appear likely that in court Fih will see the request for restitution accepted following any order to terminate the shareholders’ agreement de facto and due to the negligence of Pragacinque S.r.l.”.

As regards the Second Arbitration, the Board of Arbitration ruled on 23rd May 2016 that Pragacinque (now Aedes) had failed to fulfill its capitalization obligation of Satac SIINQ S.p.A. and retrocession of shares, as provided for in the framework agreement signed between Pragacinque and the trust company Cofircont Compagnia Fiduciaria S.p.A. and Timone Fiduciaria S.p.A. In January 2007, ordering the company to pay damages in favour of Fih, to the extent - determined, on an equitable basis, having regard to the level of fault of Fih - of 2.093.000,00 plus legal interest, compensating the costs of defence. By writ of appeal of the arbitration award under art. 827 ff. Code of Civil Procedure, notified on 27th January 2017, Fih summoned Aedes SIIQ S.p.A. before the Milan Court of Appeal requesting to establish and declare the invalidity of the award pronounced on 23rd May 2016.

Main tax audits and litigations

Praga Holding Real Estate S.p.A., merged into Aedes, on 4th November 2010 received a decision to impose sanctions related to Vat in 2006 notified by the Tax Agency - Provincial Directorate of Alessandria. The notice is the result of an alleged undue compensation of a Vat credit in the scope of the payment of Group Vat. On 30th December 2010, the company filed an appeal, which was rejected by the Ex Parte Expert Witness of Alessandria with order filed on 23rd December 2011. On 14th June 2012, the company filed an appeal, which was accepted by the Regional Tax Commission of Turin on 1st July 2013, with order filed on 8th April 2014. Against the judgement of the second degree, the Tax Agency appealed to the Supreme Court on 24th November 2014 and the Company has filed a counter appeal.

Pragatre S.r.l., later Pragatre SIINQ S.p.A., merged with Aedes, on 10th November 2011 and 14th November 2011, and was joined by two of its assessments respectively for Ires 2008 and 2006 Vat issued by the Tax Agency - Provincial Directorate of Alessandria. Both assessments are the result of a tax audit carried out on 24th March 2011 by officials of the Fraud Protection Service of the Regional Offices of Piedmont, for which the outcome was formalised by the minutes of findings dated 13th July 2011. That measure challenged the deductibility, for alleged inadequate documentation, of the consideration paid in Praga Holding Real Estate S.p.A., merged into Aedes, against the designation by the latter of Pragatre SIINQ S.p.A. as the purchaser of certain properties, in performance of a preliminary nominee agreement. On 27th December 2011, the company filed an appeal, which was accepted by the Ex Parte Expert Witness of Alessandria with order filed on 30th September 2013. On 22nd September 2015 the second-instance judgement was filed, which rejected the appeal filed by the Tax Agency. On 21st March 2016 the Tax Agency, represented by the Attorney General of the State, appealed to the Supreme Court and on 22nd April 2016, the company presented its defence.

Pragaquattro Park S.r.l., now Pragaquattro Center SIINQ S.p.A., on 10th November 2011 received an assessment notice relevant to Vat 2006, issued by the Tax Authorities - Provincial Office of Alessandria. The assessment is the result of a tax audit carried out on 24th March 2011 by officials of the Fraud Protection Service of the Regional Offices of Piedmont, for which the outcome was formalised by the minutes of findings dated 13th July 2011. This submission challenged the admissibility, for alleged inadequate documentation, of the fee paid to Praga Holding Real Estate S.p.A., merged into Aedes, for the appointment by the latter of Pragaquattro Park S.r.l. as the purchaser of certain properties, in implementation of a preliminary nominee agreement. On 27th December 2011, the company filed an appeal which was accepted by the CTP of Alessandria with a judgement dated 30th September 2013. On 22nd September 2015 the second-instance judgement was filed which rejected the appeal filed by the Tax Agency. On 21st March 2016 the Tax Agency, represented by the Attorney General of the State, appealed to the Supreme Court and on 22nd April 2016 the company presented its defence.

Novipraga S.r.l. and Cascina Praga S.r.l., now respectively Novipraga SIINQ S.p.A. and Cascina Praga SIINQ S.p.A., received on 23rd February 2012 two assessment notices related to Irap 2007 and to Ires 2007 issued by the Provincial Tax Directorate of Alessandria. The assessments are the result of a problem concerning the so-called “shell companies” pursuant to article 30 of Italian Law 724/1994. On 20th July 2012 the companies filed an appeal. On 13th March 2017 the hearing was held for the debate at first instance, and the judgement has not yet been communicated.

Praga Holding Real Estate S.p.A, merged into Aedes, on 3rd December 2012, received two assessment notices relevant to Vat 2007 and Ires 2007, notified by the Tax Authorities - Provincial Office of Alessandria. On 4th December 2012 a notice of assessment relevant to Ires 2008 was also notified. The assessment notices for Ires 2007 and 2008 primarily derived from the disputed applicability of the participation exemption (PEX) from the sale of shareholdings held by Praga Holding, while the assessment for Vat was mainly due to the lack of recognition of credits transferred to the Group Vat settlement of Novipraga and Cascina Praga, as they are considered a “shell.” The appeals were filed on 30th April 2013, following negotiations for possible tax assessment settlements. The Ex Parte Expert Witness of Alessandria, with judgement 89/05/14, filed on 26th February 2014, voided the assessment notices for Ires 2007 and 2008, considering the PEX regime applicable, confirmed the notice of assessment for Vat 2007 declaring, however, that the penalties applied within the same were not applicable. On 10th October 2014 the Tax Agency appealed as did Praga Holding in connection with the investigation only for Vat 2007; the handling of the appeal for Vat in 2007 has been postponed several times at the request of the parties and has been carried forward to the new roll, with the office being required to report by 30th November 2016 the outcome of the conciliation. This latter requirement has in fact been complied with by the company, which notified the CTR of Turin of the failure to reach a settlement agreement.

Praga Construction S.r.l. on 4th December 2012 received a notice of assessment relevant to Vat 2007, issued by the Tax Authorities - Provincial Office of Alessandria. The assessment is the result of the disputed admission of Praga Construction for the Group Vat payment for 2007, given that the same was set-up in 2006. On 30th April 2013 the company filed an appeal. With judgement on 11th December 2013, filed on 26th February 2014, the Ex Parte Expert Witness of Alessandria confirmed the notice of assessment, declaring, however, inapplicable the penalties determined within the same. Against this ruling both Praga Construction S.r.l. and the Tax Agency lodged an appeal, whose treatment, repeatedly postponed at the request of the parties, has been carried forward to the new roll, with the office being required to report by 30th November 2016 the outcome of the conciliation. Again this last requirement has been complied with by the company, which notified the CTR of Turin of the failure to reach a settlement agreement.

Praga Construction S.r.l. on 25th June 2013, received an order to impose penalties relevant to Vat 2007, issued by the Tax Authorities - Provincial Office of Alessandria. These are penalties for the failure to make the periodic Vat 2007 payments, relevant to the disputed admission of Praga Construction S.r.l. for the payment of Group Vat. The appeal was filed with the Ex Parte Expert Witness of Alessandria on 23rd October 2013 and argued in May 2015. On 7th January 2016 the first instance judgement was filed, which dismissed the appeal, and on 30th May the company filed an appeal with a request for suspension of the collection. The latter application was dismissed by judgement of 22nd September 2016 and on that date the company was served a writ of garnishment on some bank accounts. The company has filed a rescheduling of the amounts entered on the rolls, which was granted on 21st October 2016, as well as a declaration of adherence to Equitalia for the “destruction” of the roll. By virtue of the latter declaration, communicated to the Provincial Tax Commission at the hearing last 19th January 2017, the Commission postponed the hearing to the new roll in order to take note of the completion of the definition of the roll and so close the case. The declaration of membership in fact contains a commitment to abandon the dispute; with the closure of the case, the remaining debt for the company will be equal to 1/3 of the penalty imposed.

2.15 Company governance and activity of management and coordination

The information on the Company Governance system of Aedes SIIQ S.p.A. is shown in the Report on Company Governance and ownership structure, approved by the Board of Directors at the meeting on 21st March 2017 for approval - among other things - of the financial statements for the year and the consolidated financial statements at 31st December 2016. That report provides a description of the Corporate Governance system adopted by the Company and its concrete terms of participation in the Corporate Governance Code of listed companies prepared by the Committee for Corporate Governance of the Italian Stock Exchange, in compliance with the requirements of article 123-*bis* of Legislative Decree 58 of 28th February 1998.
The Report - to which reference is made in this context - is published in accordance with the regulatory procedures, regulations and other laws and is available at the registered office, on the website of the Company www.aedes-siiq.com and on the authorised distribution and storage mechanism 1Info at www.1info.it.
There follows a summary of the relevant aspects of the Company's corporate governance.

MANAGEMENT AND COORDINATION ACTIVITIES

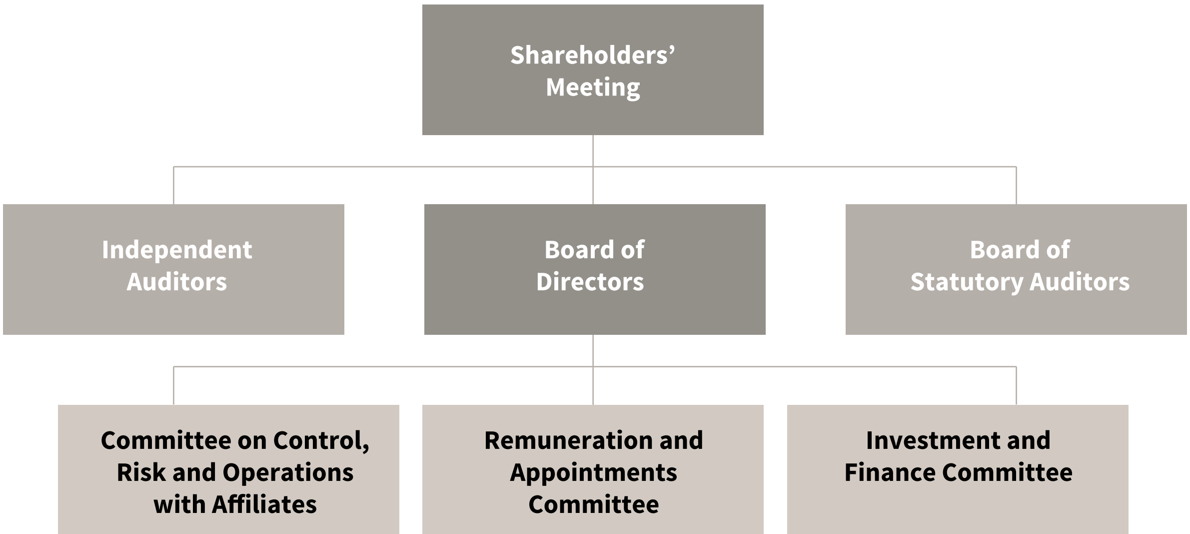
Aedes SIIQ S.p.A. is subject to the activity of management and coordination, pursuant to articles 2497 *et seq.* of the Italian Civil Code, of Augusto S.p.A. which holds a controlling interest in the Company.

CORPORATE GOVERNANCE SYSTEM TRADITIONAL OR "LATIN"

The Corporate Governance of Aedes SIIQ S.p.A. is based on the traditional system, the so-called "latin model"; the Company bodies are:

- the Shareholders' Meeting, called to resolve in ordinary and extraordinary meetings on matters reserved to it pursuant to the Law or Company By-laws;
- the Board of Directors, vested with the widest powers for the ordinary and extraordinary management of the Company, with the authority to take all actions it deems necessary for the implementation and achievement of the Company business purpose, excluding only that which the law reserves for the Shareholders' Meeting, and including the powers pursuant to art. 2365, subsection 2 of the Italian Civil Code;
- the Board of Statutory Auditors, vested with the tasks of supervising the compliance with the law, the principles of correct administration, the adequacy of the administrative-accounting system and internal audits, pursuant to Italian Legislative Decree 58/98 and Italian Legislative Decree 39/2010.

Moreover, in compliance with the provisions of the Self-Regulatory Code of Conduct, the following bodies were established within the scope of the Board of Directors: (i) Control, Risk and Transactions with Related Parties Committee and (ii) the Remuneration and Appointment Committee. Both Committees have advisory and proactive roles. The Board of Directors also established within itself a Finance and Investment Committee with advisory and proactive roles for investments, finance and management control.



The system of Corporate Governance is the set of standards and behavioural guidelines deployed by Aedes SIIQ to ensure the efficient and transparent functioning of the governing bodies and the Company's control systems. Aedes SIIQ, in developing its traditional governance structure, has adopted the principles and criteria recommended by the Corporate Governance Code for Listed Companies issued by the Italian Stock Exchange in March 2006.

CORPORATE BODIES

Board of Directors

The Board of Directors in office was appointed by the Shareholders' Meeting on 10th June 2015, which set at 9 the total number of Directors and established in three years, and until the date of the Shareholders' Meeting called for the approval of the FY 2017 financial statements, the duration of the office.
The Shareholders' Meeting held on 10th June 2015, appointed the following persons to the Board of Directors: Carlo Alessandro Puri Negri, Benedetto Ceglie, Giuseppe Roveda, Roberto Candussi, Giacomo Garbuglia, Dario Latella, Annapaola Negri-Clementi, Giorgio Robba and Serenella Rossano. The Shareholders' Meeting appointed Carlo Alessandro Puri Negri to the office of Chairman. The Board of Directors' Meeting on 11th June 2015 resolved the appointment of Benedetto Ceglie as Vice Chairman and Director appointed for the internal audit and risk management, and appointed Giuseppe Roveda for the office of Chief Executive Officer.
By resolution of the Board of Directors on 18th December 2015, under art. 2386. civ. and art. 11 of the Articles of Association, Adriano Guarneri has been appointed to the position of Director, following the resignation of Director Roberto Candussi, later confirmed in office by the Meeting on 27th April 2016.

During the meeting on 11th June 2015, the Board of Directors' Meeting appointed the members of the Committees established within the same; the Committees presently are made up as follows:

(i) Control, Risk and Transactions with Related Parties Committee is made up of three non-executive and independent Directors: Dario Latella (Chairman), Annapaola Negri-Clementi and Serenella Rossano;
(ii) the Remuneration and Appointment Committee is made up of three non-executive and independent Directors: Dario Latella (Chairman), Annapaola Negri-Clementi and Serenella Rossano.

The Finance and Investment Committee is currently composed of the Directors Giacomo Garbuglia (Chairman), Annapaola Negri-Clementi and Adriano Guarneri, the latter having been appointed by the Board of Directors on 27th January 2016.

Board of Statutory Auditors

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting on 10th June 2015, for a period of three years and until the date of approval of the financial statements at 31st December 2017.
The Board is composed as follows: Cristiano Agogliati (Chairman), Fabrizio Capponi and Sabrina Navarra, Full Members, Giorgio Pellati, Roberta Moscaroli and Luca Angelo Pandolfi, Deputy Members.
Art. 18 of the Company By-laws is intended to ensure that the Chairman of the Board of Statutory Auditors is appointed by the minority, taken from the list obtaining the second highest number of votes.
The Chairman of the Board of Statutory Auditors Cristiano Agogliati and the Deputy Deputy Member Luca Angelo Pandolfi were taken from the list submitted by the minority Shareholder Itinera S.p.A., while the other members were taken from the list submitted by the Shareholder Augusto S.p.A..

Independent Auditors

The Company appointed for the statutory audit of the financial statements of Aedes SIIQ S.p.A. and the other subsidiaries is Deloitte & Touche S.p.A., as resolved by the Ordinary Shareholders' Meeting on 10th June 2015. The appointment will expire as at the approval of the financial statements at 31st December 2023.

2.16 Other information

RESEARCH & DEVELOPMENT

The companies of the Group did not carry out any research and development activities during the year.

TRANSACTIONS BETWEEN GROUP COMPANIES AND RELATED PARTIES

The relations standardly maintained by the Aedes Group with affiliates attributable to Aedes subsidiaries or joint ventures and associated companies of them (so-called "Intragroup") and transactions with other related parties other than Intragroup (so-called "Other Related Parties") mainly relate to administrative, real estate and technical services governed by normal market conditions, in addition to the loans granted by Group companies to companies linked to them, which bear interest at rates generally applied for similar transactions.
Transactions with related parties were executed and are executed at market conditions in compliance with the regulations adopted by the Company.
During the year 2016, there were net costs of Euro 417 thousand arising from transactions with other related parties, mainly for real estate services on some development projects.
The effects of transactions with related parties are shown in the balance sheet statements, Income statement and the relevant explanatory notes.
References to relationships with Group companies and other related parties do not bring to light any atypical and/or unusual transactions during the reporting period.

ATYPICAL OR UNUSUAL TRANSACTIONS

During FY 2016, the Group did not execute atypical and/or unusual transactions[1].

PROCESSING OF PERSONAL DATA (ITALIAN LEGISLATIVE DECREE NO. 196 OF 30TH JUNE 2003)

With reference to the activities relevant to Italian Legislative Decree no. 196/2003 ("Data Protection Code") it is noted that, also for FY 2016, measures were kept in place in order to ensure compliance with the regulations for the protection of private data pursuant to the "Data Protection Code" (Italian Legislative Decree 196 of 30th June 2003), as well as the subsequent amendments with Italian Law 214 of 22nd December 2011.
Aedes will maintain in effect everything necessary to meet the organisational requirements imposed by the regulations including in respect of the innovations to be introduced in the course of 2017 by the New European General Data Protection Regulation; for this purpose also in 2016, in order to identify potential new risks to the confidentiality, integrity and availability of personal data, it will monitor the trend of the risks identified above, evaluate the effectiveness and efficiency of the security measures taken to mitigate the identified risks and keep updated a "Data Protection Manual", despite the removal of the legislative requirement to draw up the DPS under L.D. no. 5 of 9th February 2012 which has subsequently passed into law.

[1] Within the meaning of the Consob Communication of 28th July 2006, which defines atypical and/or unusual transactions are those which because of their significance relevance, the nature of the counterparties, the subject of the transaction, the method of determining the transfer price or the timing could give rise to doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, safeguarding of company assets and protection of minority Shareholders.

COMPLIANCE TO ART. 36 OF THE CONSOB REGULATION 16191/2007 RELEVANT TO MARKET REGULATIONS

With reference to art. 36 of the Markets Regulations, at 31st December 2016, Aedes does not control any companies established and regulated by laws of States not belonging to the European Union.

RIGHT TO OPT-OUT OF THE OBLIGATION TO PUBLISH A PROSPECTUS DOCUMENT IN THE EVENT OF IMPORTANT TRANSACTIONS

It is noted that, pursuant to art. 3 of Consob Resolution 18079 of 20th January 2012, the Board of Directors' Meeting of the Company on 2nd August 2012, resolved to use the derogation provided by arts. 70, subsection 8 and 71, subsection 1-*bis* of Consob Regulation 11971/99 (and subsequent amendments and supplements) as at their date of entry into force (6th August 2012).

SECONDARY OFFICES

The Company, other than the registered office in Milan Via Morimondo 26 Build. 18, on 31st December 2016 had a local unit in Serravalle Scrivia (AL), Via Novi 39, already headquartered to Praga Holding Real Estate S.p.A. merged into Aedes, owned by the wholly owned subsidiary Cascina Praga SIINQ S.p.A..
The local unit of Serravalle Scrivia was closed on 9th January 2017 for Aedes SIIQ S.p.A. and on 31st January 2017 for Praga Service Real Estate S.r.l..

2.17 Reconciliation between the Shareholders' Equity and the net result of Aedes SIIQ and the Consolidated Shareholders' Equity and the net result

(Euro/000)	31/12/2016	
As per Parent Company	**Net profit 17,313**	**Shareholders' Equity 284,958**
Effect of change and alignment of the criteria for the evaluation within the Group, net of tax:		
Equity valuation of companies recorded in the financial statements at the cost	3,008	2,542
Elimination of the book values of the consolidated investments:		
Equity and profit per share for the year of the consolidated companies	1,788	6,029
Allocation of differences to assets of consolidated companies and related amortisation:		
Investment properties	1,724	(1,519)
Inventories	138	567
Effect of other adjustments:		
Other adjustments	660	(128)
Deferred taxes	3,259	3,959
Elimination of dividends	1,217	0
Balance as for consolidated balance - Group share	**29,107**	**296,408**
Balance as for consolidated balance - non controlling interest	**1,107**	**6,953**
Balance as for consolidated balance	**3,214**	**303,361**

2.18 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.

2.19 Proposal for allocation of the profit for the year

Shareholders,

we submit for your approval the financial statements of Aedes SIIQ S.p.A. at 31st December 2016, which shows with a profit of Euro 17,312,689, which we propose to carry forward, with exception for the obligations provided by the law.

Milan, 21st March 2017

For the Board of Directors

The Chairman
Carlo A. Puri Negri

3

SUSTAINABILITY REPORT

3.1 Aedes Group's approach to sustainability

Commercial Property Company

Ethical conduct

Compliance

Material aspects

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:

Compliance with laws	Compliance with current laws and regulations is considered an essential standard for the Aedes SIIQ Group: it is necessary to comply with the regulations of the legal system (domestic, transnational or foreign) and refrain from breaching laws or regulations.
Professionality and spirit of collaboration	Mutual and professional collaboration between people is one of our essential values. For the success of the Group it is essential to work with the utmost effort and undertake responsability for one's duties.
Integrity	Group business is based on transparency and moral integrity, each collaborator must operate based on the values of honesty, fairness and good faith.
Dignity and equality	Interpersonal relationships are conducted with respect for personal dignity, private life and personality rights of all individuals. The Group considers these rights fundamental and has zero tolerance for discrimination of any kind.
Traceability	To guarantee a healthy and sound business, each collaborator ensures the traceability of all their actions and transactions, saving the necessary documents, in order to be able to verify, at any time, the reasons and characteristics of their work.

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.

Organisational, Management and Control Model under Legislative Decree 231/2001
As required by Legislative Decree 231/2001, Aedes SIIQ S.p.A. has adopted its own Organisation, Management and Control Model. This is a tool focused on the values observed by the Group, thanks to the constant monitoring and updating activity carried out by the Supervisory Body.
The model has the purpose of setting up a prevention and control system, aimed at reducing the risk of committing an offence. In addition to the total involvement of employees through training and education strategies, the model is provided for complete transparency even to outsiders, in order to ensure knowledge of the regime in all stakeholders of Aedes SIIQ.
In this legislative context, the Board of Statutory Auditors has the primary competence to exercise its controls and the power to initiate, coordinate and supervise the implementation of the Model throughout the Group.

The internal control system has been strengthened by the adoption of the organisational model (hereinafter also the "Organisational Model" or "Model 231"), initially approved by the Board of Directors on 12th February 2004, and subsequently updated on 11th May 2006, 4th December 2008, 15th October 2009, 25th March 2011, 20th July 2011, 21st December 2011 and, most recently, 12th November 2013.
The Model 231 adopted by the Company is structured into the following parts:

- the so-called **General Section**, which outlines the objectives, structure lines and implementation terms of the Organisational Model;
- the so-called **Special Section**, divided into chapters by type of offence, describing the criminal cases of Legislative Decree 231/01 considered significant as a result of the risk assessment work, lays down certain rules of conduct directly applicable to recipients of the Model 231, establishes standards for the preparation of the procedures involved in business areas and, finally, identifies areas where the risk is highest of the offenses envisaged in Decree 231 (i.e. "Sensitive areas"), identifying the Company functions.

The Special Section, therefore, poses as a connecting point between the principles ratified in the General Section and the Company procedures for the protection against the so-called "offence-risk".
It should be noted that all the **companies identified** as having strategic importance for the Group have adopted their own Organisational Model.
Finally, a start has been made on updating the Organisational Model, both to track the evolution of the company in terms of organisation and business and to take account of new regulations on "possible offences".
The Board of Directors on 11th June 2015, making use of the option provided by art. 6, paragraph 4-*bis* of Legislative Decree 231/2001, appointed the **Board of Statutory Auditors as the Supervisory Body** under art. 6, paragraph 1, lett. b) of the above decree. Effective as at 11th June 2015, the Supervisory Body of Aedes SIIQ S.p.A. is, therefore, made up of Cristiano Agogliati (Chairman of the Board of Statutory Auditors), Sabrina Navarra (Standing Deputy Member) and Fabrizio Capponi (Standing Deputy Member).

The following documents are an integral part of the Model:

Disciplinary and sanction system

To be applied in the event of violation of the Model.

Code of ethics

It contains all of the rights and duties with which the recipients of Model 231 are expected to comply in performing their activities.

Delegation and authorisation system

All documents that seek to describe and assign responsibilities and/or duties to those who work within the entity in the Areas with Risk of Offence (i.e organisation charts, service orders, job descriptions, function charts, etc.).

System of procedures, protocols and internal controls

To ensure adequate transparency and to disclose the decision-making and financial processes and types of behaviour that must be maintained by the recipients of the Model 231 operating in the Areas with Risk of Offence.

Indepth information on the Organisation Model under Legislative Decree 231/2001 of the Aedes Group is available on the web site.

Code of Ethics of Aedes SIIQ

Aedes has adopted a **Code of Ethics**, which is the basic point of reference for the regulation of the Group, an expression of the legislative commitments and responsibilities inherent in the business.
The Code of Ethics sets out the Company values in a clear and transparent manner, highlighting all the rights, duties and responsibilities of all those who, for whatever reason, work with the Aedes Group.
The Code of Ethics must be applied to all relationships that the Group has with the interior and exterior environment, in fact regulating in the relevant documents the relationships with partners, suppliers and employees.

With regard to managing the relationship with the Public Administration, the procedure provides that, during inspections, there must be constant support from the responsible Head of Department, in order to comply with the provisions of the Model of Organisation, Management and Control under Legislative Decree 231/2001. In addition, in relation to applications for obtaining permits and program/planning agreements from public authorities, the email system is used for the transmission of the documentation. It is noted that, during 2016, no legal sanction was imposed for anti-competitive behaviour or anti-trust and monopoly practices.

With regard to the management procedure and provision of free gifts and sponsorships, Aedes Group has a very strict regime and treats it as an offence:

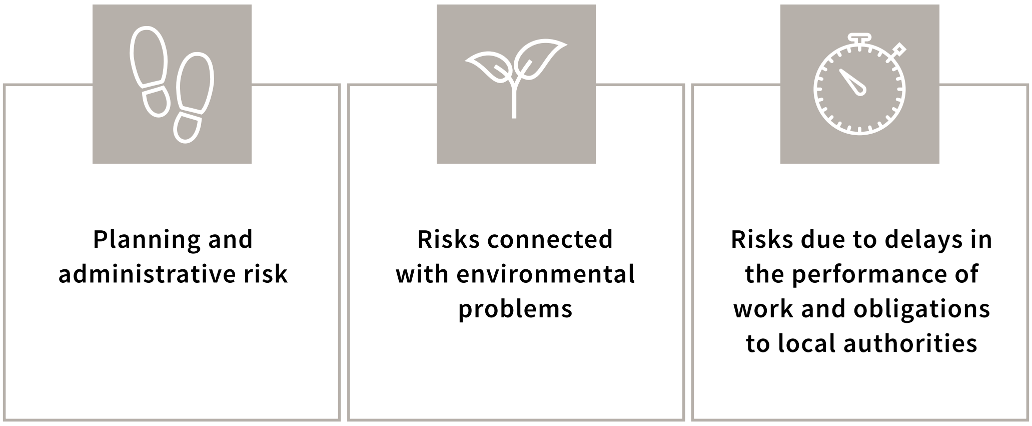
- to promise or pay sums of money or consideration in kind or other benefits to third parties such as, for example, clients, suppliers, public sector organisations or public institutions with the aim to promote or favour the interests of the Company, even as a result of unlawful pressures;
- to grant gifts, presents, donations and business objects that are not adequately justified in relation to normal courtesy, or that have the purpose of promoting or favoring the interests of the Company or that could create conflicts of interest;
- to make use of any forms of aid or contributions which, disguised as sponsorships, assignments, consulting or advertising have instead the purposes indicated above as not being allowed.

At the date of this document, the Group has no specific complaint management systems, but, **for compliance management**, there is an appeal to the Regional Administrative Tribunal of the Piedmont Region, brought in the field of management of the design of an forthcoming shopping centre at Caselle Airport, which had a favourable outcome. There has also been a significant fine for health and safety at work.

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.

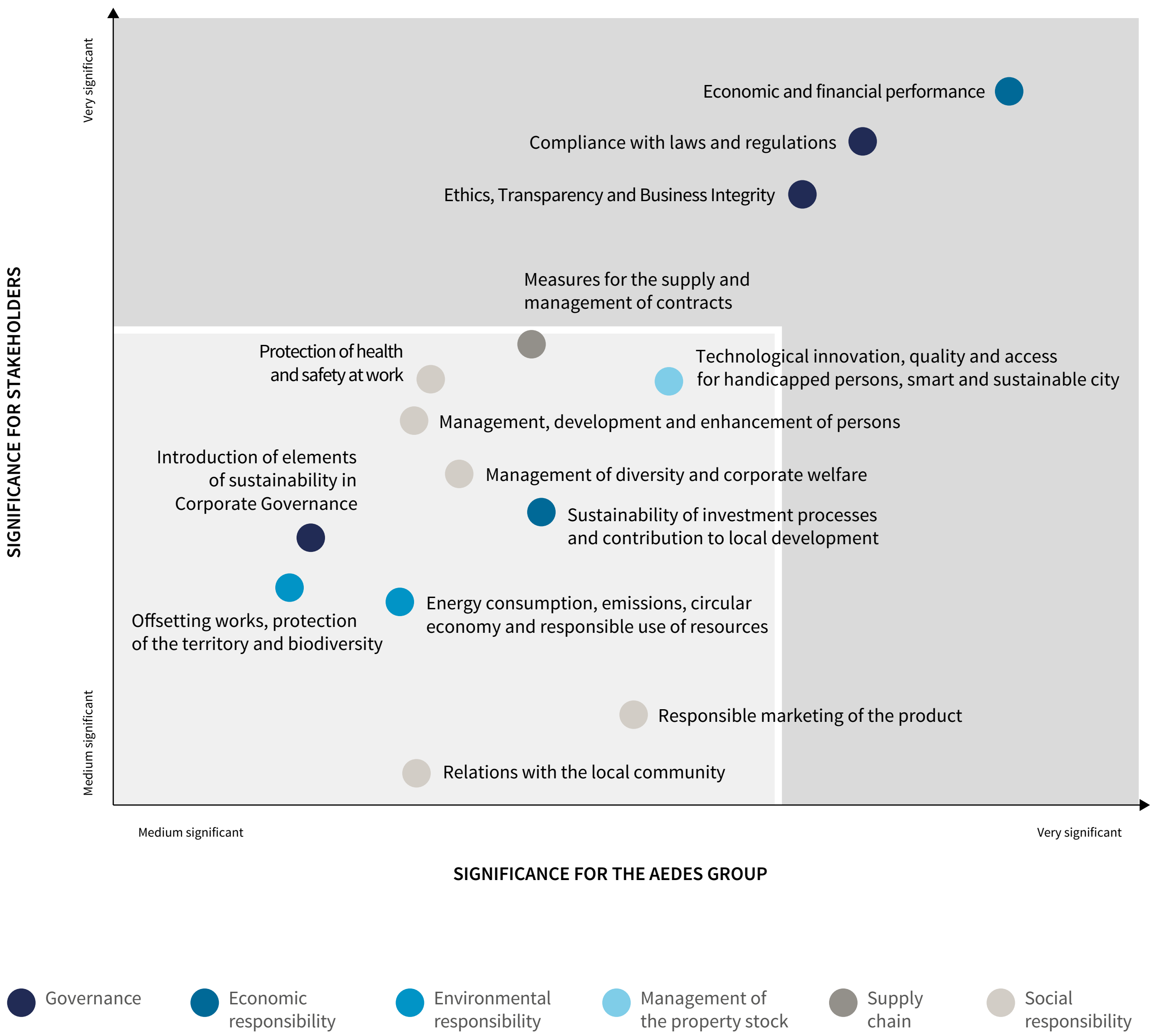
The business of Aedes SIIQ is closely linked to relations with local government and one of the main risks identified is inherent delays in the **work and in the fulfillment of the obligations in favour of local governments**. In fact, the deferral of deadlines relative to the timetable agreed with the 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



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

Distributed value

Transparent communication

Investor Relations

Sector / Industry

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%.

DISTRIBUTION OF THE ECONOMIC VALUE GENERATED BY THE AEDES GROUP

(Euro/000)	2016		2015	
	Values	%	Values	%
Economic value generated by the Group	**51,517**		**39,732**	
Revenues from goods and services	44,789		27,506	
Contributions	-		-	
Contributions to investments financed	-		-	
Other revenue	2,782		12,304	
Financial revenue	937		1,058	
Net revenue from companies carried at equity	3,009		(1,136)	
Economic value distributed by the Group	**49,057**	**95.2%**	**35,494**	**89.3%**
Reclassified operating costs	**41,852**	**85.3%**	**25,380**	**71.5%**
Costs for raw materials and services	38,369		24,227	
Other reclassified operating costs	3,528		1,195	
Costs for investments financed	-		-	
Personnel remuneration	**5,696**	**11.6%**	**4,603**	**13.0%**
Remuneration of lenders	**4,530**	**9.2%**	**5,334**	**15.0%**
Remuneration of Shareholders	**-**	**0.0%**	**-**	**0.0%**
Remuneration of the Public Administration	**(3,066)**	**-6.2%**	**135**	**0.4%**
Remuneration of the Community	**45**	**0.1%**	**42**	**0.1%**
Economic value retained by the Group	**2,460**	**4.8%**	**4,238**	**10.7%**
Depreciation, amortisation and adjustments to fair value	27,754		1,882	
Net profit allocated to reserves	30,214		6,120	

During 2016, the economic value generated by Aedes Group amounted to **Euro 51,517 thousand**: this represents the total wealth created by the Group, which is divided between the various stakeholders.

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 undertake 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 Intermonte 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 Intermonte 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

Community and territory

Sustainable infrastructure

Business partners

Ethical and responsible relationship

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.

Aedes SIIQ is a Corporate Golden Donor of FAI

The FAI is a nonprofit National Foundation which since 1975 has saved, restored and opened to the public important elements of the Italian artistic heritage and natural environment.
Aedes SIIQ, due to its proximity to the treasures of the territory, supports the Italian Environmental Fund - FAI in its protection and enhancement of a unique heritage, the Italian territory, rich in nature, art, history and traditions.
The Group is registered in this way with the **Corporate Golden Donor programme of the FAI**, a choice of social responsibility to spread value to the community, enabling it to have access to great opportunities, including:
confidential communication tools such as the use of the Corporate Golden Donor FAI logo in communications and a certificate of membership to be exhibited in the Company;
ability to have valuable experiences thanks to four individual pieces of registration with the FAI, together with a hundred free tickets to visit the FAI Heritage to be delivered to employees, clients and suppliers.
In addition, there is the possibility of organizing FAI Heritage for business events on easy terms, having employee agreements and participating in training events or seminars organized by SDA Bocconi School of Management for the FAI.
Involvement in the activities of the FAI with exclusive invitations to the inauguration of newly restored Heritage, exhibitions and events in the FAI Heritage.

The Archaeological Area of Libarna

The archaeological area of Libarna is located to the south of Serravalle Scrivia, along the road leading to Genoa. Libarna maintains its strategic position today, just as in imperial times, when the city was located along one of the main roads, the Via Postumia: the archaeological area structures make it possible to read the topographical articulation of the city with particular reference to Imperial Roman times, witnessing the moment of maximum splendour of the site.
As sources show us, in the Imperial period Libarna was a rich, densely populated and intensely frequented city: the archaeological material witnesses a remarkable and important economic and commercial flow during the early centuries of the empire and a gradual weakening of the trade since the III Century AD.
The rediscovery of ancient Libarna occurred in the nineteenth century during the excavation works for the construction of the Royal Road of Giovi (1820-1823) and later the Turin-Genoa railway (1846-1854).
Archaeological surveys have subsequently revealed the remains of public buildings and dwellings, thanks to which it was possible to reconstruct the urban layout of the site.
The present archaeological site is a small part of the ancient city, which occupied a much larger area.
The remains of two housing blocks, placed at the sides of the great decumano and framed by decumani and lesser officials. The archaeological materials from Libarna, to some extent merged in some private collections, are kept at the Museum of Antiquities in Turin and the Ligurian Museum of Archeology in Genoa-Pegli.

Foundation of the Musical Body "Pippo Bagnasco"

The Musical Body Foundation "Pippo Bagnasco", dating from around 1860, is based in Serravalle Scrivia and is the flagship of the Cultural Associations of the City, which keep alive the tradition and local culture by organizing events and lively and spontaneous meetings.

It was Canonico Cambiaggi, in Serravalle, who wanted a spontaneous musical company, that is made up of willing volunteers and music lovers, to support, as evidence of an undisputed local vibrancy, the Band of the National Guard of Serravalle, who had started its activities in 1861. Cambiaggi was the first master and composed much music for the partnership, as evidenced by his numerous manuscript scores coming down to us.

It is only since 1952 that the Musical Body has been named Pippo Bagnasco. Pippo Bagnasco was a member of the Band in the twenties and the dedication to him of the company wanted to be the best way to remember him, since he died young and having already shown, during the brief years of his involvement, his musical talent. From this moment, the Musical Body has consistently improved its attitude and musical training by transforming itself into a tight-knit group of friends and has resulted in the birth of new musical groups, which have helped to make the name Serravalle more and more illustrious.

"The passion of making music and above all FRIENDSHIP" is the value of this historical foundation, which claims to be able to look to the future with a young spirit but with very strong roots in tradition and culture.

Compensatory works

A different way to contribute to the development of the local community is **environmental mitigation and compensation** that has the task of **balancing** the ecological **impacts** caused by human activities and infrastructure to maintain, or re-create, in the event that the compensation is provided for from the place which the impact is affecting, the functionality of the habitat in favour of the species associated with them.

In 2016 compensatory works were completed for the two projects of the **Serravalle Designer Outlet and Caselle Designer Village**. In the first case, in view of the McArthur Glen Serravalle outlet, the construction has been planned of a roundabout in order to limit the negative impact of the influx of visitor traffic, also making a contribution to commercial enterprises in the residential areas, according to a regional decree imposing this preventive measure for local traders.

For the Caselle project, the environmental process was completed with lists the compensating works in the programme, which will be developed during the construction of the new shopping centre: the project provides for the regeneration of the area, with new green areas of different extension, composition and structure, compared to the current composition.

The most naturalistic areas tend to be located along the perimeter bands of the study area and can provide interesting indications on the functions they can perform, especially for the ecological permeability of the area, even for the design of the plant component.

Following is a summary of the **changes** generated by the project, involving **compensatory benefits**:

MOVICENTRO	Implementation of a Movicentro for the improvement of rubber/iron exchanges and consequent revitalization of local public transport.
CYCLES PATHS	Implementation of new bike paths and access to the towns of the same guidelines provided for in the project instruments.
GREEN LANDSCAPE	Redevelopment of the existing landscape through careful design of the green areas.
LOCAL ECONOMY	Creation of new activities in commercial, tertiary and service resulting in local economic recovery through an increase in employment.

The **project's compensatory** benefits in the territorial, social and economic sense meet the priority needs of the local community and are therefore based on two major **improvement actions** that concern the existing infrastructure and the quality of life of citizens through community-based initiatives, increasing service efficiency and employment growth.
The creation of viable works will make it possible to implement the infrastructure system as envisioned before the 2006 Olympics, with the possibility of increasing the efficiency of connections and transport of all users in the local area and the airport.
The implementation of the Movicentro connected to the Multifunctional Park will reorganize, redevelop and revitalize the local public transport, a breakthrough which will lead to improved accessibility not only of the area in question, but also of the entire municipality affected by the mobility system.
The **redevelopment** of the **railway station** will lead to improved services for commuters, the maintenance of decorum and the increase of safety conditions within the area itself.
The design of greenery has taken into account the main objective of balanced and sustainable development of the intervention and its links with the territory, respecting the natural, cultural and social perception.
In conclusion, we can say that over 20% of the total estimated amount for the commercial implementation of the complex will be for structures that will result in compensatory benefits both environmental and geographical, social and economic, and that the resident population will benefit from the intervention on site.

TENDER MANAGEMENT

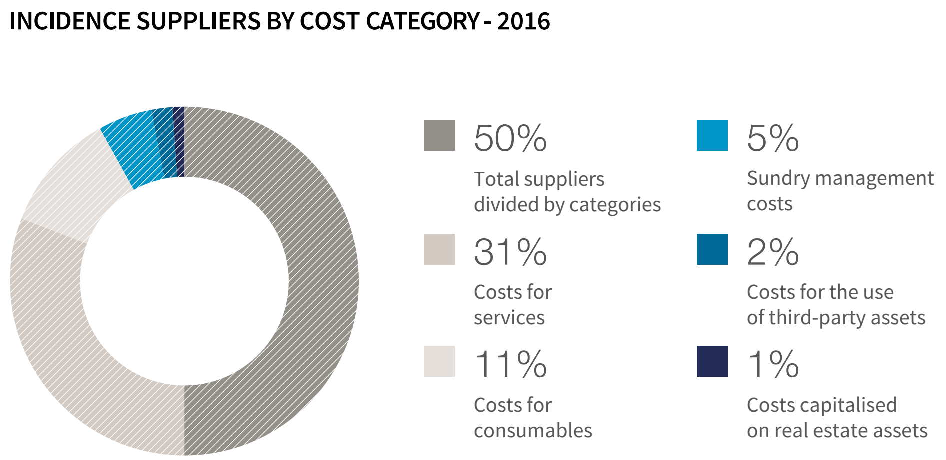
The processes of **qualification and selection of business partners**, suppliers and General Contractors, are those imposed by the internal procedures of the Aedes Group. In particular, it should be noted that one of the Group's subsidiaries, Praga Construction S.r.l., is a general construction company 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



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

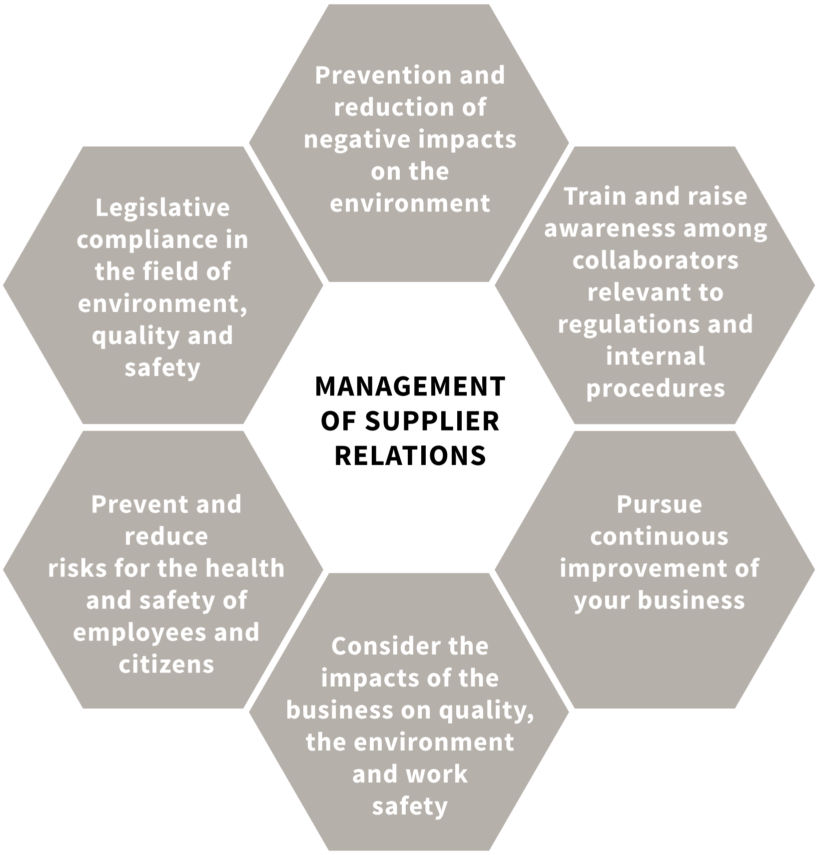
The Aedes Group promotes a participatory dialogue with all local authorities and institutions to work together to improve the quality of life of citizens and the preservation of the natural heritage of the territories in which the Group operates. This intention is reflected in the commitment to manage **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

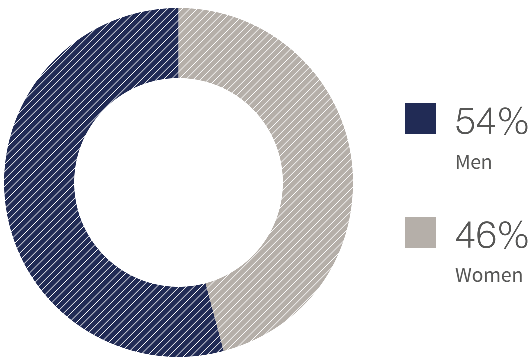
Human resources	Professional growth
Gender equality	Health and safety culture

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



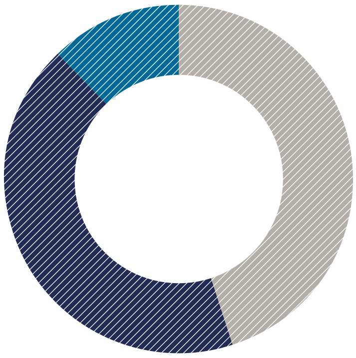
The workforce of the Group at 31st December 2016 is made up of **65 employees**, of which 54% are men and 46% women. The Group's workforce also includes other four persons who have worked with the Group in various capacities.
In the course of **2016**, **18 new employees** have become part of the Group, 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 SIIQ 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**

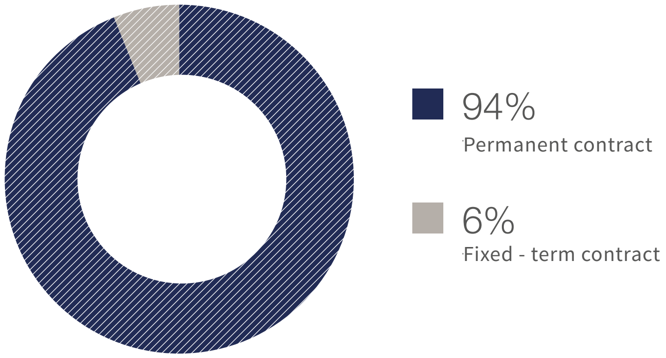
6% of the workforce is composed of employees under the age of 30 years, 80% are aged between 30 and 50 years and 14% are older than 50 years.

BREAKDOWN OF EMPLOYEES BY GENDER AND AGE GROUP

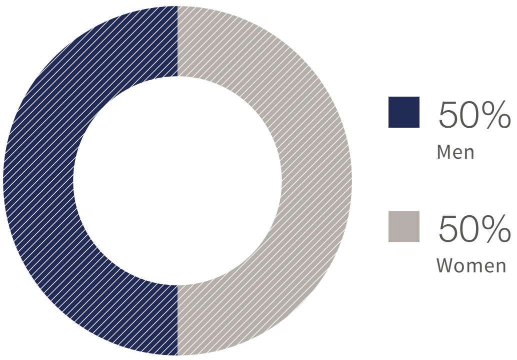
No. of persons	31/12/2016			31/12/2015		
	Male	Female	Total	Male	Female	Total
Under 30	3	1	4	4	1	5
30-50	27	25	52	19	25	44
Over 50	5	4	9	5	5	10
Total	**35**	**30**	**65**	**28**	**31**	**59**

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.

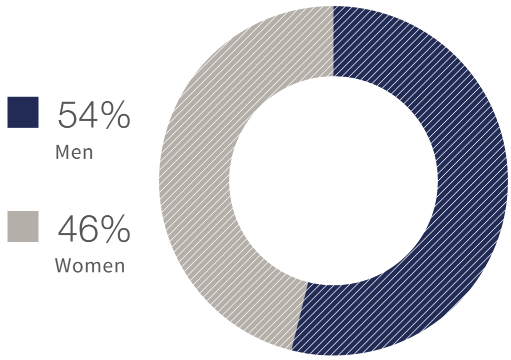
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT



BREAKDOWN OF FIXED-TERM EMPLOYEES BY GENDER



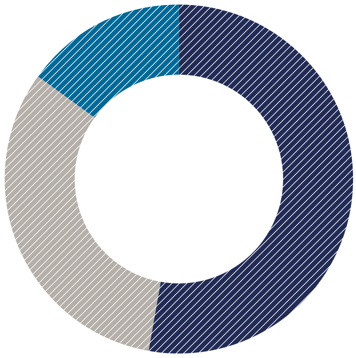
BREAKDOWN OF PERMANENT EMPLOYEES BY GENDER



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.

DIVERSITY AND COMPANY WELFARE

For Aedes SIIQ, human resources are the Company's heart, which is why the company is at the forefront in ensuring fair and **meritocratic treatment**, guaranteeing a professional work environment in compliance with equal opportunities without **discrimination of race**, gender, age, sexual orientation, physical or mental disability, nationality, religion, political allegiance or union membership.
Aedes recognises and guarantees **gender equality** within the organisation both in terms of framing equal remuneration and by promoting the participation of women at the highest levels of governance.
Aedes has adopted procedures governing the management, development and enhancement of persons. In particular on this last point, there are, in addition to what is stipulated by the **National Collective Labour Contract** applied to the entirety of the workforce, additional benefits for all employees:

- insurance coverage for occupational and nonoccupational accidents;
- lunch vouchers.

In addition, exclusively for executives, the Group provides the following **additional benefits**:

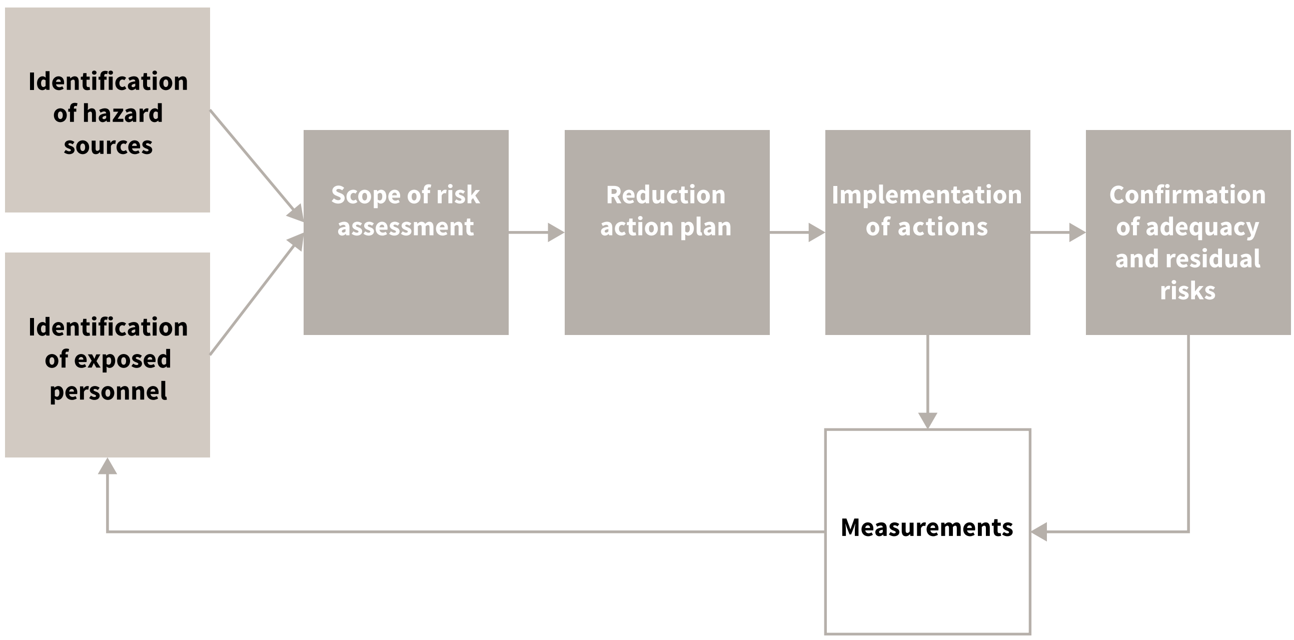
- supplementary health policy;
- recharge, at the expense of the Company, of the keys supplied to employees for the purchase of a coffee/tea or other beverage of choice;
- gifts on the occasion of employee birthdays and births of children;
- 20 hours per year of additional permits for health services;
- coverage provided by the Company for up to 100% of disease events.

In order to make the lunch break easier, a break area has been set up, as well as the usual vending machines, with an equipped kitchen.

HEALTH AND SAFETY AT WORK

The Aedes Group considers the health, safety and psycho-physical integrity of persons the most precious asset to be protected at all times of life, at work, at home and in free time.

For the Group it is essential to develop and promote a strong safety **culture among all its employees**, as each person is responsible for his own health and safety and that of those with whom he interacts.
The Company addresses this responsibility thanks to measures to protect against risks, such as their assessment, investment in personnel training, rigour in the selection of suppliers, the levels of maintenance and continuous controls.
Training and **information** for workers is a **fundamental tool** in order to prevent risks to health and safety, which is why the company undertakes to devote **239** hours of training to this **delicate** and important issue.
During 2016 four accidents were recorded, which involved **three men** and one woman, **generating forty-nine** days of absence due to injury. To better meet the requirements of the Global Reporting Initiative, the **accident rate** and the rate of **injury severity** have been **calculated**, which are respectively around 8.4 and 87.
The Company has issued a series of procedures for the protection of the health and safety of employees at work and identified, trained and appointed the key players to support the business needs, such as first aid and fire prevention officers, both Executives and Managers.
The Aedes Group has prepared the **Risk Assessment Document (DVR)** and will ensure its periodic regulatory compliance with the requirements and Company structure.
The objectives of this document are the identification of all necessary measures to safeguard the safety and health of workers, through the prevention of occupational risks, protection from employment risks and training of employees.
The assessment, monitoring and reduction of risk is structured as an ongoing activity, permanent over time. In particular, risk **assessment within** the Aedes Group follows a formal and rigid **procedure**, based on the following flow:



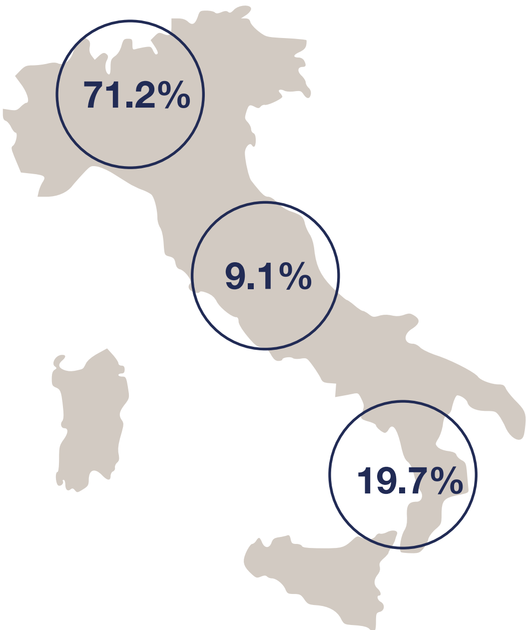
3.5 Responsibility for the environment

Sustainable development of the territory	**Green construction**
Smart mobility	**“La Bollina” farm**

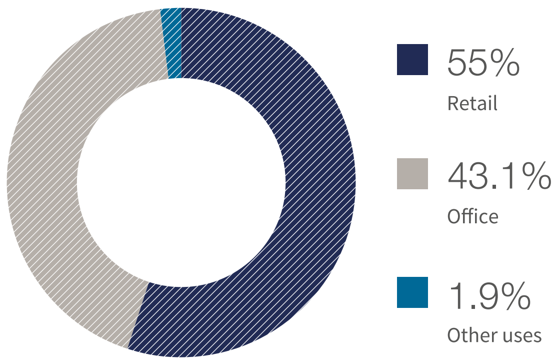
ENVIRONMENTAL SUSTAINABILITY POLICY

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.	• 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.	• 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.	• 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.	• 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.	• 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.

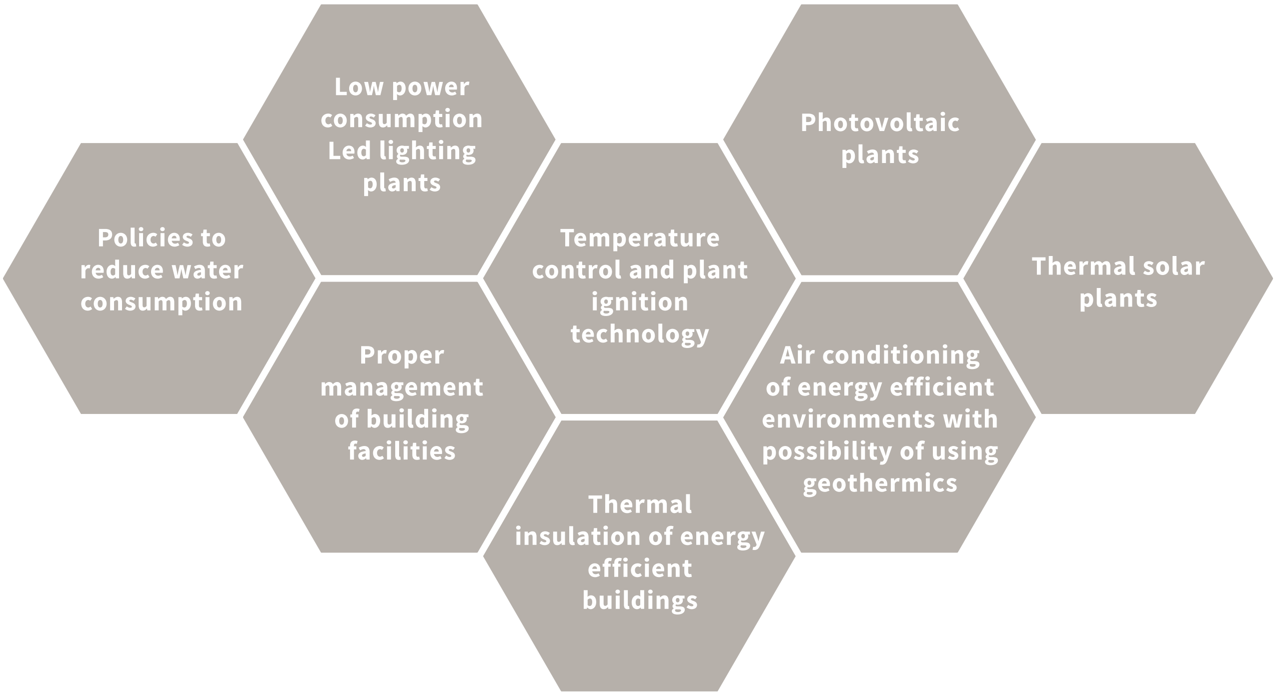
The priority areas on which the Aedes commitment is focused to reduce its environmental impact are as follows:

- 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.

There follows a cross-section of the energy consumption and energy intensity of Aedes SIIQ.

AEDES GROUP'S ENERGY CONSUMPTION

Energy consumption		
Consumption type	**2016**	
	Unit of measurement	**Total**
Natural gas (*)	m^3	13,040
Electricity	kWh	542,516
of which purchased for the Milan registered office	kWh	474,985
of wihich purchased for the Serravalle office	kWh	67,531

(*) the data relates only to the secondary office in Serravalle Scrivia.

Energy intensity		
Consumption type	**2016**	
	Unit of measurement	**Total**
Natural gas (*)	kWh	127,357
Electricity	kWh	542,516
of which purchased for the Milan registered office	kWh	474,985
of wihich purchased for the Serravalle office	kWh	67,531
Energy intensity Milan office	kWh/m^2	142
Energy intensity Serravalle office	kWh/m^2	60

(*) the data relates only to the secondary office in Serravalle Scrivia.

For the energy intensity calculation the Calorific Value of Natural Gas was used, in order to perform the conversion from m^3 to kWh. The m^2 used for the calculation relate to the plant gross leasable area (GLA) of the Company headquarters.

In the context of environmental sustainability, interventions of real estate development for commercial use must provide cutting edge designs environmentally and technologically, with a view to green and environmentally friendly construction.
With reference to owned buildings leased to third parties, interventions are often not easy to implement due to the nature of the property, and in fact Aedes Group considers it appropriate to evaluate individual situations, promoting by all means virtuous behaviour aimed at reducing energy consumption through awareness campaigns among users.

For the first year, Aedes Group is addressing the reporting of greenhouse gas emissions as a result of its activities. There follows an estimate of the emissions divided by type of scope, where Scope 1 means direct emissions, Scope 2 indirect emissions generated by energy consumption, while Scope 3 means any other indirect greenhouse gas emissions.

ESTIMATED EMISSIONS OF GREENHOUSE GASES BY AEDES GROUP

Internal and external greenhouse gas emissions (tCO^2 e) - estimate	
	2016
Scope 1	209.45
Scope 2	175.78
Scope 3	992.27
Total	**1,377.49**

Materials handling and disposal of waste

The Aedes Group attaches importance to environmental protection and responsible use of resources, and it is implementing the commitment to report in detail the materials used and the waste produced.
As regards the materials, 8,701 Kg of materials have been used for the locations of the Group management, broken down as shown below.

MATERIAL USED BY THE AEDES GROUP

Material used		
Type of material	2016	
	Kg	% recycled
Office paper (Milan office)	6,200	71.3%
Office paper (Serravalle office)	210	2.4%
Toner (Milan office)	40	0.5%
Toner (Serravalle office)	2.4	0.0%
Stationery material (only Milan office)	155.81	1.8%
Products for cleaning (Milan office)	300	3.4%
Products for cleaning (Serravalle office)	30	0.3%
Paper for other uses (Milan office)	1,613	18.5%
Paper for other uses (Serravalle office)	149	1.7%
Total	**8,701**	**100%**

Concerning the management of waste related to the conduct of its activities, Aedes SIIQ has produced in the course of 2016 16.9 tonnes of waste, 0.3% of which are considered hazardous waste (e.g. unused stationery, electrical and electronic waste). The main material is recycled paper for office use (80% of recycled materials).

AEDES GROUP BY WASTE DISPOSAL METHOD

Waste disposed					
Disposal methods	2016				
	Unit of measurement	Hazardous	Non-hazardous	Total	Total %
Recycling	Ton.	-	5.128	5.128	30.30%
Other	Ton.	0.042	11.753	11.796	69.70%
Total	**Ton.**	**0.042**	**16.881**	**16.924**	**100.00%**

In the analysis of materials and waste disposal management, a distinction must be drawn between the main active properties with an administrative purpose of use, those for commercial use (retail) and projects in course of development, and consequently in the relative constructional sites.

OFFICES PROPERTIES	• The management and disposal of the waste occurs through the **service provided by the reference** Municipality, with the payment of TARI. • The products are essentially waste paper, food scraps and packaging, all of **recyclable nature**. • With regard to the management of special waste (material parts, exhausted stationery materials, electric and electronic waste), the activity **involves careful monitoring and awareness of employees**.
COMMERCIAL PROPERTIES	• The waste collection is done either through the service provided by the city and through the **award** of a **third company**. • Such outsourcing occurs by prior arrangement with the Municipality of reference and involves a **refinement of operations**, as they are repeated downstream of the collection, in special ecological areas. • The Group intends to invest in suitable ecological areas and the careful management of waste.
WASTE MANAGEMENT DURING CONSTRUCTION ACTIVITIES	• The **waste management** during construction is carried out in compliance with the regulations in force, with the **correct separation of construction** of result and its disposal and reuse materials. • Even the management of materials similar to “excavated earth and rocks” is obviously managed **in accordance with environmental laws and regulations**.

Biodiversity management

Biodiversity protection is a central issue in the management of real estate development projects, particularly those with commercial purpose of use as they are always preceded by an authorisation procedure that includes a series of environmental assessments.
The procedure stipulates that the promoter of the intervention will demonstrate to the competent bodies that the planning, implementation and subsequent management of the interventions will take place with provision for the proper management and minimisation of the environmental impact of the project.
In relation to the management of biodiversity, the main scenarios monitored are inherent in the impact on water quality, air quality, natural ecosystem, acoustic impacts and any other environmental peculiarities of the territory where the project will be implemented.
The Group does not operate what are considered particularly protectable sites for biodiversity but, as shown in the box below, puts in place a number of mitigation measures for potential impacts on species and areas considered as protected.
The rules established on approval of the project are also subject to continuous monitoring to verify the adequacy of the mitigation measures.

Protection of biodiversity and natural habitats

The mitigation analysis of the impacts on biodiversity is conducted in a professional and accurate manner, an approach that signals how much the management and reduction of environmental impacts are crucial for Aedes. It is worth noting some of the instructions given:

- creating ecoducts designed to ensure the protection of animal species in the area;
- restoring and strengthening of plant species affected by the interventions;
- strengthening of the existing surface water management systems, for both irrigation management and surface hydrography;
- actions aimed at the protection of aquifers;
- payment of contributions to the competent authorities, to be used for mitigation of environmental impacts and improvement/expansion of neighbouring natural ecosystems.

Recovery and requalification for new uses

In this context, some cases of real estate development projects have been carried out through the recovery of areas previously used but abandoned and deserted.

The interventions are carried out after carrying out remediation operations, resulting from analyses of existing environmental critical factors, and are subject to audits and monitoring by the competent bodies before and after the activities are carried out.

Recently, in the context of prevention in the construction of a new shopping centre in the towns of Serravalle Scrivia and Novi Ligure, Novipraga SIINQ, a subsidiary of Aedes SIIQ, has taken steps to drain a vast disused industrial area providing for the safety measures and the disposal of asbestos-containing material, of tanks used in fuel containment and to reduce and recycle the materials coming from the demolition of buildings.

Transport and logistics management

As regards mobility management, the Aedes Group is constantly committed to reducing the impacts of its activities and involves in this all its employees and the companies with which it operates.

Each new real estate development project, particularly those with commercial purpose of use, is preceded by a licensing procedure of environmental assessment and audit.

This activity ensures that the promoter of the intervention proves to the organisations that design, construction and subsequent management of the interventions will take place in full respect for the environment and the territory, thus reducing the potential negative impacts. In particular, there are priority impacts on existing infrastructure, pedestrian and vehicular traffic.

The rules established for approval of the project are also subject to constant monitoring to verify the adequacy of mitigation measures.

PUBLIC TRANSPORT SYSTEM	Improvement of transport systems, construction of new infrastructure for public transportation stops, conclusion of agreements and conventions to facilitate access to the new complex.
CONTRIBUTIONS	Payment of contributions to the competent authorities, to be used for mitigating impacts of the road sysyem and expansion of roadway infrastructure of the territory concerned.
CYCLE PATHS	Establishment and strengthening of pedestrian infrastructure.
ROAD ACCESS	Creation of road access dedicated to the transit of means of service and logistics, having independence with regard to traffic destined for normal vehicular traffic.
STOP, PARKING AND INTERCHANGE	Upgrading and implementation of alternative roadway infrastructure and parking and interchanges between public transport and private vehicles to avold traffic management issues.
GREAT WORKMANSHIP	Implementation of shuttle services for the internal transport of large-scale operations and connection to major public transport terminals.

The Company is attentive and sensitive to the environmental impact of CO_2 emissions into the atmosphere and therefore has prepared a company fleet of 23 cars with low impact of greenhouse gas emissions and has simultaneously provided its employees with information to help with such reduction.
Moreover, to help improve the quality of life and the environment, since 2016, Aedes has expanded its pool car fleet with the addition of a “hybrid” car with lower emissions.
During 2016 the Group’s employees have made business trips, using trains and planes for a total of 30,768 kilometers. Specifically, including the trips made by the entire Company fleet, it is estimated that the impacts generated by transport amount to 992.3 tCO_2e.

Managing water resources

Aedes SIIQ recognises the great value of the natural resources it uses, developing production processes designed to reduce water consumption.
There follows a summary of the water consumption of Aedes SIIQ.

WATER CONSUMPTION OF AEDES GROUP

Water withdrawn, consumed and discharged(*)			
Source	**2016**		
	Unit of measurement	**Volume**	**Treatment method**
Withdrawal from the public watersupply system (Milan office)	m^3	936	
Withdrawal from the public watersupply system (Serravalle office)	m^3	780	
Water withdrawn	**m^3**	**1,716**	
Sewage disposal (Milan office)	m^3	936	treatment
Sewage disposal (Serravalle office)	m^3	90	depuration
Discharge for other uses - irrigation (Serravalle office)	m^3	690	
Total water discharged	**m^3**	**1,716**	

(*) the total volume of water consumed equals the total water drawn

With regard to the owned areas, the requirements for the approval of the interventions of real estate development for commercial use include the following activities:

REDUCING WATER CONSUMPTION
Reuse of stormwater and wastewater for the uses in which it is not necessary to use drinking water: irrigation, washing, maintenance operations, fountains, fire emergencies, health and similar discharges.

PLANT TERMINALS
The inclusion of plant engineering designed for the containment of water consumption, such as regulators and flow restrictors.

STORMWATER
Stormwater management, reducing the waterproofing of the land and increasing the capacity of balancing and detention, avoiding disposal of white water in the sewage system.

With regard to property owned by third parties, there is a critical issue in the implementation of sustainable interventions, but the promotion of virtuous consumption-oriented types of behaviour is assessed by the introduction of plant terminals to contain water consumption, and the implementation of user awareness campaigns.

FOCUS: “LA BOLLINA” FARM

Love for the land and respect for the environment, workers and consumers.
These principles lead to the desire to incorporate Azienda Agricola “La Bollina” within the company structure of the Aedes Group.
The Azienda Agricola “La Bollina” was born in 2009 in the estate of the same name, the historic home of the Marquis Figari of Genoa, and covers 28 hectares of vineyards, with a fully equipped production winery equipped with the most modern techniques for making wine.
The agricultural company is founded on the core value of respect for the land and for persons, so it has been decided to make major investments in favour of greater sustainability of human resources and the environment in which it operates.
As regards human capital, its workforce consists of seven persons, five workers and two administrative employees, whose work is enhanced by investments in technical education and in health and safety at work.
At the same time, to ensure the sustainability of the territory in which it operates, the agricultural company is engaged on multiple fronts in innovation of the operating steps and processing technologies.
In particular, in December 2016 it was awarded the ISO 9001/2015 for effective and efficient management of the business, which certifies risks and opportunities and verifies all the required delivery procedures.
In addition, the company “La Bollina” pays special attention to the quality of the processing in the vineyard with PSR 214, a measure of attention to product quality and the reduction of environmental impacts.
In general, the PSR14 measure supports farmers with sustainable technologies, through the granting of a premium per hectare, which leads to a multi-year commitment of the beneficiary to fulfill his commitments on the environment.
Lastly, “La Bollina” started in 2017 the project of construction of a second cellar, to increase the added value of its business.

Consumers and sales channels
“La Bollina” is dedicated to various types of sale to satisfy multiple market segments and provide a supply of excellence:
- sales to direct clients, through large-scale distribution (Bennet, Carrefour, Tigros);
- sales in wholesale distribution, in the Ho.Re.Ca channel;
- foreign sales, through an internal sales representative, which make up about 70% of sales.

In order to make final consumers aware of the quality of the local product, in 2016, the Azienda Agricola opened a wine shop on site, enabling clients to buy bottled or bulk wine directly.
“La Bollina” aims in the long term to ensure the increase in foreign sales and those of the new store, with the progressive reduction in sales to the large supermarket chains, which generates high costs for a company of the size of that in Serravalle.
Through Bollina S.r.l, an agricultural trading company, it is also possible to bottle wines for third parties. This contributes to the control and traceability of the products throughout the supply chain, starting not only from the grapes produced in the field, but also from the receipt of raw material by third parties or bulk wine to be bottled.

A product of excellence

"La Bollina" stands on a territory full of natural wealth. In fact, the cultivation in the vineyard allows the production of four types of grapes: Gavi, Chardonnay, Barbera and Nebbiolo, from which seven different wines are obtained, with the same number of labels. During 2016, the production yielded 210,000 bottles, a positive result that is the high value of a product from Piedmont.

To confirm the excellence of La Bollina, numerous awards were won during 2016 which attest to the commitment of this business reality that is sustainably supporting the community and the territory in which it operates:

- Decanter World Wine Awards;
- Mundus Vini, the grand international Wine Award;
- Concours Mondial De Bruxelles, a United Nations of Fine Wines.

3.6 Responsibility in real estate management

Construction process	**Cutting-edge technologies**
Destination Centre	**Smart city**

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	ACTIVITIES OF THE TECHNICAL PROPERTY MANAGER
Taking charge of the property	Intervention planning services, drafting budget proposals and technical control
Administrative management of active relationship with lessees and passive relationship with suppliers/contractors	Management of the maintenance activities of the construction parts, structural and plant including associated technical procedures, administrative and authorisation
Tax Management (IMU, taxes and charges imposed on real estate)	Management of users and connections
Management reports on real estate insurance and handling any claims	Management of real estate units not leased and services related to the common areas
Administrative archive documentation of the Property Management	Technical reporting and support activities
Management of loans to the tenants	Emergency management and safety

TECHNICAL PROPERTY INNOVATION

Aedes SIIQ is a state-of-the-art technology user and is aware that this type of investment will lead to an improvement in the quality of its properties, mainly in terms of energy performance. In fact, in the course of 2016, activities aimed at environmental certification have been undertaken for properties in development, which will continue in 2017 with the support of specialized architectural firms.
The Group's objective is to implement the sustainability strategy through a design aimed at upgrading building and town planning and to preserve the architectural quality, investing in research for the growth of property value. A sustainable approach helps to maintain the value of property assets calculated over time, especially in the smart city, implementing structural and infrastructural innovations to create added value for the community.
In the field of infrastructure, the certification of environmental sustainability through an analysis which makes it possible to evaluate the building as a whole, not only in terms of consumption, but also to consider its impact on the external environment, the health and well-being of its occupants and the overall ecosystem.
The environmental sustainability certification protocols are based on qualitative and quantitative methods for the elements of the building, whether civil/architectural or plant. As for the initiatives on energy efficiency, the Group makes use of voluntary certification schemes for energy efficiency and the ecological assessment of buildings such as the **ITHACA Protocol** and the **BREEAM** Protocol Assessment for sustainable buildings.

ITHACA Protocol

The ITHACA Protocol is an assessment tool for the sustainable energy and environmental level of buildings. Among the most widely used assessment systems, it makes it possible to check the performance of a building not only in terms of energy consumption and energy efficiency, but also taking into account its impact on the environment and human health, thus facilitating the implementation of increasingly innovative buildings with nil impact, reduced water consumption and materials that produce low energy consumption while at the same time guaranteeing high comfort. The Protocol also guarantees the objectivity of the assessment through the use of indicators and monitoring methods which comply with the technical standards and reference national laws.
It is, therefore, a 360° sustainability tool that contributes to the increase in value of the properties of Aedes SIIQ.

BREEAM Assessment Protocol for eco-sustainable buildings

The BREEAM Protocol -Building Research Establishment Environmental Assessment Method (BREEAM) - is a voluntary building protocol set up in the United Kingdom over twenty years ago to assess the environmental performance of buildings. This certification system uses recognised methods of assessment configured according to the predetermined benchmarks, to verify the design, construction and use of the property. The criteria cover different categories, from managing resources to ecology, and include aspects related to the use of energy and water, the internal environment, such as health and well-being, pollution, transport, materials, waste, ecology and management processes.
It is a process of green and environmentally friendly building, which guarantees and confirms the path to sustainability of the Aedes SIIQ Group.

In other cases, investment in technological innovation can be demanded by sector regulations, while in still other cases it can be induced by the needs and demands of the tenants or inhabitants, such as home automation.
An important aspect of technological development is the design in **BIM - Building Information Modeling**, an innovative method for optimising the planning, construction and management of buildings with help of software that makes it possible to design a project in three dimensions, from its initial design. Use of this tool, although it is not yet compulsory in Italy, already is so in some EU countries: during 2016 the Aedes Group has explored the possibility of BIM in the design only for buildings, but the goal is also to schedule viability planning with this tool.
We have so far studied the feasibility and impacts of design in BIM for the Caselle project, as it is a tool that requires an additional cost, but represents an added value if the aspiration is to maintain the investment in the portfolio.
In particular, through the wholly owned Pragasei S.r.l., certain centralised control systems have been installed in the shopping centre Outlet in Serravalle Scrivia (Building Management System) of the special engineering and emergency systems (CCTV and alarms), plant engineering and entertainment access control.

BIM - Building Information Modeling

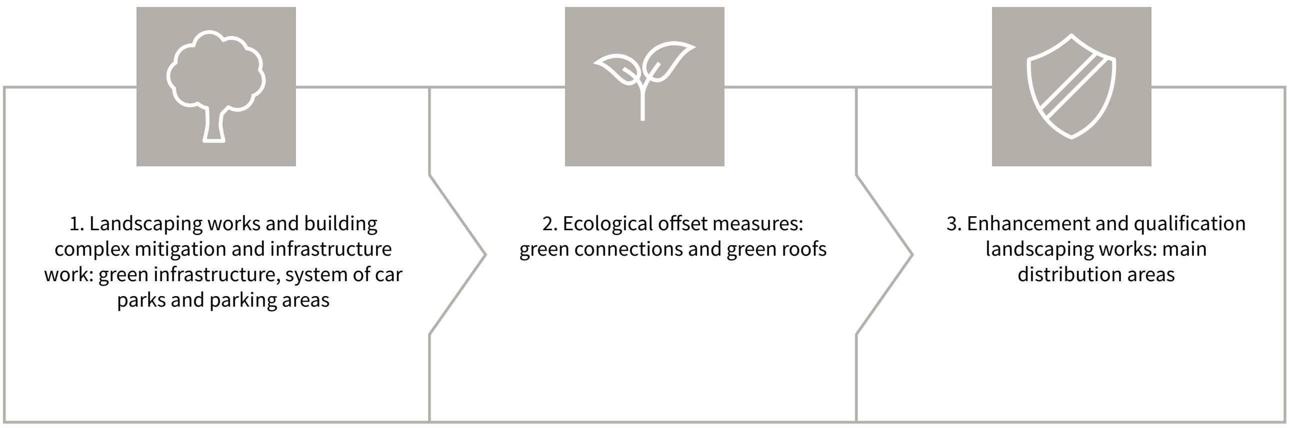
Building Information Modeling is a method for optimising the planning, construction and management of buildings through the use of software. It enables relevant data of a building to be collected, combined and connected digitally, creating a virtual construction which is also viewable as a three-dimensional geometric model.
It is a model used in the construction sector, for design and construction (architecture, engineering and technical systems) as well as facility management.
A technological support to improve the planning, design, construction and management of buildings of Aedes SIIQ, generating added value for the core business.

ACCESSIBILITY AND VALUE FOR USE OF FACILITIES: THE CASELLE PROJECT

The Group has the objective of balanced and sustainable development of its activities, creating strong ties with the territory based on transparency, fairness, integrity and ethics.
Aedes SIIQ is aware that the design development of its structures must take into account the ratio between the territory and its social, economic and cultural context. To ensure excellent value in use of the facilities, we will focus primarily on the needs of the community that will use these spaces and place such considerations within the appropriate strategic business plans, with the intention to develop a smart city with advanced infrastructure.
Accessibility to buildings is a key value for the Group, which is integrating in its business values an experiential concept of property which goes beyond design and construction and links to society and lifestyle within the community.
For the new **project of Caselle**, the concept in question is that of “destination centre”, new centres where the guest goes to spend his free time so that he can enjoy a shopping experiences and at the same time be involved in entertainment activities.
The programme of reintegration and enhancement of the landscape and agronomic centre which belongs to the largest business park, is developing in a strategic and multidisciplinary key innovative approach that guides the preliminary design of the works, conceived as an opportunity to rebuild environment and landscape, with the aspiration to promote a new culture that has positive impacts on the territory.
Aedes SIIQ Group intends to pursue this new business approach with several objectives:

- favouring the definition of a unified image, integrated with the surrounding landscape;
- bringing out the specific identity of each area identified in full compliance with the overall harmony;
- improving the quality of outdoor spaces through simplicity and efficacy;
- improving orientation and enjoyment through the readability of the spaces and care for paths;
- offering hospitality, comfort and safety to visitors.

This project is divided into three main phases, developed in close coordination with the promoter and the design team:



The main objective of the intervention is to promote an innovative model, closely integrated between the various components, which can trigger economic processes and recognition by the user.
The area covered by the new multi-purpose park of the new Caselle project is, from the perspective of road network and public transport, key not only for the Municipality of Caselle, but also for the entire metropolitan area of Turin.

The added value that the project will bring will come from the synergy that will be created from the consolidation of existing services, the strengthening of others and the inclusion of new services such as road cycling and Movicentro.

Movicentro project
The Movicentro project concerns the network of interchanges where the different modes of public and private transport meet. It is a qualified operation for the reorganization and revival of public transport, with the aim to spread equitable access and to promote and implement a regional network infrastructure to support various means of transport, both public and private. A total promotion of sustainable mobility and a human scale transport system, making it rapid and easy for travelers to get around.

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.

The indicators relate to the period from 1st January 2016 to 31st December 2016 and, where possible, by way of comparison data relating to previous periods are reported.
In the document there are appropriate notes when the data collection perimeters were different from those indicated in the present methodological note (information relating to environmental data).

TABLE OF GRI-G4 INDICATORS

Indicator		Chapter	Notes
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	1.1	
Profile of the organisation			
G4 - 3	Name of the organisation	3.7	
G4 - 4	Main brands, products and/or services	2.3	
G4 - 5	Headquarters	3.7	
G4 - 6	Countries of operation	3.5	
G4 - 7	Ownership structure and legal form	2.3	
G4 - 8	Markets served	2.9, 3.5	
G4 - 9	Size of organisation	1.3, 2.3	
G4 - 10	Characteristics of the workforce	3.4	
G4 - 11	Percentage of employees covered by collective bargaining agreements	3.4	
G4 - 12	Description of the organisation’s supply chain	3.3	
G4 -13	Significant changes in size, structure, ownership structure or the organisation’s supply chain occurring in the reporting period	-	This is the first Sustainability Report on Aedes SIIQ Group
G4 - 14	Application of a prudent approach to risk management	2.11, 3.1	
G4 - 15	Subscription or adoption of codes of conduct, principles and charters developed by external organisations/associations relating to economic, social and environmental performance	3.1	
G4 - 16	Participation in national and/or international associations in which the organisation has positions on governance bodies	3.3	
Materiality and reporting scope			
G4 - 17	Entities included in the budget	3.7	
G4 - 18	Process for defining the contents of the Sustainability Report	3.1	
G4 - 19	Aspects of materials identified	3.1	
G4 - 20	Aspects of materials internal to the organisation	3.1	
G4 - 21	Aspects of materials external to the organisation	3.1	
G4 - 22	Changes of information with respect to the previous report	-	This is the first Sustainability Report on Aedes SIIQ Group
G4 - 23	Significant changes in terms of objectives and perimeters since the previous report	-	This is the first Sustainability Report on Aedes SIIQ Group
Stakeholder engagement			
G4 - 24	Categories and Stakeholder groups involved by the organisation	3.1	
G4 - 25	The Stakeholder identification process	3.1	
G4 - 26	Approach to Stakeholder engagement, including frequency and type of activity	3.1	
G4 - 27	Key aspects emerging from Stakeholder engagement	3.1	
Profile of the Report			
G4 - 28	Reporting period of the Sustainability Report	3.7	
G4 - 29	Date of previous report publication	-	This is the first Sustainability Report on Aedes SIIQ Group
G4 - 30	Reporting Cycle	3.7	This is the first Sustainability Report on Aedes Group SIIQ
G4 - 31	Contact point	3.7	
G4 - 32	GRI content index	3.7	
G4 - 33	External assurance policies and practices	-	The Sustainability Report will not be subjected to external assurance

Indicator		Chapter	Notes
Governance			
G4 - 34	Governance structure	1.2, 2.3	
Ethics			
G4 - 56	Values, principles, standards and rules of conduct of the organisation	3.1	
Specific Standard Disclosure			
Economic indicators			
Material aspect - Economic Performance			
G4 - DMA	General information on management methods	3.2	
G4 - EC1	Direct economic value generated and distributed	3.2	
G4 - EC4	Significant financial assistance received from government	3.1	Aedes Group did not receive any funding from government
Material aspect - Market Presence			
G4 - DMA	General information on management methods	3.2	
G4 - EC6	Direct economic value generated and distributed	3.4	
Material aspect - Indirect economic impacts			
G4 - DMA	General information on management methods	3.2	
G4 - EC7	Proportion of senior management hired mainly where the activity takes place	3.2	
Material aspect - Procurement practices			
G4 - DMA	General information on management methods	3.4	
G4 - EC9	Percentage of spending on locally-based suppliers at significant locations of operation	3.3	The data collection system on the suppliers will be extended to the entire perimeter of the Group by 2019
Environmental indicators			
Material aspect - Materials			
G4 - DMA	General information on management methods	3.5	
G4 - EN1	Material useds	3.5	
G4 - EN2	Percentage of materials that are recycled as input materials	3.5	
Material aspect - Energy			
G4 - DMA	General information on management methods	3.5	
G4 - EN3	Energy consumption within the organisation	3.5	
G4 - EN4	Energy consumption outside the organisation	3.5	
G4 - EN5	Energy intensity	3.5	
G4 - EN6	Reduction of energy consumption	3.5	
Non-material aspect - Water			
G4 - DMA	General information on management methods	3.5	
G4 - EN8	Water withdrawal by source	3.5	
G4 - EN10	Percentage of water recycled and reused	3.5	
Material aspect - Biodiversity			
G4 - DMA	General information on management methods	3.5	
G4 - EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas	3.5	
Material aspect - Emissions			
G4 - DMA	General information on management methods	3.5	
G4 - EN15	Direct greenhouse gas emissions (Scope 1)	3.5	
G4 - EN16	Greenhouse gas emissions generated by energy consumption (Scope 2)	3.5	
G4 - EN17	Other indirect greenhouse gas emissions (Scope 3)	3.5	
Material aspect - Waste and discharges			
G4 - DMA	General information on management methods	3.5	
G4 - EN22	Total water discharges by quality and purpose of use	3.5	
G4 - EN23	Total weight of waste by type and disposal method	3.5	
Material aspect - Products and services			
G4 - DMA	General information on management methods	3.5	
G4 - EN27	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	3.5	
Material aspect - Compliance			
G4 - DMA	General information on management methods	3.5	
G4 - EN29	Monetary value of significant fines and total number of non-monetary sanctions due to non-compliance with environmental laws and regulations	-	In the course of 2016 we have not been subject to significant fines

Indicator		Chapter	Notes
Non-material aspect - Transport			
G4 - DMA	General information on management methods	3.5	
G4 - EN30	Significant environmental impacts of transporting products and services and employee mobility	3.5	
Material aspect - Overall			
G4 - DMA	General information on management methods	3.5	
G4 - EN31	Expenditures and investments for environmental protection, by type	-	Aedes Group undertakes to report expenses and investments for environmental protection, by 2019
Material aspect - Environmental assessment of suppliers			
G4 - DMA	General information on management methods	3.3, 3.5	
G4 - EN32	Percentage of new suppliers evaluated on the basis of environmental criteria	-	The supplier data collection system will be extended to the entire perimeter of the Group by 2019
Material aspect - Complaint mechanism			
G4 - DMA	General information on management methods	3.1	
G4 - EN34	Number of complaints filed related to environmental impacts, initiated and resolved through formal mechanisms for handling complaints	-	During 2016 there have been no complaints related to environmental impacts
Social indicators			
Subcategory - Labour practices and adequate working conditions			
Material aspect - Employment			
G4 - DMA	General information on management methods	3.4	
G4 - LA1	Total number of new hires and turnover by age group, gender and geographical areas	3.4	
G4 - LA2	Benefit and other additional contributions provided to full time employees that are not provided to part-time employees, by operational location	3.4	
Non-material aspect - Industrial relations			
G4 - DMA	General information on management methods	3.4	
G4 - LA4	Minimum period of notice for operational changes specifying whether or not these conditions are included in collective bargaining	3.4	
Material aspect - Health and safety at work			
G4 - DMA	General information on management methods	3.4	
G4 - LA6	Type of injury, accident rate, occupational diseases, lost days, absenteeism and total number of fatalities divided by employee category	3.4	
G4 - LA7	Roles at high risk of accident or occupational disease	3.4	During 2016 there were no occupational diseases
Material aspect - Training and education			
G4 - DMA	General information on management methods	3.4	
G4 - LA9	Average hours of training per employee per year, by gender and by employee category	3.4	
Material aspect - Diversity and equal opportunities			
G4 - DMA	General information on management methods	3.4	
G4 - LA12	Composition of governance bodies and breakdown of the personnel by gender, age, adhesion to group membership and other indicators of diversity	1.2, 2.3, 3.4	
Material aspect - Equal pay for men and women			
G4 - DMA	General information on management methods	3.4	
G4 - LA13	Ratio of basic salary of women and that of men by employee category and divided by significant operational locations	3.4	
Material aspect - Assessment of suppliers on the basis of work practices			
G4 - DMA	General information on management methods	3.3, 3.4	
G4 - LA14	Percentage of new suppliers assessed on the basis of criteria related to work practices	-	The system will be extended to the entire perimeter of the Group (by 2019) for data collection on the conditions for supplier assessment
Material aspect - Mechanisms for complaints regarding labour practices			
G4 - DMA	General information on management methods	3.1, 3.4	
G4 - LA16	Complaints filed on work practices, analysed and resolved through formal mechanisms for handling complaints	-	During 2016 there have been no complaints about work practices
Subcategory - Human Rights			
Non-material aspect - Non-discrimination			
G4 - DMA	General information on management methods	3.4	
G4 - HR3	Total of episodes related to discriminatory practices and actions taken	-	During 2016 there were no incidents of discrimination

Indicator		Chapter	Notes
Non-material aspect - Rights of the local community			
G4 - DMA	General information on management methods	3.3	
G4 - HR8	Total of incidents of violation involving rights of indigenous persons and actions taken	-	During 2016 there were no incidents of violation of the rights of local communities
Non-Material aspect- Human rights assessment of suppliers			
G4 - DMA	General information on management methods	3.3	
G4 - HR10	Assessment of suppliers based on criteria related to human rights	-	We will extend to the whole perimeter of the Group (by 2019) the system for collecting data on the methods of supplier assessment
Subcategory - Society			
Material aspect - Local communities			
G4 - DMA	General information on management methods	3.3	
G4 - SO1	Operations involving the local community, impact assessment and development programs	3.3	
Material aspect - Anti-corruption			
G4 - DMA	General information on management methods	3.1	
G4 - SO5	Cases of corruption and actions taken	-	In the course of 2016 there have been no complaints of corruption cases
Non-material aspect - Political contributions			
G4 - DMA	General information on management methods	3.1	
G4 - SO6	Value of political contributions	-	The activities of Aedes SIIQ do not involve funding of political parties
Material aspect- Anti-competitive behaviour			
G4 - DMA	General information on management methods	3.1	
G4 - SO7	Total number of legal actions in response to anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	-	In the course of 2016 no legal actions were instigated in response to anti-competitive behaviour, anti-trust and monopoly
Material aspect - Compliance			
G4 - DMA	General information on management methods	3.1	
G4 - SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	-	In the course of 2016 there have been no significant fines for non-compliance with laws or regulations
Material aspect - Assessment of suppliers for impact on society			
G4 - DMA	General information on management methods	3.3	
G4 - SO9	Percentage of new suppliers assessed on the basis of criteria concerning impact on society	-	We will extend to the whole perimeter of the Group (by 2019) the system for collecting data on the methods of supplier assessment
Material aspect - Mechanisms for complaints on the basis of impact on society			
G4 - DMA	General information on management methods	3.1	
G4 - SO11	Complaints about impacts on society, analysed and resolved	-	In the course of 2016 there have been no complaints related to impact on society
Subcategory - Product liability			
Material aspect - Marketing communications			
G4 - DMA	General information on management methods	3.2	
G4 - PR6	Sale of banned or challenged products	-	During 2016 there were no sales of banned or challenged products
G4 - PR7	Cases of non-compliance with regulations relating to marketing activities	-	In the course of 2016 there have been no cases of non-compliance
Material aspect - Compliance			
G4 - DMA	General information on management methods	3.1	
G4 - PR9	Sanctions for non-compliance with laws and regulations on the use of products and services	-	In the course of 2016 have been no significant fines for non-compliance

4

CONSOLIDATED FINANCIAL STATEMENTS

4.1 Consolidated Statement of Financial Position

(Euro/000)	Note	31/12/2016	of which related parties	31/12/2015	of which related parties
Assets					
Non-current assets					
Investment properties	1	341,388		266,884	
Other tangible assets	2	2,808		3,041	
Goodwill	3	0		1,269	
Intangible fixed assets	3	59		64	
Investments in associates and joint ventures	4	40,462		39,892	
Financial assets available for sale	5	0		1,963	
Deferred tax assets	6	6,379		1,894	
Derivative financial instruments	7	230		638	
Financial receivables	8	13,650	13,566	13,212	13,140
Trade receivables and other receivables	9	1,136		1,262	
Total non-current assets		**406,112**		**330,119**	
Current assets					
Inventory	10	56,330		54,463	
Trade receivables and other receivables	9	27,045	6,232	23,746	5,435
Cash and cash equivalents	11	12,610		68,497	
Total current assets		**95,985**		**146,706**	
Total assets		**502,097**		**476,825**	

(Euro/000)	Note	31/12/2016	of which related parties	31/12/2015	of which related parties
Shareholders' Equity					
Group Shareholders' Equity					
Share capital		212,945		212,945	
Treasury shares		(1,455)		(266)	
Fair value measurement reserves and other reserves		50,964		51,426	
Retained earnings		4,847		(200)	
Profit/(Loss) of the year		29,107		5,174	
Equity attributable to the owner of the Company	**12**	**296,408**		**269,079**	
Non controlling interest	**13**	**6,953**		**6,241**	
Total Shareholders' Equity		**303,361**		**275,320**	
Liabilities					
Non-current liabilities					
Payables due to banks and other lenders	14	113,866	0	94,424	
Derivative financial instruments	7	605		506	
Deferred tax liabilities	6	3,921		2,691	
Retirement benefit obligation	15	1,047		1,174	
Provisions for risks and charges	16	5,973		6,274	
Taxes payables	17	221		1,637	
Trade payables and other payables	18	2,093	1,472	2,066	1,305
Total non-current liabilities		**127,726**		**108,772**	
Current liabilities					
Payables due to banks and other lenders	14	49,362	0	70,022	
Taxes payables	17	1,454		4,080	
Trade payables and other payables	18	20,194	6,433	18,631	5,297
Total current liabilities		**71,010**		**92,733**	
Total liabilities		**198,736**		**201,505**	
Total liabilities and Shareholders' Equity		**502,097**		**476,825**	

4.2 Consolidated Income Statement

(Euro/000)	Note	31/12/2016	of which related parties	31/12/2015	on which non-recurring	of which related parties
Income statement						
Revenues from sales and services	19	44,789	11,421	27,506		9,310
Other revenue	20	2,782	390	12,304	2,145	1,120
Changes in inventory	21	(1,436)		(1,953)		
Costs for raw materials and services	22	(37,911)	(16,785)	(24,227)		(7,692)
Employee benefit expenses	23	(5,696)	(56)	(4,603)		
Other operating costs	24	(3,128)	(358)	(2,454)		(151)
Amortisations/depreciations and write-downs	25	(683)		(326)		
Profit/(Loss) from changes in fair value	25	29,773		1,989		
Write-downs and provisions	25	(1,794)		219		
Share of profit of associates and joint ventures	26	3,009		(1,136)		
Restructuring Income/(costs)	27	0		1,728	1,350	
Operating result		**29,705**		**9,047**		
Financial income	28	937	839	1,058		502
Financial expenses	28	(4,530)	(20)	(5,334)		(24)
Result before tax		**26,112**		**4,771**		
Income taxes	29	3,066		(135)		
Profit/(Loss) from continuing operations		**29,178**		**4,636**		
Profit of the year from discontinued operations	30	1,036		1,484		
Profit/(Loss) of the year		**30,214**		**6,120**		
Attributable to:						
non controlling interest		1,107		946		
owners of the Company		**29,107**		**5,174**		

4.3 Consolidated Statement of other Comprehensive Income

(Euro/000)	Note	31/12/2016	31/12/2015
Comprehensive income statement			
Profit/(Loss) of the year		**30,214**	**6,120**
Items that may be reclassified subsequently to profit or loss			
Net fair value gain/loss on available for sale financial asset		(516)	298
Items that will not be reclassified subsequently to profit or loss			
Actuarial		(79)	137
Other comprehensive income for the year		(595)	435
Total comprehensive income for the year		**29,619**	**6,555**
of which attributable non controlling interest		1,107	1,077
of which attributable to owners of the Company		**28,512**	**5,478**
Earning per share			
Base	31	0.09	0.02

4.4 Consolidated Statement of Changes in Equity

(Euro/000)	Share capital	Treasury shares	Legal reserve	Others	Others for capital increase	Fair value reserve	Profit/ (Losses) brought forward	Result of the period	Group Shareholders' Equity	Non controlling interest	Total
01/01/2015	**172,945**	**(34,527)**	**0**	**9,503**	**50,115**	**123**	**(14,491)**	**50,511**	**234,179**	**4,737**	**238,916**
Allocation result 2014			2,231				48,280	(50,511)	0		0
Increased capital in option	40,000								40,000		40,000
Capital contribution in capital increase				(9,503)					(9,503)		(9,503)
Share issue costs					(1,532)				(1,532)		(1,532)
Proceeds from the sale of unexercised rights					122				122		122
Treasury shares in portfolio		34,261					(34,495)		(234)		(234)
Other movements							569		569		569
Profit/(Loss) of the year								5,174	5,174	946	6,120
Net fair value gain/loss on avaiable for sale financial asset						367	(200)		167	131	298
Actuarial							137		137		137
Total comprehensive income for the year							(63)	5,174	5,478	1,077	6,555
Change in capital and reserves									0	427	427
31/12/2015	**212,945**	**(266)**	**2,231**	**0**	**48,705**	**490**	**(200)**	**5,174**	**269,079**	**6,241**	**275,320**

(Euro/000)	Share capital	Treasury shares	Legal reserve	Others	Others for capital increase	Fair value reserve	Profit/ (Losses) brought forward	Result of the period	Group Shareholders' Equity	Non controlling interest	Total
31/12/2015	**212,945**	**(266)**	**2,231**	**0**	**48,705**	**490**	**(200)**	**5,174**	**269,079**	**6,241**	**275,320**
Allocation result 2015			28				5,146	(5,174)	0		0
Treasury shares in portfolio		(1,189)					6		(1,183)		(1,183)
Other movements						26	(26)		0	(395)	(395)
Profit/(Loss) of the year								29,107	29,107	1,107	30,214
Net fair value gain/loss on avaiable for sale financial asset						(516)			(516)	0	(516)
Actuarial							(79)		(79)		(79)
Total comprehensive income for the year						(516)	(79)	29,107	28,512	1,107	29,619
31/12/2016	**212,945**	**(1,455)**	**2,259**	**0**	**48,705**	**0**	**4,847**	**29,107**	**296,408**	**6,953**	**303,361**

4.5 Consolidated Cash Flow Statement

(Euro/000)	31/12/2016	31/12/2015
Profit/(Loss) of the year attributable to the Group	29,107	5,174
Profit/(Loss) attributable to minority interests	1,107	946
Non-recurring non-cash restructuring income/(charges)	0	(1,728)
Net (profits)/losses from disposal of investments	(201)	(5,959)
Charges/(Income) from investments	(3,009)	1,136
Amortisations/Depreciations	683	326
Adjustments to fair value and provisions	(29,773)	(1,789)
Writedowns (releases) of provisions for bad debts and risks	2,045	0
Net financial charges/(income)	3,593	4,262
Current and deferred taxes for the year	(3,066)	846
Variation of TFR fund	(157)	(80)
Variation of Risks and Charges Funds	0	(685)
Cash flows from inventories	667	999
Write-down of inventory	771	900
Change in trade and other receivables	(4,283)	25,552
Change in trade and other payables	(1,418)	(2,670)
Other non-cash costs (income)	0	(791)
Income taxes paid net of reimbursements	(2,346)	(1,444)
(Paid)/Received interest	(3,190)	(3,566)
Cash flows from operating activities	**(9,470)**	**21,429**
(Increase)/Decrease in fixed investments and other tangible fixed assets	(48,455)	15,229
Increase of intangible investments	(23)	0
Net cash flows arising from the disposal of holdings in subsidiaries	100	17,138
Net cash flow arising from financial assets available for sale	2,191	0
Cash flows from (increases) and decreases in holdings	2,598	(1,794)
Variation other financial entries	(21)	(4,757)
Cash flows from investing activities	**(43,610)**	**25,816**
Variation of debts to banks and other financial institutions	(1,624)	(39,282)
Increase in monetary capital	0	28,965
Cash flow used for purchase of treasury shares	(1,183)	(234)
Other Third-Party property movements	0	(490)
Cash flows from financing activities	**(2,807)**	**(11,041)**
Net increase/(Decrease) in cash and cash equivalents	**(55,887)**	**36,204**
Cash and cash equivalents at beginning of year	**68,497**	**32,293**
Cash and cash equivalents at year-end	**12,610**	**68,497**

4.6 General information

Aedes SIIQ S.p.A. ("**Aedes**", the "**Company**" or "**Parent Company**"), founded in 1905, was the first real estate company to be listed on the Milan Stock Exchange in 1924. Following a complete financial restructuring, which was concluded successfully at the end of 2014, and the merger in the second half of 2015 with Praga Holding Real Estate S.p.A. - a group known for the development of the first designer outlet in Italy in Serravalle Scrivia - the Aedes Group today has a new shareholder structure, new management and a competitive industrial project.

Subsequent to the exercise of the option to participate in the statutory and tax regime for listed property companies (so-called SIIQ regime), Aedes became a SIIQ from 1st January 2016, consequently adopting the name Aedes SIIQ S.p.A..

The audit of the financial statements is carried out by Deloitte & Touche S.p.A. under art. 14 of Legislative Decree no. 39 of 27th January 2010 and taking account of the Consob recommendation of 20th February 1997.

The consolidated financial statements were approved by the Board of Directors of the Company on 21st March 2017.

BASIS FOR PREPARATION

The consolidated financial statements at 31st December 2016 have been prepared in accordance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and the provisions issued under art. 9 of Legislative Decree no. 38/2005. The IFRS also include all the revised international accounting standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

Specifically, it is noted that the IFRS were consistently applied to all of the years presented herein this document.
The financial statements were prepared based on the conventional historic cost principle, except for the measurement of the investment properties at fair value and the financial assets and liabilities, including derivative instruments, in cases where the fair value method is applied.

The accounting and disclosure statements contained herein this balance sheet were prepared in compliance with the International Standard IAS 1, pursuant to the Consob Communication DEM 6064313 of 28th July 2006.

The financial statements have been prepared on the going concern assumption. The directors, in fact, have estimated that there are no uncertainties regarding the ability of the Company and the Group to operate as a going concern, including on the basis of the estimates reported in the notes in the section "Management of main business risks", to which reference is made.

The risks and uncertainties relevant to the business are described in the section dedicated to the Management Report. The description of how the Group manages financial risks, including liquidity and capital, is contained in the section Additional information on financial instruments and risk management policies of the notes.

The financial statements used for consolidation are those prepared by the Boards of Directors for approval by the shareholders of the individual companies, reclassified and adjusted, if necessary, to comply with the International Accounting standards (IAS/IFRS) and Group accounting policies.

These financial statements have been prepared using the Euro as its reporting currency and all values are rounded to the nearest thousandth unless otherwise indicated.

The effects of transactions with related parties are shown in the income statement and statement of financial position as well as the notes to them.

In preparing the consolidated financial statements at 31st December 2016, the same valuation and consolidation criteria adopted for the Consolidated Financial Statements at 31st December 2015 were used, with exception for the adoption of the new standards, amendments and interpretations in force as at 1st January 2016.

IFRS accounting standards, amendments and interpretations applicable since 1st January 2016
The following IFRS accounting standards, amendments and interpretations were first adopted by the Group as from 1st January 2016:

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" (issued on 21st November 2013) concerning the recognition of contributions from employees or third parties to defined benefit plans. The adoption of these amendments had no impact on the consolidated financial statements of the Group.

- Amendments to IFRS 11 "Accounting for acquisitions of interests in joint operations" (issued on 6th May 2014) concerning the accounting for acquisitions of interests in a joint operation when the operation constitutes a business. The adoption of these amendments had no impact on the consolidated financial statements of the Group.

- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation" (issued on 12th May 2014) establishing that a depreciation or amortisation method that is based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortisation is part reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a pre-requisite for depreciation or amortisation. The adoption of this amendment had no impact on the consolidated financial statements of the Group.

- Amendment to IAS 1 "Disclosure Initiative" (issued on 18th December 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements. The adoption of this amendment had no impact on the consolidated financial statements of the Group.

As part of its annual improvement process, on 12th December 2013, the IASB published documents "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments – Definition of vesting condition, IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and – on 25th September 2014 – document "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) partly amending existing standards. The adoption of these amendments had no impact on the consolidated financial statements of the Group.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory applicable and not early adopted by the Group at 31st December 2016
The Group has not adopted the following new and amended standards, that have been issued but are not mandatory applicable.

- IFRS 15 – Revenue from Contracts with Customers (issued on 28th May 2014 and supplemented with additional clarifications on 12th April 2016) bound to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IFRSs, such as leases, insurance contracts and financial instruments. The main steps for revenue recognition according to the new model are:

- identifying the agreement in place with the customer;
- identifying the performance obligations under the agreement;
- defining the transaction price;
- price allocation to the performance obligations under the agreement;
- revenue recognition criteria when the entity satisfies each performance obligation.

This standard is applicable as from 1st January 2018, though early adoption is allowed. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published by IASB on 12th April 2016, have not yet been endorsed by the European Union. Directors expect that the adoption of IFRS 15 will have an impact on the revenue recognition and the relevant disclosure included in the Group's Consolidated Financial Statements. Still, it will be impossible to provide a reasonable estimate as to the effects until the Group completes a detailed analysis of the agreements in place with the customers.

Final version of IFRS 9 – Financial instruments (issued on 24th July 2014). The standard includes the results of IASB project pending the replacement of IAS 39:
- it introduces new criteria to classify and measure financial assets and liabilities;
- with reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
- a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

The new standard must be applied to reporting period beginning on 1st January 2018 and thereafter.
Directors expect IFRS 9 to have an impact on the balances and the relevant disclosures in the Consolidated Financial Statements of the Group. Still, it will be impossible to provide a reasonable estimate as to the effects until the Group completes a detailed analysis.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union
The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these Financial Statements.

IFRS 16 – Leases (issued on 13th January 2016) is to replace IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
The standard introduces a single lessee accounting model for recognising and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognised in the statement of financial position as assets and leas financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 within the scope of this standard. No significant changes are introduced for lessor accounting.
The standard applies for reporting period beginning on or after 1st January 2019. Early adoption is only allowed for early adopters of IFRS 15 – Revenue from Contracts with Customers. Directors expect that the adoption of IFRS 16 will have a significant impact on lease accounting and the relevant disclosures included in the Group's Consolidated Financial Statements. Still, it will be impossible to provide a reasonable estimate as to the effects until the Group completes a detailed analysis of the relevant agreements.

Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19th January 2016). This document provides clarifications on the recognition of deferred tax assets for unrealised losses under certain circumstances and on the estimation of taxable income for future periods. The amendments apply as from 1st January 2017, though early adoption is allowed. The Directors are evaluating the possible effects of applying these amendments to the Group's Consolidated Financial Statements.

- Amendments to IAS 7 "Disclosure Initiative" issued on 29th January 2016. The document provides some clarifications to improve information on financial liabilities. Specifically, the amendments require such disclosures as to allow the recipients of the financial statements to understand changes in liabilities generated by financing operations. The amendments apply as from 1st January 2017, though early adoption is allowed. They do not require a presentation of comparative information relating to previous years. The Directors are evaluating the possible effects of applying these amendments to the Group's Consolidated Financial Statements.

- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", issued on 8th December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) partially supplements existing standards. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8th December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity is to determine the date of the transaction and consequently the spot exchange rate to be used for foreign currency transactions whose consideration is paid or received in advance. IFRIC 22 applies as from 1st January 2018, though early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

- Amendments to IAS 40 "Transfers of Investment Property" (issued on 8th December 2016). These amendments provide clarifications on the transfer a property asset to, or from, investment property. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity's management alone is not sufficient. These amendments apply as from 1st January 2018, though early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

- Amendments to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (issued on 11th September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.

4.7 Format of the Consolidated Financial Statements

With regard to the format of the consolidated financial statements, the Group opted to file the following types of financial statements.

Consolidated Statement of financial position

The consolidated financial position statement is filed with separate disclosures of the assets, liabilities and Shareholders' Equity.
In turn the assets and liabilities are shown in the consolidated financial statements based on their classification as current and non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized/settled or is expected to be sold or used in the normal operating cycle, or
- it is held mainly to be negotiated, or
- it is expected to be realized/settled within twelve months after the reporting period.

In absence of all three conditions, the assets/liabilities are classified as non-current.

Lastly, a liability is classified as current when the company does not have an unconditional right to defer the settlement of the liability for at least 12 months from the date of the financial statements.

Consolidated income statement

The consolidated income statement is filed in its classification by nature.

For a better understanding of the results of the Group, financial and tax management, the consolidated income statement shows the following consolidated interim results:

- operating result;
- operating result before taxes;
- result for the period.

Consolidated Statement of other comprehensive income

The Consolidated Statement of other comprehensive income includes all of the changes in the other comprehensive profits (losses), occurring in the year, generated by transactions other than those executed with Stakeholders and based on specific IAS/IFRS accounting standards. The Group has opted to present these changes in a statement separate from the consolidated income statement.
Changes of other comprehensive profits/(losses) are shown net of the relevant tax effects. The statement also provides separate evidence of the items that can be, or not, subsequently reclassified in the consolidated income statement.

Consolidated Statement of changes in Equity

The consolidated statement of Shareholders' Equity, as required by international accounting standards, shows separately the profit or loss and other changes not recorded in the consolidated income statement, but attributed directly to other total consolidated comprehensive revenue/(loss) based on specific accounting standards of IAS/IFRS, as well as transactions with Shareholders in their capacity as Shareholders.

Consolidated cash flow statement

The consolidated cash flow statement is broken down by area of cash flow formation as required by the international accounting standards, prepared using the indirect method.

It is noted, lastly, that the Aedes Group has applied the provisions of Consob resolution 15519 of 27th July 2006, relevant to the financial statements and Consob Communication 6064293 of 28th July 2006 relevant to company disclosure.

It is specified that to provide greater clarity, with effect from 1st January 2015, the value of the fair value revaluation reserve, previously classified under "Gains and losses from previous years" has been reclassified to "Revaluation reserves fair value and other reserves" for Euro 123 thousand. "Other gains/(losses) recognised in equity" at 31st December 2015 amounted to 167 thousand and they have therefore been classified for Euro 367 thousand in "Revaluation reserves at fair value" and for minus Euro 200 thousand in "Gains/(losses) carried forward". The handling of this and other reserves is best demonstrated in the consolidated statement of changes in equity.

4.8 Consolidation principles

For the purposes of consolidation, the financial statements at 31st December 2016 of the companies included in this area have been used, prepared in accordance with Group accounting principles, which relate to IFRSs.
The perimeter of consolidation includes the subsidiaries, associated companies and holdings in joint ventures. Subsidiaries are all entities over which the Group has the power, directly or indirectly, to determine the relevant activities (i.e the financial and operating policies). A joint venture is a company where the financial and operating policy decisions on the Company's major business units are taken with the unanimous consent of the parties sharing control. An affiliate is a company in which the Group has a significant influence but does not control the important activities of the subsidiary.

The principles of consolidation can be broken down as follows:

- subsidiaries are consolidated using the full consolidation method based on which the assets and liabilities, costs and revenues of the financial statements of the subsidiaries in their overall amount are taken on, regardless of the extent of the investment held; the book value of investments is eliminated against the underlying equity shares; the balance sheet and income statement transactions between fully consolidated companies, including dividends distributed within the Group are eliminated; minority interests are recorded in the specific equity item and similarly the share of the profits or losses of third-party interests are shown separately in the income statement;
- all balances and intragroup transactions, including any unrealised assets arising from transactions entertained with Group companies, are completely eliminated. Unrealised losses are eliminated except where the same represent an impairment indicator to be recorded in the Income statement;
- holdings in affiliates and joint ventures are accounted for using the equity method. The book value of the investments is adjusted to reflect the share of the investee in the economic performance of the subsidiary achieved subsequent to the purchase date;
- profits arising from transactions between companies included within the perimeter of consolidation are valuated using the equity method, which are not realised through transactions with third parties, are eliminated based on the percent of investment.

Financial statements for the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are filed in, functional currency of the Holding and for the filing of the consolidated financial statements of the Aedes Group. It is specified that, in the perimeter of consolidation, there are no companies that prepare their financial statements in currencies other than the Euro.

Business combinations are accounted for using the purchase method required by IFRS 3. At the acquisition date the assets and the transaction liabilities are recorded at fair value at that date, with the exception of deferred tax assets and liabilities for employee benefits, any stock option plans as well as assets classified as held for sale, which are evaluated according to the reference principle.

The acquisition-related costs are recognised in the income statement as incurred.

Goodwill represents the excess of the aggregate of the acquisition price, the equity attributable to third-controlling interest and the fair value of any holding previously held in the acquired entity over the fair value of net assets and liabilities acquired at the date of acquisition.

If the net assets and liabilities acquired at the acquisition date exceed the amount of the consideration for the acquisition, the net equity attributable to third parties and the fair value of any previously held shareholding in the acquiree, that excess is recognised in the income statement of the year in which the transaction was concluded.

The share of net equity attributable to third-party, at the acquisition date, can be measured at fair value or at the pro-rata value of net assets recognised for the acquired company. The choice of measurement method is made transaction by transaction.

For the purpose of calculating goodwill, any acquisition payments subject to conditions, provided by the business combination, are measured at fair value at the acquisition date and included in the value of the purchase consideration. Any subsequent changes to this fair value which qualify as adjustments arising from additional information on existing facts and circumstances at the date of the business combination and in any case materialising within one year are included in goodwill retrospectively.

In the case of business combinations achieved in stages, the holdings previously held in the acquired company are remeasured at fair value at the date of acquisition of control and any profit or loss that follows is recognised in the income statement in the year in which the operation has been completed.
If the values of assets and liabilities acquired are incomplete at the date of the financial statements, the Group reports provisional amounts that will be subject to adjustment during the measurement period within twelve months, to take account of new information obtained about facts and circumstances existing at the acquisition date, which, if known, would have affected the value of assets and liabilities recognised at that date.

With particular reference to the above identified group, for the preparation of this report, we have taken into account recent guidelines of doctrine, expressed in particular in the Exposure Draft issued in June 2016 by the IASB (ED/2016/1), already adopted for the preparation of the abbreviated half-yearly report at 30th June 2016 and the consolidated interim report at 30th September 2016.
In particular, we have developed an internal policy aimed at identifying the criteria and evaluations to distinguish a business combination from purchases of assets. Where, in the context of an acquisition, the fair value acquired is substantially focused on a single task or on a homogeneous category of activity, the acquisition transaction is classified as a purchase of assets and related liabilities. In the case where the fair value cannot be concentrated on a specific category of operations, it is proposed to assess the presence of resources and processes articulated in the context of net assets acquired which are able, in their combination and interaction, to generate specific results. Only in such circumstances is the acquisition transaction classified and accounted for as a business combination.

If in the context of the transaction qualifying as a purchase of assets an asset is acquired, the consideration paid is allocated to individual assets in proportion to their fair value.

4.9 Accounting policies

NON-CURRENT ASSETS AND LIABILITIES

Goodwill

Goodwill represents, on the acquisition date, the part of the acquisition cost that exceeds the acquirer's interest in the fair value of the assets and liabilities acquired. Goodwill is not amortised, but is subject to an assessment to identify any impairment losses (impairment test) annually or whenever the indicators become apparent.
In order to perform a correct analysis of the congruity of the goodwill, it has been allocated to each of the units generating financial flows (Cash Generating Units, C.G.U.) that benefit from the effects of the acquisition.

Intangible fixed assets

An intangible fixed asset is recognised only if identifiable, verifiable and if expected to generate future economic benefits and if its cost can be reliably measured.
Intangible fixed assets are recorded at purchase cost, net of accrued amortisation and impairment.
Amortisation is calculated starting from when the asset is available for use or is capable of operating in the manner expected by management and is terminated as at the date in which the asset is classified as owned for sale or is written off for accounting purposes.
Concessions, licences and trademarks are booked at their historic cost, net of accrued amortisation and impairment. Amortisation is recognised based on the lesser period between the contractual duration and the period within which the asset is expected to be used.
Licences for purchased software are recognised on the basis of costs incurred for the purchase and commissioning of specific software, net of accumulated depreciation and accumulated impairment losses. These costs are amortised based on their useful life.
Costs associated with the development or maintenance of computer programs are recorded as costs at the time when they are incurred. The costs for the development of computer software recognised as assets are amortised over their estimated useful lives.

Investment properties

Investment properties consist of real estate property held to earn rental revenue or an appreciation of the invested capital, or as areas for development and building of real estate property in order to earn rentals.
Investment properties can, therefore, be broken down as follows:

- **Fixed investments**: initially recognised at cost, including transaction costs. Subsequent to the initial entry, these fixed investments are booked at fair value, which reflects the market conditions as at the date of the financial statements. The profits and losses deriving from the change in the fair value of the fixed investments are recorded in the income statement for the year in which the same occurred;
- **Properties under development**: accounted for using the cost criterion until their fair value can be reliably determined on a continuous basis and, after that time, recorded at fair value with an equal treatment of fixed investments. It should be noted that, in relation to what is stated in Consob Recommendation no. DIE/0061944 dated 18th July 2013, on the basis of the procedure approved on 28th September 2016 by the Board of Directors, the Group identified the approval of the urban planning agreement by the competent authority at the time when the ongoing property initiatives in progress can be measured at fair value.

Investment property is initially recognised at cost, including transaction costs, and subsequently measured at fair value, recognizing in the income statement under "Adjustments to fair value" effects from changes in fair value of the property investment.

Fixed investments are eliminated from the financial statements when they are sold or when the investment suffers impairment and no future economic benefits are expected from the disposal of the same. Any gains or losses arising from the retirement or disposal of an investment property are recognised in the income statement in the year of the withdrawal or disposal. Reclassifications from/to investment properties usually occur when the use of the same is changed. For reclassifications from investment property to property in direct use (instrumental property), the reference value of the property for subsequent accounting is the fair value at the date of change of use. The real estate portfolio is valued every six months with the support of an independent external expert, with recognised and relevant professional qualification and recent experience in the location and features of the properties evaluated.
The fair value is the amount for which an asset could be exchanged or which is payable to transfer the liability ("exit price"), in an arm's length transaction between informed and independent parties. Consequently it is assumed that the company is a going concern and that neither party has the need to liquidate their assets in a forced sale on unfavourable conditions.
For the measurement of the individual properties the type of renter currently occupying the property, the division of the insurance responsibilities and maintenance between the lessor and lessee and residual economic life of the property is taken into consideration.

Other tangible assets

Other tangible assets are reported at purchase or production cost, including directly attributable ancillary costs, net of depreciations and impairments accrued.
Depreciation is calculated starting from when the property is available for use or is potentially able to provide the economic benefits associated to the same.
Depreciation is calculated on a straight line basis at rates that reflect the useful life or, in the case of disposal, until the end of use.
Subsequent costs are included in the book value of the asset and are recorded as a separate asset, depending on the more appropriate method, only when it is probable that the future economic benefits associated to the item will benefit the Group and the cost of the item can be reliably measured. All other costs for repairs and maintenance are recorded in the income statement during the year in which the same are incurred.
The rates of depreciations, unchanged compared to the previous year, are the following:

- Plants and machinery 20%
- Equipment 20% or, if lower, duration of the rental contract
- Other assets– Vehicles 25%
- Office machinery 20%-50%
- Furniture and fixtures 12%

Financial charges relevant to the purchase are charged to the income statement unless they are directly attributable to the purchase, construction or production of an asset that justifies the capitalisation, in which case they are capitalised. The capitalisation of the financial charges terminates when all of the necessary activities to render the asset available for use are completed.
Improvements of third-party assets are classified under tangible fixed assets based on the nature of the cost incurred. The depreciation period corresponds to the lesser between the residual useful life of the tangible fixed asset and the residual duration of the lease contract.

Financial leasing

The definition of a contractual agreement as a leasing transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment whether the fulfilment of the agreement itself depends on the use of one or more specific assets or if the agreement transfers the right of use to such as set. The verification that an agreement contains a leasing is performed at the beginning of the agreement.
A lease contract is classified as financial or operating leasing at the start of the lease itself. A lease contract that basically transfers to the Group all of the risks and benefits arising from the ownership of the leased asset is classified as financial leasing.
Financial leases are capitalised as at the start date of the lease at the fair value of the asset leased or, if lesser, the current value of the instalments. The instalments are divided between principal and interests in order to obtain the application of a fixed interest rate on the residual balance of the debt. Financial charges are charged to the income statement.
Operating lease instalments are recorded as costs in the income statement on a straight-line basis for the duration of the contract.

Impairment of assets

At each date of preparation of the financial statements, the Company reviews the carrying value of the tangible and intangible assets and the investments to determine if there are indications that these assets have suffered an impairment. Should these indications exist, the recoverable amount for such assets is estimated to determine the possible amount of the impairment.

The verification consists of the comparison between the estimated recoverable value of the asset and the relevant net book value.
If the recoverable amount of an asset is less than the net book value, the latter is reduced to its recoverable amount. This reduction constitutes an impairment loss, which is recorded in the income statement in the period in which it occurs.
The recoverable amount of an asset is the higher of net selling price and value in use. The value in use is the current value of expected cash flows generated by the asset. In order to assess the impairment, assets are analysed starting from the lowest level for which the separate cash generating units can be identified.
Intangible and tangible fixed assets not subject to amortisation/depreciation (indefinite useful life), as well as the intangible fixed assets not yet available for use, are subject to an annual impairment test.
In the presence of an impairment reversal indicator, the recoverable value of the asset is recalculated and the book value is increased to this new amount. The increase of the book value cannot, in any case, exceed the net book value that the fixed asset would have had should the impairment loss not have occurred.
The impairment loss of goodwill cannot be reversed.
With reference to property assets, assessments are performed for each individual property based on appraisals prepared by independent third parties. In this context, in consideration of the asset subject to assessment, we note that the methods used are the following:

- transformation method: based on the discounting, as at the appraisal date, of the cash flow generated during the period in which the property transaction is executed; the cash flows are the result of the difference between costs and revenues;
- direct comparison method: based on the comparison between the asset at hand and other similar assets subject to sale or currently offered on the same market or commercial markets;
- revenue method: based on the current value of the potential future revenue of a property, achieved by capitalising the revenue at a market rate.

For investments, given their nature (mainly real estate), the impairment assessments are developed on the basis of book equity appropriately adjusted in order to consider the fair value for the properties owned by each company, taken from the above real estate appraisals.

With reference to non-property investments, assessments are developed based on the values recoverable through use, based on the future activity forecasted by the Management.

Investments in joint ventures

These are companies over whose activities the Group has joint control as defined by IFRS 11. The consolidated financial statements include the Group's share of results of joint ventures, accounted for using the equity method from the date that joint control starts until it ceases to exist.

Investments in associated companies

These are companies in which the Group exercises significant influence, but not control or joint control, over financial and operating policies. The consolidated financial statements include the Group's share in the results of the joint ventures, booked using the equity method, starting from the date in which the significant influence started up to the moment in which the same ceases to exist.

Investments in other companies

As required by IAS 32 and IAS 39 holdings in companies other than subsidiaries, affiliates and joint ventures are classified as financial assets available for sale (AFS) and are measured at fair value except for cases where the fair value cannot be determined; in the latter eventuality the cost method is used, adjusted for impairment losses.
Gains and losses arising from changes in fair value are entered in the statement of comprehensive revenue.

In the presence of an impairment loss or in the event of sale, profits and losses in value compared to the original cost, recorded up to such time directly within the Shareholders' Equity, are booked in the income statement.

Financial assets

In compliance with the provisions of IAS 32 and 39, financial assets are classified into the following four categories:

1. financial assets at fair value;
2. investments held to maturity;
3. loans and financial receivables similar to loans;
4. financial assets available for sale.

The classification depends on the purpose for which the assets are purchased and held and the Management determines the initial classification at the time of their initial recognition, subsequently checking it at each balance sheet date.
Here below is a description of the main characteristics of the assets mentioned above.

FINANCIAL ASSETS AT FAIR VALUE

This category is broken down into two sub-categories:

- financial assets held specifically for trading;
- financial assets designated at fair value at inception. This category also includes all financial investments other than equity instruments that do not have a quoted price in an active market but whose fair value can be determined.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used for hedging purposes in order to reduce the interest risk rate variability.
All derivative financial instruments are measured at fair value, pursuant to IAS 39.
When the financial instruments have the characteristics to be booked in hedge accounting, the following accounting treatments are applicable:

- *Fair value hedge* – If a derivative instrument is designated as a hedge against exposure to changes of the fair value of an asset or liability booked in the financial statements attributable to a particular risk that can impact the income statement; the profit or loss deriving from the subsequent changes in the fair value of the hedging instrument are recorded in the income statement. The profit or loss of the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item and are recognised in the income statement.
- *Cash flow hedge* – If a derivative financial instrument is designated to hedge the exposure to the variability of the future cash flows of an asset or liability booked in the financial statements or a highly probable transaction that could impact the income statement, the effective part of the profits or losses on the derivative financial instrument is recorded in the Shareholders' Equity. The cumulative profit or loss is removed from the Shareholders' Equity and recorded in the income statement in the same period in which the relevant economic effect of the transaction subject of the hedge is recognised. The profit or loss associated with a hedge (or part of a hedge) which has become ineffective is immediately booked in the income statement.

INVESTMENTS HELD TO MATURITY

Represent non-derivative assets, with payments that are fixed or that can be determined at fixed maturities, which the Group intends to hold until maturity (i.e. subscribed bonds).
The assessment of the intent and ability to hold the security to maturity is performed when it is first recorded and is verified as at each date of the financial statements.
In the event of early sale (significant and not in exceptional circumstances) of investments in this asset class, the whole portfolio of assets is reclassified and assessed at fair value as financial assets held for trading.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and for which the Group does not intend to perform trading operations.

They are included in the current assets except for the parts with a maturity greater than 12 months from the date of the financial statements, which is classified as a non-current asset.

FINANCIAL ASSETS AVAILABLE FOR SALE

This is a residual category represented by non-derivative financial assets that are designated as available for sale and are not classified in one of the categories described above.
They are classified as fixed assets unless the management intends to dispose of them within 12 months from the balance sheet date.
Detailed below are the effects in terms of accounting for the identification of financial assets in the identified categories.
“Financial assets measured at fair value directly on the income statement” and “available-for-sale financial assets” are recorded at their fair value plus purchase-related costs.
Profits or losses on the assets held for trading are immediately recorded in the income statement.
Gains or losses relevant to financial assets available for sale are recorded as a separate equity component until the same are not sold or otherwise disposed of, or until it is ascertained that they have suffered an impairment loss. On occurrence of such events, all of the gains or losses, in excess compared to the original cost, up to such time recorded directly within the Shareholders’ Equity, are recorded on the income statement.
In the case of securities traded on regulated markets, fair value is determined by reference to quoted market prices (bid prices) at the end of trading on the balance sheet date.
When a market price is not available for the investment, fair value is determined either based on the current market value of another similar financial instrument or by using appropriate valuation technologies, such as Discounted Cash Flow (DCF, i.e. the analysis of Discounted Cash Flows).
Purchases or sales regulated at “market prices” are recorded as at the trading date, which corresponds to the date on which the Group undertakes to purchase or sell the asset.
In the case where the fair value cannot be reliably determined, the financial asset is valued at cost, with an indication in the notes of the type and the reasons for it.
“Investments held to maturity” and “loans and receivables similar to loans” are measured at amortised cost using the effective interest rate and taking into account any discounts or premiums obtained at the time of acquisition, can be recognized over the entire period until the maturity date. Gains or losses are entered in the income statement either when the investment reaches maturity or when an impairment loss, just as they are entered during normal amortisation period provided by the amortised cost criterion.
Investments in financial assets can be derecognised (derecognition process) only on the expiry of the contractual rights to receive cash flows deriving from them (e.g. the final redemption of bonds) or if the Group transfers the financial asset together with all the risks and benefits related to them.

Non-current assets held for sale

A non-current asset is classified separately as a non-current asset held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continued use. For sale to be highly probable it is necessary to start the preparatory activities for the sale of the same and that the completion of the sale occurs within a year of the classification date. The Company measures a non-current asset classified as held for sale at the lesser between its book value and fair value net of sales costs.
In compliance with IFRS 5, the figures relevant to the assets held for sale are shown in two specific items of the balance sheet: “Non-current assets held for sale” and “liabilities relevant to Non-current assets held for sale”. From the date on which such assets are classified as fixed assets held for sale, their depreciation is suspended.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying value of assets and liabilities and their tax basis (full liability method).
Deferred tax assets and liabilities are calculated based on the tax rates expected to be applicable at the time such deferments are realised, considering the rates in force or those expected to be issued.
They cannot be discounted back and are classified among the non-current assets/liabilities.
Prepaid and deferred taxes are credited or charged to equity if they relate to items that are credited or charged directly to equity in the year or in previous years.

Prepaid taxes are booked only when recovery is probable in future years. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced in the measure that it is no longer probable that sufficient taxable incomes exist in order to allow the total or partial review of such assets.

Shareholders' Equity

Treasury shares are classified as a reduction in the Shareholders' Equity.
The original cost of the treasury shares and profits/losses deriving from subsequent sales are recognised as changes to Shareholders' Equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity.
Should any Group company acquire capital shares within the Shareholders' Equity of the Company (treasury shares), the amount paid, including incremental costs attributable (net of revenue taxes), is subtracted from the Shareholders' Equity attributable to the holders of the Company capital until the shares are not cancelled, reissued or disposed. Should such shares be subsequently sold or reissued, whatever price is received, net of all additional costs of directly attributable transactions and relevant effects of revenue taxes, is included in the Shareholders' Equity attributable to the holders of capital of the Company.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a definite nature and whose existence is certain or probable and that as at the closing date of the financial year are indeterminable for amount or date of occurrence. Allocations are recognised when: (i) it is probable that an actual, legal or implicit obligation exists as a result of a past event; (ii) it is probable that the fulfilment of the obligation is not gratuitous; (iii) the amount of the obligation can be reliably estimated. Allocations are booked at the amount representing the best estimate of the amount that the company would rationally pay to extinguish the obligation or to transfer the same to third parties as at the closing of the financial year. When the financial effect of timing is important and the dates of payment can be reasonably estimated, the allocation is subject to discounting; the increase of the provision due to the passing of time is recognised in the income statement at the item "Financial incomes (charges)".
When the liability is relevant to tangible assets (i.e. land reclamation), the provision is recorded as an offset to the related asset; the recognition in the income statement occurs through the amortisation process.
Provisions are periodically updated to reflect changes in cost estimates, timing of implementation and the discount rates; changes in estimates of the provisions are charged to the same item of the income statement that discount reported the allocation or, when the liability is relevant to tangible assets (i.e. land reclamation), in offset to the asset to which it relates.
Potential liabilities are illustrated in the explanatory notes, represented by: (i) possible (but not probable) obligations arising from past events and whose existence will be confirmed only by the occurrence or not of one or more uncertain future events not wholly within the control of the company; (ii) present obligations arising from past events whose amount cannot be reasonably estimated or whose settlement is not likely to be onerous; (iii) obligations of the types described in paragraphs (i) and (ii) relating to affiliates and joint ventures, both in the case where the potential liability is proportionate to the interest held and in the event that the Company is fully liable for contingent liabilities of the associate or joint ventures.

Employee benefits

The benefits to employees following termination of employment (post employment benefits - severance indemnities) and other long-term benefits (other long-term benefits) are subject to actuarial valuations.
Using this method the liability booked in the financial statements represents the current value of the obligation, net of any other plan asset, adjusted for any actuarial losses or profits not booked.

In addition, for Group companies with less than 50 employees, the liability assessment continues to be carried out using the actuarial methodology known as the "projected unit credit method".
Following the amendment to the standard IAS 19 "Employee Benefits", effective from 1st January 2013, the Group recognises the actuarial profits and losses immediately in the statement of other comprehensive profits/(losses) so that the entire net amount of the provisions for defined benefits (net of plan assets) are recorded in the consolidated financial position statement. The amendment also provides that the variations between one

financial year to the next of the provision for defined benefit plans and plan assets must be broken down into three components: cost components relevant to the service period of the financial year must be recorded in the financial statements as “service costs”; the net financial charges, calculated applying the appropriate discount rate to the net balance of the provision for defined benefits net of the assets resulting at the beginning of the financial year, must be recorded in the income statement as such, the actuarial profits and losses that result from the remeasurement of the liabilities and assets must be recognised in the statement of other comprehensive profits/(losses).

Financial payables

Financial payables are initially recognised at fair value, net of any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.
Loans are classified as current liabilities unless the Group does not have the unconditional right to defer the payment of the liability for at least 12 months after the date of the financial statements.

CURRENT ASSETS AND LIABILITIES

Inventories

Inventories consist of lands - also to be built on -, properties under construction and renovation, completed properties, for which the purpose is the sale to third parties and not maintaining the same in the property portfolio in order to generate rental revenue.
Lands to be built on are valued at the lesser between the cost of acquisition and the corresponding presumed realisation value. The cost is increased by incremental expenses and financial charges eligible for capitalisation where the following conditions are present:

- the Management has taken a decision on the allocation to the areas of use, development or direct sales;
- costs are being incurred to obtain the asset;
- financial charges are being incurred.

Properties under construction and/or being restructured are valued at the lower of cost, including incremental expenses of their value and capitalizable financial charges, and estimated realizable value.
Properties to be sold are valued at the lesser between the cost and market value based on similar property transactions by area and type. The purchase cost has risen by and incremental costs incurred at the time of sale.

Receivables booked in current assets, trade receivables and other receivables

Credits are initially recognised at fair value of the consideration to be received, which for this type normally corresponds to the nominal value indicated in the invoice, adjusted (if necessary) to the estimated realizable value by provisions for the adjustment of the nominal values. Subsequently, receivables are measured using the amortised cost method, which generally corresponds to nominal value.
Accounts payable are initially recognised at fair value of the consideration to be paid and usually their amount is easily identified with a high degree of certainty. Subsequently, payables are measured using the amortised cost method, which generally corresponds to nominal value.

Cash and cash equivalents

Cash and cash equivalents include: cash on hand, demand deposits with banks and other short-term highly liquid investments. Bank overdrafts are recognised as loans under current liabilities in the consolidated equity-financial situation statement.

INCOME STATEMENT

Sale of assets

Revenues from the sale of assets are recognised only when all of the following conditions are satisfied:

1. the risks and benefits relevant to the ownership of the assets for the most part have been transferred to the purchaser;
2. the effective control over the assets sold and the normal continuing level of activities associated to the ownership are terminated;
3. the value of the revenues can be reliably calculated;
4. it is probable that the economic benefits stemming from the sale will be used by the company;
5. costs incurred or to be incurred can be reliably calculated.

In the case of real estate these conditions are deemed normally fulfilled by the notarial deed.

Services rendered

Revenue from a transaction for the supply of services must be recorded only when it can be reliably estimated, with reference to the stage of completion of the transaction as at the date of the financial statements. The result of a transaction can be reliably estimated when all of the following conditions are satisfied:

1. the amount of the revenues can be reliably measured;
2. it is probable that the company enjoys the economic benefits of the transaction;
3. the stage of completion of the transaction as at the date of the financial statements can be measured reliably and the costs incurred for the transaction and the costs to be incurred to complete the same can be reliably calculated.

With particular reference to the leasing contracts, should the same provide financial incentives in favour of tenants for initial lease periods, these incentives are recorded on a straight line basis over the contractual term as required by the international standard IAS 17.

Interests

Financial revenue is recognised in the income statement on an accruals basis, based on the interest accrued using the effective interest rate method.

Financial charges incurred for investments in assets that normally require a specific amount of time in order for the asset to be ready for use or sale (qualifying asset pursuant to IAS 23 - Financial charges) are capitalised and amortised over the useful life of the asset class to which the same relate.
All of the financial charges are recorded in the income statement during the year in which the same were incurred.

Dividends

Dividends are recorded at the time when the shareholders have the right to receive payment, which normally corresponds with the date of the Shareholders' Meeting called to resolve on the distribution of the same.

Current taxes

Current taxes are calculated on the basis of a realistic estimate of the taxes payable pursuant to the tax laws in force. The estimated liability is recorded in the item "Taxes payable". Tax assets and liabilities for current taxes are recorded at the amount expected to be paid/recovered to/from the tax authorities applying the rates and tax law in force or substantively approved as at the financial statements date.

Aedes SIIQ S.p.A, as Parent Company pursuant to art. 2359 of the Italian Civil Code has joined through joint exercise of the option with various subsidiaries, the Group taxation pursuant to art. 117 *et seq.* of the Italian Presidential Decree 917/86 (so-called national tax consolidation).
As noted, the national Tax Consolidation allows the calculation by Aedes SIIQ S.p.A. (consolidator company) of a single taxable base, resulting from the algebraic sum of the taxable amount or tax loss of each participating company. Joining the Group taxation is optional and, once exercised, is irrevocable binding the joining companies for three years. Subsidiaries of Aedes SIIQ S.p.A. that for 2016 tax year opted for group taxation pursuant art. 177 *et seq.* of Italian Presidential Decree 917/86, are: Aedes Project S.r.l. in liquidation, Aedes Real Estate SGR S.p.A., Cascina Praga SIINQ S.p.A., Novipraga SIINQ S.p.A., Praga Construction S.r.l., Praga Real Estate Service S.r.l., Pragaotto

S.r.l., Pragaquattro Centre SIINQ S.p.A., Pragasei S.r.l., S.r.l. Pragasette in liquidation, Pragaundici SIINQ S.p.A., Satac SIINQ S.p.A. and Società Agricola La Bollina S.r.l..
The economic effects of the National Tax Consolidation are governed by special regulations between the consolidating and the consolidated companies; in these regulations, it is - in general - envisaged that:

1. subsidiaries, for the financial years with positive taxable revenue, will pay Aedes the amount equal to the tax payable in respect to the above tax (subsidiaries with taxable revenue reduce their tax liability with their losses from previous years);
2. the consolidated companies with negative taxable revenue are distinguished from those with prospects of profitability that allow with reasonable certainty, in the absence of a national consolidated tax return, the recognition of deferred tax credits related to the negative assessment itself on the financial statements and those without these profitability prospects:
   - the consolidated companies with a negative taxable revenue in the first category, whose taxable revenue is calculated for the purposes of this paragraph in compliance to the provisions of letter a), receive from Aedes a compensation corresponding to the lesser between the tax savings achieved by Aedes and deferred tax assets pursuant to the previous letter d); moreover, the compensation will be paid and result as due when and if the tax savings is effectively achieved by Aedes;
   - the consolidated companies with a negative taxable amount in the second category do not have the right to any compensation.

On 23rd December 2016, the newly formed company Sedea S.p.A. announced the exercise of the option for the SIIQ taxation regime for the tax year 2017.
Various companies of the Group opted, for the tax year 2016, for the particular procedure of Vat compensation provided by Italian Ministerial Decree 13th December 1979, containing the regulations for the implementation of the provisions pursuant to article 73, last subsection (so-called Group Vat payment).
Here below is the list of the subsidiaries that participated in the Group Vat payment in 2016: Cascina Praga SIINQ S.p.A., Novipraga SIINQ S.p.A., Praga Construction S.r.l., Praga Real Estate Service S.r.l., Pragaotto S.r.l., Pragaquattro Centre SIINQ S.p.A., Pragasette S.r.l., Pragaundici SIINQ S.p.A., Satac SIINQ S.p.A..

Earning per share
The basic earning per share is calculated by dividing the profit/loss overall in the period attributable to holders of ordinary shares of Aedes SIIQ S.p.A. by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.
The diluted earning per share is determined by adjusting the weighted average number of shares in circulation, to take into account all potential ordinary shares, having a dilutive effect.

ACCOUNTING ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of financial statements and related notes in accordance with IFRS requires the Directors to apply accounting principles and methods that, in certain circumstances, are based on difficult and subjective valuations and estimates, which are based on historical experience and assumptions that are from time to time considered reasonable and realistic under the related circumstances which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the income statement. It should be noted that the assumptions made about future performance are characterised by significant uncertainty. Therefore it cannot be ruled out that in the future there will be results different from the estimates which may therefore require possibly considerable adjustments and which cannot be predicted or estimated.
The estimates and assumptions are primarily used with reference to the assessment of the recoverable value of the investments, the valuation of fixed investments and inventories, the recoverability of receivables, the fair value measurement of derivatives and the measurement of provisions for risks and charges.

With particular regard to the valuation of investment property (Euro 341.4 million at 31st December 2016) and inventories (Euro 56.3 million at 31st December 2016), it should be noted that the assessment of fair value, performed with the support of independent experts, is derived from variables and assumptions concerning the future performance which may vary significantly and thus produce changes - in the book value of property - which cannot be foreseen or estimated at present.

The main variables and assumptions characterised by uncertainty are:

- the net cash flows expected from the property and their timing;
- inflation rates, discount rates and capitalization rates.

Refer to Note 34 - IFRS 13 for more information on how to determine the fair value of the property and the "Independent Auditors' Ratings" section of the Management Report for information on the selection process for independent auditors.

Similar considerations apply to the valuation of holdings in affiliates and joint ventures (Euro 40.5 million at 31st December 2016) whose net assets reflect the fair value measurement of the investment properties.

4.10 Management of main business risks

We set out below the main sources of risk and the hedging strategies adopted.

STRATEGIC RISKS

Market risk

Market risk is the possibility that changes in the general economy, exchange rates, interest rates or commodity prices will adversely affect the value of assets, including real estate, liabilities or expected future cash flows.
The Company periodically performs a sensitivity analysis in order to monitor the effects of changes to the discount or capitalisation rates or revenues on the value of the assets themselves.

OPERATING RISKS

Credit risk

Credit risk mainly consists in the possibility that clients, in particular the tenants of assets owned, are insolvent. The Group is not characterised by significant concentrations of credit risk given the adequate diversification in terms of renters.
The activity carried out to reduce the exposure to credit risk is based on an analysis of the composition of the client portfolio for each business area aims to ensure adequate security as to the financial solidity of the clients themselves. Where deemed necessary suitable guarantees are required for property transactions.
The maximum theoretic exposure to credit risk for the Group is represented by the book value of the financial assets reported in the financial statements, as well as by the par value of the guarantees issued on payables of third-party commitments indicated in Note 32.
Most of the financial assets are due from associated companies. These financial assets are mainly represented by receivables, the collection of which is related to the development/transfer cycle of the property assets of the associated companies. Any write-downs of financial assets takes place on an individual basis and it is believed that impairment losses are representative of the actual bad debt risk.

Rental risk

The rental risk is the possibility that the property assets will be vacant for long periods of time, exposing the Group to a reduction in cash flows from rent and an increase in real estate costs.
The Group has adopted a policy aimed at having a constant relationship with tenants in order to retain the same.
The current situation in the property market, especially with reference to the business sector, does not rule out the possibility that certain tenants may, on the expiry of the contract or during the window of exercise of the so-called break option, exercise the right to terminate the lease or demand renegotiation of the rent.
The Group monitors this risk by maintaining constant relations also with the leading specialised real estate agencies.

Risks arising from the use of construction companies

The Group in the development of its initiatives makes use of construction companies whose relations are governed by specific contracts under the law. Although the Group uses leading construction companies and tender contracts which, in the event of disputes with the end user, provide for the possibility for recourse on the contractor, it cannot be ruled out that the mentioned construction companies do not meet their obligations in a timely manner with potential adverse effects on the operating and financial activities of the Group.

COMPLIANCE RISKS

Responsibility pursuant to Italian Legislative Decree 231/01

The risk pursuant to Italian Legislative Decree 231/01, is that the Company may incur penalties related to the regulation of the responsibility of the companies for the commission of the offences pursuant to Italian Legislative Decree 231/01.

In order to limit the aforementioned risk, the Company has adopted an "Organisational Model" or "Model 231", structured into a so-called General Part, which illustrates objectives, structural guidelines and the implementation method for the Organisational Model, and a so-called Special Part that, in summary, describes the criminal offences pursuant to Italian Legislative Decree 231/01 considered significant as a result of the risk assessment work, establishes rules of conduct for the recipients of Model 231, sets standards for the preparation of the procedures in the relevant business areas.

The Company has also drawn up a Code of Ethics, applicable to all persons working for the Group and that have committed to comply and enforce the principles of the Code in the scope of their duties and responsibilities.

The Company has also appointed a Board of Statutory Auditors which has autonomous powers of initiative and control, body in charge of supervising the effectiveness, adequacy, operation and compliance with the Organisational Model, also providing for the constant updating of the same.

Regulations for Listed Companies

The Company has the status of an issuer of securities listed on a regulated market and is therefore subject to specific regulations imposed by operational and control bodies.

The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. In particular, the Company Affairs Department and Investor Relations Department supervises the handling of obligations with respect to management and supervisory authorities, and are responsible for the management of the information provided to the market. This process, which provides for a close coordination with the internal functions for the identification, verification and communication of administration data and information, is carried out in compliance with the specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Manager in Charge.

Responsibility pursuant to Italian Law 262/05

The risk under Law 262/05 relates to the responsibilities of the executive responsible for preparing the Company's financial reports, under Law 262/05.

The Company, in compliance with the regulatory provisions of Italian Law 262 of 28 December 2005, "Investment Law", has adopted an administration-accounting system related to the financial reporting, with the purpose to (i) determine that the Internal Audit System currently in place is able to provide a reasonable certainty regarding the true and correct representation of the equity, economic and financial information submitted; (ii) implement adequate administration-accounting procedures for the preparation of the statutory and consolidated financial statements, as well as any other communication of a financial nature; (iii) guarantee the effective application of the administration and accounting procedures prepared over the year to which the above documents relate.

Tax Risk - SIIQ regime requirements

The risk relative to the SIIQ regime is that the Company may not comply with the profitability and capital requirements for staying in that tax regime, with the consequent loss (in the event that this continues under the terms of the law) of the status of SIIQ. The Company intends to place adequate emphasis on the monitoring of the associated tax risks; the assessments made on the tax model used are prepared with the assistance of selected specialised professionals. Separate book-keeping is provided for taxable and tax exempt transactions. The structure is designed to carry out periodic asset tests and profit tests in order to monitor compliance with the requirements laid down by the legislation including on a prospective basis.

FINANCIAL RISKS

Interest-rate risk

The interest rate risk to which the Group is exposed originated mainly from the medium and long-term financial debt.
Financial payables issued at variable rates expose the Group to a cash flow risk; those issued at fixed rates expose the Group to a fair value risk.
The risk faced by the Aedes Group mainly originates from debt indexed to a variable market rate, with consequent risk of cash flow fluctuations.
The exposures do not include the interest-rate risk on loans at fixed rates, as the changes in fair value are not recognised in the income statement and have no cash flow variables as a function of market conditions.
Interest rate risks can be limited by executing derivatives contracts. The instruments normally used are interest rate swaps "plain vanilla" or "step-up", which transform the variable rate into a fixed rate, and/or cap, which set a maximum limit on the interest rate payable by the Company, and/or collar or instruments represented by the purchase of a cap and sale of a floor, which set a lower limit and an upper limit on the interest rates payable by the company, enabling it to maintain a floating rate within the set range.
The choice of the derivative instrument is made by analysing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

Taking into consideration the particularly advantageous rates and in order to reduce the overall exposure of the Group to the interest rate risk, given that as at year-end of the previous year the Group had 100% of its financial payables at a variable rate, the Company signed, on 4th November 2015, a derivative contract with the following characteristics:

Type	nil cost Collar
Effective date	31st December 2015
Maturity	31st December 2020
Notional	Euro 50 million, Bullet
Variable Rate Euribor	3 months, act/360, quarterly
Cap strike	1.00%
Floor strike	0.00%

The notional subscribed amounts to approximately 30% of the gross financial debt of the Group at 31st December 2016. It is noted that the instrument is not combined with a specific loan but has the purpose of limiting the risk of increasing interests rates on the overall exposure of the Group. Therefore, any variations in the period will be recorded in the income statement as period adjustments to the mark-to-market.

Exchange rate risk

The Group, at 31st December 2016, does not have an exchange rate risk given that it does not have exposures in currencies other than Euro.

Liquidity risk

Liquidity risk is the risk that the Company and the Group is unable to meet its payment obligations due to difficulty in raising funds (funding liquidity risk) or liquidate assets on the market (asset liquidity risk). The result is a negative impact on net revenue in the event that the Company or the Group are forced to incur additional costs to meet its commitments or, as an extreme consequence, a situation of insolvency that endangers business continuity.
The Company, through the Finance Department and continuous supervision by the Parent Company's executive bodies, maintains close monitoring of cash and short-term financial commitments. For this purpose, the Group monitors the liquidity risk through the preparation of a detailed economic and financial budget prepared on a monthly basis, taking into account a period of not less than one year and a consistent management of real estate sales and financial commitments.

In identifying the criteria to be used for the preparation of these financial statements, the Company/the Group has taken into account operational and financial commitments on cash flows affecting all Group companies for a period of 12 months from the date of the next approval of the current year's budget, including the planned investment activities and forthcoming deadlines of specific loan agreements currently in place.
On the basis of the needs arising from the financial budget, the Company has identified the main sources of funding, mainly due to:

- refinancing activities of certain assets;
- sale of certain non-strategic assets;
- rescheduling of short-term credit lines.

Based on the information and the documentary evidence available at the time of preparing the financial statements at 31st December 2016 and on the progress of the initiatives currently in place with regard to the above hedging sources, there are no significant risks regarding the possibility that the actions taken will not be finalised according to the timetable and procedures provided in the financial budget. Accordingly, the Directors consider that there are no uncertainties about the ability of the Company and of the Group to meet its financial obligations, both current and prospective, in the foreseeable future.

4.11 Events after the reporting period

No significant events have occurred since the year end.

4.12 Consolidation area

The consolidated financial statements at 31st December 2016, include the assets, liabilities costs and revenues of the Holding Aedes and the direct and indirect subsidiaries.
The companies in which the Parent Company, directly or indirectly, has significant influence and joint ventures are accounted for using the equity method.

The list of the companies consolidated using the equity method are listed in Annex 1.

Over the year significant changes occurred for the perimeter of consolidation, summarised here below.

On 15th March 2016, the Company purchased 70% of the Redwood Real Estate Fund, owner of 18 properties for commercial purposes for Euro 16,435 thousand; subsequently, on 23rd March 2016, it finalised the purchase with a loan from a primary lender of Euro 13,650 thousand, of the pledged financial receivables of 30% of the Redwood Fund. Simultaneously, the Company purchased from Kyra S.à.r.l. ownership of those units of the Fund. On 30th May 2016 the General Meeting of Holders of the Redwood Fund approved its early liquidation in favour of Aedes, as the sole shareholder of the Fund, through the allocation of real estate and the equity investment of 100% of Redwood Capital S.r.l. owned Redwood Property Fund. The operation was performed by applying the provisions of the Legislative Decree of 12th September 2014, no. 133, the so-called "Unlock Italy", implemented with amendments by the law of 11th November 2014, no. 164.
On 28th June 2016 and 5th August 2016 the Redwood Fund proceeded to the partial redemption of shares for a total of Euro 14,504 thousand in favour of the only quota holder Aedes SIIQ S.p.A..
On 28th December 2016, following the fulfillment of the mandatory number of conditions precedent, we completed the assignment to Aedes of 16 properties of the Fund, with simultaneous transfer of the debt on them, as well as the assignment of the holding of Redwood S.r.l. previously held by the Fund.
The transfer of properties is part of the Aedes SIIQ strategy aimed at consolidating a real estate portfolio with predominantly commercial purpose of use held directly.
On 28th December 2016, due to the occurrence of certain conditions precedent, they were assigned to Aedes 16 properties of the Redwood Fund, with simultaneous transfer of the debt on them, as well as the holding in Redwood S.r.l..

On 11th May 2016 Aedes signed a preliminary contract for the sale to Sator Immobiliare SGR of all shares held in the share capital of Aedes Real Estate SGR; following the formalization of this agreement, the results for the period from 1st January 2016 to the date of the sale of the investment and the comparative period of the subsidiary Aedes Real Estate SGR SpA from 1st January 2015 to 31st December 2015 were therefore classified in the item "Profits/(Losses) after taxes on assets and liabilities held for sale". On 14th November 2016, the Company, following satisfaction of all the suspensive conditions of the preliminary agreement signed on 11th May 2016, completed the sale to Sator Immobiliare SGR S.p.A. 100% of the shares held in the share capital of Aedes Real Estate SGR S.p.A..

On 13th December 2016, the Company incorporated the company Sedea SIIQ S.p.A., by paying 100% of the share capital, Euro 50 thousand.

4.13 Explanatory notes to the Consolidated Financial Statement

ASSETS

Note 1. Investment properties

(Euro/000)	Investment properties	Properties under development	Total
Balance at 01/01/2015	**104,477**	**0**	**104,477**
Balance at 31/12/2015			
Net book value at 01/01/2015	104,477	0	104,477
Increases	80,117	0	80,117
Decreases	(21,870)	0	(21,870)
Reclassifications	(7,206)	109,377	102,171
Adjustment to fair value	1,989	0	1,989
Net book value 31/12/2015	**157,507**	**109,377**	**266,884**
Net book value at 01/01/2016	157,507	109,377	266,884
Increases	41,570	6,470	48,040
Decreases	0	(5)	(5)
Reclassifications	(3,240)	(64)	(3,304)
Adjustment to fair value	36,012	(6,239)	29,773
Change in consolidation scope	0	0	0
Net book value at 31/12/2016	**231,849**	**109,539**	**341,388**

The Company has a balance relating to investment property amounting to Euro 341,388 thousand, an increase compared to the previous year, which had a balance of Euro 266,884 thousand.

The item “Increase in Investment Property”, amounting to Euro 41,570 thousand, is mainly attributable to the acquisition and consolidation of the Redwood Fund and its subsidiary Redwood S.r.l. and to the cost incurred for the purchase of a property located in Via Veneziani, Rome, as well as investments in properties owned.

The item “Properties under development” presents increases of Euro 6,470 thousand attributed to additional costs capitalized related to the following projects Serravalle Retail, Serravalle Village, Caselle Designer Centre, Lotto 10B and Nuovo Ramo Trasversale.

In preparing these consolidated financial statements the Group has made use of CB Richard Ellis Real and K2 as primary independent experts to carry out surveys of the property portfolio.

During the period, there have been some positive adjustments in the fair value of fixed investments to Euro 36,012 thousand, of which:

- Euro 37,131 thousand in positive adjustments detailed as follows:
  - Euro 18,103 thousand relating to the adjustment to fair value of property and licences held by the Redwood Fund and Redwood S.r.l.;
  - Euro 15,757 thousand relating to the property in Via Veneziani, Rome;
  - Euro 2,079 thousand relating to the property in Cinisello Balsamo, Via Gorky;
  - Euro 1,192 thousand relating to other real estate;
- Euro 1,119 thousand in downward adjustments mainly related for:
  - Euro 559 thousand to the property located in Milan, Via San Vigilio;

- Euro 390 thousand to the Hotel Villa Bollina;
- Euro 170 thousand to other properties.

The properties under development instead recorded net downward adjustments in fair value of Euro 6,239 thousand, mainly due for:

- Euro 3,488 thousand to the change in fair value of the project Serravalle Retail Park - Phase C;
- Euro 2,632 thousand to the change in fair value of the Castellazzo Design Centre project;
- Euro 119 thousand to the change in fair value of other development projects.

The “Reclassifications” are mainly attributable to the property in Milan, Viale Umbria, of the Petrarca Fund, now reclassified as inventory, to align the carrying value of the asset disposal strategy.

It is noted that some of the properties in question are subject to mortgages and bank loans, commented in the specific liability section. The value of mortgages securing loans relates in many cases to the original amounts of the loans. In the case of sales of properties or portions of properties that are part of portfolios with subsequent partial repayment of the loans, the mortgages originally stated on an entire portfolio of properties can be maintained for the full amount being levied on the properties alone or residual portions. On sale of the latter the mortgages are completely cancelled.

Here below are the changes in investment properties acquired through financial leasing, already included in the previous table and an integral part of the same:

(Euro/000)	**Total**
Balance at 31/12/2015	
Net book value at 01/01/2015	33,400
Increases	1,975
Adjustment to fair value	4,725
Net book value at 31/12/2015	**40,100**
Net book value at 01/01/2016	
Historical cost	40,100
Amortising fund	0
Net book value	40,100
Balance at 31/12/2016	
Net book value at 01/01/2016	**40,100**
Increases	25
Adjustment to fair value	275
Net book value at 31/12/2016	**40,400**

Future payments from fixed investments acquired under finance leases are as follows:

(Euro/000)	**Licence fees**	**Capital share**
Within 1 year	2,038	1,314
Over 1 year, but within 5 years	17,520	15,413
Over 5 years	0	0
Total leasing fees	**19,558**	**16,727**
Interests	(2,831)	-
Total	**16,727**	**16,727**

Note 2. Other tangible assets

(Euro/000)	Specific plants	Industrial and commercial equipment	Other goods	Total
Balance at 01/01/2015				
Historical cost	1,964	812	3,771	6,547
Amortising fund	(1,914)	(150)	(3,193)	(5,257)
Net book value 01/01/2015	**50**	**662**	**578**	**1,290**
Balance at 31/12/2015				
Net book value at 01/01/2015	50	662	578	1,290
Increases	0	1,936	150	2,086
Reclassifications	0	(6)	(13)	(19)
Decreases	101	(371)	270	0
Amortisations/depreciations and write-downs	(29)	(115)	(172)	(316)
Net book value at 31/12/2015	122	2,106	813	3,041
Balance at 01/01/2016				
Historical cost	2,173	2,548	4,418	9,139
Amortising fund	(2,051)	(442)	(3,605)	(6,098)
Net book value 01/01/2016	**122**	**2,106**	**813**	**3,041**
Net book value at 01/01/2016	122	2,106	813	3,041
Change in consolidation scope	0	3	(1)	2
Increases	3	323	109	435
Decreases	(6)	0	(9)	(15)
Amortisations/depreciations and write-downs	(19)	(397)	(239)	(655)
Net book value at 31/12/2016	100	2,035	673	2,808
Balance at 31/12/2016				
Historical cost	2,170	2,876	4,357	9,403
Amortising fund	(2,070)	(841)	(3,684)	(6,595)
Net book value	**100**	**2,035**	**673**	**2,808**

Other intangible assets amount to Euro 2,808 thousand at 31st December 2016 compared with a value of Euro 3,041 thousand at 31st December 2015. The increases mainly relate to improvements made to the new Group headquarters.

Note 3. Goodwill and other intangible fixed assets

(Euro/000)	Others	Goodwill	Total
Balance at 01/01/2015			
Historical cost	1,289	1,269	2,558
Amortising fund	(1,278)	0	(1,278)
Net book value 01/01/2015	**11**	**1,269**	**1,280**
Balance at 31/12/2015			
Net book value at 01/01/2015	11	1,269	1,280
Increases	63	0	63
Amortisations/depreciations and write-downs	(10)	0	(10)
Net book value at 31/12/2015	64	1,269	1,333
Balance at 01/01/2016			
Historical cost	931	1,269	2,200
Amortising fund	(867)	0	(867)
Net book value	64	1,269	1,333
Net book value at 01/01/2016	64	1,269	1,333
Change in consolidation scope	0	(1,269)	(1,269)
Increases	23	0	23
Amortisations/depreciations and write-downs	(28)	0	(28)
Net book value at 31/12/2016	59	0	59
Balance at 31/12/2016			
Historical cost	954	0	954
Amortising fund	(895)	0	(895)
Net book value	**59**	**0**	**59**

Goodwill, nil at 31st December 2016, amounted to Euro 1,269 thousand at 31st December 2015 and was entirely attributable to the subsidiary Aedes Real Estate SGR S.p.A..

The reduction reflects the sale by Aedes to Sator Immobiliare SGR of all shares held in the share capital of Aedes Real Estate SGR; the sale of the investment took place on 14th November 2016 following fulfillment of all the suspensive conditions of the preliminary contract, as described in further detail in Note 30.

Other intangible assets relate to the charges incurred for application software and other charges for its customisation.

Note 4. Investments in associates and joint ventures

The item investments accounted for using the equity method includes holdings in affiliates and joint ventures:

(Euro/000)	Amounts as at 31/12/2015	Increases	Decreases	Rev. (+) Deval.(-)	Amounts as at 31/12/2016	% of share
Investments accounted for using the equity method						
Aedilia Nord Est S.r.l. - Pival S.r.l.	1,057	0	0	(86)	971	56.52%
Efir S.ar.l. - Dante Retail Fund	21,303	0	(2,593)	1,233	19,943	33.33%
Leopardi Fund	10,650	0	0	(2,694)	7,956	24.39%
Nichelino Village S.c.ar.l.	5	0	0	0	5	50.00%
Parco Grande S.c.ar.l.	5	0	0	0	5	50.00%
Pragasei S.r.l.	6,862	159	0	4,556	11,577	50.10%
Ravizza S.c.ar.l.	5	0	(5)	0	0	0.00%
Serravalle Village S.c.ar.l.	5	0	0	0	5	50.00%
Total	**39,892**	**159**	**(2,598)**	**3,009**	**40,462**	

At 31st December 2016, the item amounted to Euro 40,462 thousand compared to Euro 39,892 thousand at 31st December 2015.

No significant increases were recorded during the year.

The decrease, however, relates to the investment in Efir S.ar.l. - Dante Retail Fund regarding the repurchase of shares during the year and Ravizza S.c.a.r.l. liquidated in 2016.
Write-downs and revaluations relate to the effects of the valuation of investments using the equity method.

Effective 30th June 2016, the Dante Retail Fund, controlled by Efir S.ar.l. 100% signed a derivative contract with a notional amount of Euro 37,500 thousand Bullet, a fixed rate of 0.12%, the fair value of which was 31st December 2016, a negative of Euro 377 thousand, which was ineffective for Euro 247 thousand.

Effective of 30th September 2016 Pragasei S.r.l., has signed a Cap with a notional amount of Euro 4,213 thousands of Bullet, 1.5% rate with a fair value at 31st December 2016, positive for Euro 35 thousand.

As required by IFRS 12 we present below the reconciliation between the net assets owned by the largest affiliates and their carrying value in the accounts:

(Euro/000)	Aedilia Nord Est S.r.l.		EFIR S.ar.l - Dante Retail Fund		Leopardi Fund	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net asset	6,618	5,974	58,372	60,810	32,630	43,666
Elimination of intercompany profits	(4,006)	(4,006)	0	0	0	0
Adjustment for equity valuation of subsidiaries	(168)	0	1,464	3,105	0	0
Other adjustments	(727)	(99)	0	0	(7)	0
% of possession	56.52%	56.52%	33.33%	33.33%	24.39%	24.39%
Value on balance sheet	**971**	**1,057**	**19,943**	**21,303**	**7,956**	**10,650**

As required by IFRS 12 we present below the reconciliation between the net assets held in joint ventures and their carrying value:

(Euro/000)	Pragasei S.r.l.	
	31/12/2016	31/12/2015
Net asset	(459)	(17)
Adjustments to fair value of the fixed assets net of tax effects	23,531	13,714
Other adjustments	36	0
% of possession	50.10%	50.10%
Value on balance sheet	**11,577**	**6,862**

The information regarding the balance sheet figures of the companies measured using the equity method are provided in Annex 3.

Note 5. Financial assets available for sale

The item relates to investments in other companies and is broken down as follows:

(Euro/000)	Balance at 31/12/2015	Decreases	Adjustment to fair value	Reclassification	Balance at 31/12/2016	% of share
Shareholdings						
Real Estate Investietico Fund	1,963	(1,936)	0	0	0	0.00%
Roma Development S.r.l.	0	0	0	0	0	0.49%
Total	**1,963**	**(1,936)**	**0**	**0**	**0**	

This item shows a nil balance at 31st December 2016, compared to Euro 1,963 thousand at 31st December 2015. The investment in the closed real estate fund Investietico was held by Aedes Real Estate SGR S.p.A.. The decrease reflects the sale of the investment in Aedes Real Estate SGR S.p.A. Aedes SIIQ S.p.A. to Sator Immobiliare SGR, as described in further detail in Note 30. It is also noted that during the year the Real Estate Investietico Fund repaid part of the capital for Euro 2,191 thousand. Following the sale, the positive equity reserve resulting from the previous adjustments to fair value, amounted to Euro 516 thousand at 31st December 2015 was recognised in the income statement under “Net revenue/(loss) on assets held for sale”.

Roma Development S.r.l. owns a development area in Rome, La Storta; no changes are reported in the value of the holding, which is completely devalued.

Note 6. Deferred taxes

(Euro/000)	31/12/2016	31/12/2015
Deferred tax assets		
- Deferred tax assets recoverable after 12 months	6,379	1,894
	6,379	**1,894**
Deferred tax liabilities		
- Deferred taxes recoverable after 12 months	(3,921)	(2,691)
	(3,921)	**(2,691)**
Total	**2,458**	**(797)**

Deferred tax assets show a net balance of Euro 2,458 thousand of positive 31st December 2016 compared to negative Euro 797 thousand at 31st December 2015.

Here below is the breakdown of the deferred taxes:

(Euro/000)	31/12/2016			31/12/2015		
	Amount of temporary differences	Tax effect (% rate)	Total	Amount of temporary differences	Tax effect (% rate)	Total
Taxes in advance:						
Deferred tax assets	26,463	24.00%	6,351	7,208	24.00%	1,730
Other residuals	117	24.00%	28	683	24.00%	164
Non-current	**26,579**		**6,379**	**7,892**		**1,894**
Total	**26,579**		**6,379**	**7,892**		**1,894**
Deferred tax liabilities						
Difference between book value and tax value of inventories and fixed investments	(4,746)	27.90%	(1,324)	(3,846)	27.90%	(1,073)
Difference between book value and tax value of holdings in joint ventures	(10,821)	24.00%	(2,597)	(5,517)	24.00%	(1,324)
Other residuals	0	24.00%	0	(1,225)	24.00%	(294)
Non-current	**(15,566)**		**(3,921)**	**(10,588)**		**(2,691)**
Total	**(15,566)**		**(3,921)**	**(10,588)**		**(2,691)**
Deferred tax assets/(liabilities)	**11,013**		**2,458**	**(2,696)**		**(797)**

The Group has tax loss carryforwards, as emerging from CNM in 2016 with reference to the financial year 2015, for a total of Euro 206,135 thousand rising to Euro 217,100 thousand of around in the current year mainly due to the tax losses generated within the tax management of Aedes SIIQ S.p.A..
Despite this, the Group has not recorded the deferred assets for tax losses, if not minimally, also in consideration of the recommendations of the Consob communication no. 0003907 of 19th January 2015, where it is recalled that the booking of a deferred tax asset for tax losses can be recognised "in the measure in which is it probable that a future taxable profit will be available against which the tax losses can be used", as provided by the standard IAS 12. Therefore, even in the current year as in the previous one, to be conservative, the Company proceeded to recognise deferred tax assets on tax losses totalling Euro 6,351 thousand by 80% limit of deferred tax assets recognised in the present balance sheet and deferred taxes (Ires) considered implicitly in the value of the investment in the joint venture company in the tax consolidation of Aedes SIIQ S.p.A..
At 31st December 2016 deferred taxes were recorded for Euro 3,921 thousand, mostly arising from temporary misalignment between the book value and tax value of properties value of properties and holdings in joint ventures.

Note 7. Derivative financial instruments

(Euro/000)	31/12/2016		31/12/2015	
	Activity	Passivity	Activity	Passivity
Current share				
Fair value Cap	230	0	638	0
Fair value Floor	0	605	0	506
Total	**230**	**605**	**638**	**506**

These disclose the fair value of the derivative contracts entered into by the Parent Company during the year 2015 with Banca Popolare di Milan S.c.ar.l. aimed at limiting the risk of increase in the Group's total interest rate exposure.

In continuity with the previous year, the Group has used Ernst & Young Financial-Business Advisors S.p.A. as an independent expert for the valuation of the fair value at 31st December 2016, representing activities for Euro 230 thousand relative to the fair value of the derivative contract "Cap" and liabilities of Euro 605 thousand based on the fair value of the derivative contract "Floor". The change in fair value was recognised in the income statement under "Financial expenses."

There follows the information relevant to the derivative financial instruments at 31st December 2016:

(Euro/000)	Type	Notional	Fair value	Contract end date	Borrowing rate	Lending rate
Hedge provider						
Banca Popolare di Milano	Cap	50,000	230	31/12/2020	1%	3m Euribor q,A/360
Banca Popolare di Milano	Floor	50,000	(605)	31/12/2020	0%	3m Euribor q,A/360

The fair value of open derivative financial instruments as at 31st December 2016 was estimated using the two-level hierarchy (fair value determined on the basis of valuation models powered by observable market inputs).

Note 8. Financial receivables

(Euro/000)	31/12/2016	31/12/2015
Non-current receivables		
Receivables from associated	20,283	19,679
Allowance for doubtful receivables from associates	(6,717)	(6,539)
Receivables due from others	84	72
Total	**13,650**	**13,212**

Financial receivables totalled Euro 13,650 thousand at 31st December 2016 compared to Euro 13,212 thousand at 31st December 2015.
Receivables due from associated companies relate to loans granted at normal market conditions and have a maturity beyond 12 months. For the breakdown of the receivables due from associated companies see Annex 2. The collection of these receivables is relevant to the development and sale of property assets owned by the associated companies. There were no significant changes from the balance at 31st December 2015.

The write-down of the financial receivables due from associated companies was performed in order to adjust the same to the presumed realisable value due to the joint measurement on the same and the investments.

It should be noted that on 15th December 2016, the parent company signed a contract with Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A. and Rubattino 87 S.r.l. to define the methods of adjustment of receivables and payables Aedes SIIQ S.p.A. to the associated companies using the Leopardi Fund; the agreement provides for the compensation of batches, the transfer of real estate and the assumption of the related loan. The effectiveness of the agreement is subject to a suspensive condition that requires the consent of the credit lenders takeover by Aedes of the debt relating to the real estate subject to transfer institutions, provided that must be fulfilled by 30th September 2017.

The total financial assets have a maturity of between 1 and 5 years.

Note 9. Trade receivables and other receivables

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Receivables due from others	242	368
Tax receivables	894	894
Total	**1,136**	**1,262**

(Euro/000)	31/12/2016	31/12/2015
Current		
Receivables due from clients	13,869	12,311
Provision for doubtful accounts	(4,821)	(5,417)
Net loans to clients	9,048	6,894
Receivables from affiliates and other related parties	9,338	8,629
Provision for doubtful accounts	(3,138)	(3,205)
Loans to affiliates and other related parties net	6,200	5,424
Receivables due from parent companies	32	11
Receivables due from others	146	263
Tax receivables	11,075	10,559
Accrued income and prepaid expenses	544	595
Total	**27,045**	**23,746**

It is believed that the book value of trade receivables and other receivables approximates their fair value.

The following is an analysis of the current and non-current trade receivables (due from clients, associated and parent companies) by maturity:

(Euro/000)	Falling due	Overdue by						Total
		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days	
Gross Value	8,848	2,126	721	204	816	947	9,577	23,239
Provision for doubtful accounts	(8)	0	(5)	0	0	(37)	(7,909)	(7,959)
Net trade receivables	**8,840**	**2,126**	**716**	**204**	**816**	**910**	**1,668**	**15,280**

RECEIVABLES DUE FROM CLIENTS

Trade receivables are substantially related to the rental revenue and the provision of services to third parties amounted to Euro 13,869 thousand at 31st December 2016, compared to Euro 12,311 thousand at 31st December 2015. The increase is mainly due to the consolidation of Redwood Fund, of Redwood S.r.l. and amounts accrued for orders implemented on behalf of third parties, in particular relating to the projects Carrefour and Nichelino.

Trade receivables are stated net of provision for doubtful accounts, whose changes are shown below:

(Euro/000)	
Balance at 31/12/2015	**5,417**
Provisions	14
Use	(887)
Release	(245)
Changes in scope	522
Balance at 31/12/2016	**4,821**

Changes in the provision for doubtful accounts recorded a provision of Euro 14 thousand and utilisations for Euro 887 thousand mainly due to the receipt of a claim in the courts, written down in previous years.
Changes in perimeter are attributable to the consolidation of the Redwood Fund.

RECEIVABLES DUE FROM OTHERS

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Others	242	368
Receivables to others, non-current	**242**	**368**

(Euro/000)	31/12/2016	31/12/2015
Current		
Advances to suppliers	1	10
Others	145	253
Receivables to others, current	**146**	**263**

The item “Other receivables Non-current”, amounting to Euro 242 thousand compared to Euro 368 thousand at 31st December 2015, relates to the portion of tax credits and rebates requested by the liquidator of Aedificandi S.r.l., liquidated in July 2014, attributable to Aedes as a former shareholder. In the course of 2016, Euro 126 thousand were collected.

The item “Other receivables Current” of Euro 146 thousand at 31st December 2016, compared to Euro 263 thousand at 31st December 2015 is mainly comprised of receivables due from employees and insurance reimbursements. The reduction is attributable to the departure from the consolidation perimeter of Aedes Real Estate SGR S.p.A..

TAX RECEIVABLES

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Tax credits for Vat	145	145
Tax credits for taxes	749	749
Non-current tax	**894**	**894**

(Euro/000)	31/12/2016	31/12/2015
Correnti		
Tax credits for Vat	2,360	2,025
Tax credits for taxes	8,715	8,534
Current tax	**11,075**	**10,559**

Non-current tax credits, unchanged from the previous period, are eligible for Euro 145 thousand to Vat receivables subject to refund and Euro 749 thousand in other tax credits as follows:

- Euro 268 thousand for the receivable recorded a result of not deducting Irap in the amount provided for under the law in previous years (art. 6, paragraph 1 of the Decree Law 29 November 2008, no. 185, ratified with amendments by Law 28 January 2009, no. 2 which introduced partial deductibility, for revenue tax, regional tax on productive activities) for which it was decided to initiate the procedure for the application for refund;
- Euro 392 thousand relevant to foreign taxes reported on the National and Worldwide Consolidation Form of the former Praga Holding S.p.A., which can be carried forward for a maximum of eight financial years;
- Euro 89 thousand for 2007 Vat credits paid by Praga Holding S.p.A., following the deferred collection pending judgement.

The current tax credits equal to Euro 11,075 thousand, compared to Euro 10,559 thousand in the previous year relate to Euro 2,360 thousand to receivables from tax authorities for Vat (Euro 2,025 thousand in the previous year) and Euro 8,715 thousand to tax receivables (Euro 8,534 thousand in the previous year).

The increase in the current portion of the credit recoverable Vat is mainly attributable to the consolidation of the subsidiary Redwood S.r.l. which is entering a credit for Vat amounting to Euro 273 thousand.

The current portion of tax credits is made up of:

- Euro 6,346 thousand relating to the tax credit for the substitute tax ex L. 266/2005, arising in 2010, of Mercurio S.r.l., merged by incorporation into Aedilia Sviluppo 1 S.r.l. in liquidation and transferred to the Parent Company Aedes SIIQ S.p.A. Within the national fiscal consolidation;
- Euro 803 thousand for Ires receivables arose in previous years under Aedes SIIQ S.p.A. tax consolidation.;
- Euro 537 thousand for Irap credits, which arose in previous years and were not used;
- Euro 226 thousand for Ires and Irap refunds requested in 2012 by the Company and by the companies participating in the consolidated taxation;
- Euro 156 thousand for receivables Ires own Aedes SIIQ S.p.A.
- Euro 364 thousand for receivables from the payment in instalments by Praga Construction S.r.l. of assessed tax arrears following the start of a forced recovery process pending judgement, which is deemed recoverable.
- Euro 283 thousand in tax credits held by the parent and subsidiary companies.

RECEIVABLES FROM ASSOCIATES AND OTHER RELATED PARTIES

For the breakdown of the receivables due from associated companies see Annex 2.

ACCRUED REVENUE AND PREPAID EXPENSES

There follows the breakdown of the current portion of accrued revenue and prepaid expenses:

(Euro/000)	31/12/2016	31/12/2015
Deferred income on property management	264	135
Prepayments for sureties	22	43
Other prepayments and accrued income	258	417
Current accruals and prepayments	**544**	**595**

Accrued revenue and prepaid expenses showed a balance of Euro 544 thousand, compared to Euro 595 thousand and did not change significantly compared to the previous year.

Note 10. Inventories

(Euro/000)	31/12/2016	31/12/2015
Property and licensing	55,680	53,866
Non-real estate inventories	650	597
Total	**56,330**	**54,463**

Inventories at 31st December 2016 amounted to Euro 56,330 thousand, compared to Euro 54,463 thousand in the previous year.
Here below are the changes in Inventory compared to the previous year:

(Euro/000)	Property and licensing	Non-real estate inventories	Total
Balance at 31/12/2015	**53,866**	**597**	**54,463**
Increases	72	1,202	1,274
Decreases	(832)	(1,107)	(1,939)
Reclassifications	3,345	(42)	3,303
(Impairment)/Value recovery	(771)	0	(771)
Balance at 31/12/2016	**55,680**	**650**	**56,330**

The properties and licences inventories totalled Euro 55,680 thousand at 31st December 2016 compared to Euro 53,866 thousand at 31st December 2015;

The “Decrease” of properties and licences include costs of sales of real estate and properties sold during the year, in particular:

- Euro 242 thousand related to the sale of a portion of Platform 9 site complex in Milan, Via Pompeo Leoni/De Angeli;
- Euro 590 thousand related to the sale of a property unit in France at the Carlton Residence.

The “Reclassifications”, amounting to Euro 3,345 thousand are attributable for Euro 3,240 thousand to the building in Milan, Viale Umbria, previously classified as investment property, in line with the asset disposal strategy.

Net write-downs of Euro 771 thousand at 31st December 2016, is the net result of write-downs and impairment losses as detailed below:

- Euro 979 thousand of downward adjustments mainly related to:
  - Euro 532 thousand relating to the property in Cannes, Bv. Croisette;
  - Euro 242 thousand relating to a building site in Milan Via Pompeo Leoni/De Angeli;
  - Euro 146 thousand relating to the Bollina, CMS residential development;
  - Euro 59 thousand related to other real estate;
- Euro 208 thousand of impairment losses on:
  - Euro 180 thousand for the D phase of the Centre Roero;
  - Euro 28 thousand relating to other properties.

The non-real fixed inventories are mainly related to the business activities of the subsidiary activities of the winery Società Agricola La Bollina S.r.l. and the activity of wholesale of alcoholic beverages by the subsidiary Bollina S.r.l..

Some of the properties in question are subject to mortgages as collateral for loans granted by banks, commented in the specific liability section. The value of mortgages securing loans relates in many cases to the original amounts of the same. In the event of sales of portions of properties or properties that are part of portfolios with subsequent partial repayment of the loans, the mortgages originally registered are limited and maintained for the full amount only on the properties or residual portions. On sale of the latter the mortgages are completely cancelled.

Note 11. Cash and cash equivalents

(Euro/000)	31/12/2016	31/12/2015
Cash and cash equivalents	15	9
Bank and postal deposits	10,643	67,438
Term current accounts	1,952	1,050
Total	**12,610**	**68,497**

The change in cash and cash equivalent was mainly due to the amount of Euro 25 million for the purchase of Redwood Fund completed in March 2016, net of the present case in that fund of Euro 5.6 million and the subsequent financing of the same amount to Euro 13.5 million and the outlay of Euro 12.5 million for the purchase of Rome Via Veneziani, concluded in the month of June 2016. For more details, reference is made to the form for the “Cash Flow Statement”.

SHAREHOLDERS' EQUITY

Note 12. Group Shareholders' Equity

At 31st December 2016, the Parent Company's share capital, fully subscribed and paid in, amounts to Euro 212,945,601.41, divided into 319,803,191 common shares, without par value.

The item "treasury shares" relates to Aedes 3,500,000 ordinary shares held in portfolio at 31st December 2016.

The table below summarises the changes in the treasury shares reserve:

Year	N. shares	Value in Euro	Value of average load in Euro
Closing balance at 31/12/2014	**65,028**	**34,526,832**	**5.31**
Sales of shares 2015	(65,028)	(34,526,832)	5.31
Purchase of shares 2015	531,000	261,820	0.49
Liquidity provider	8,000	4,156	0.52
Closing balance at 31/12/2015	**539,000**	**265,976**	**0.49**
Sales of shares 2016	0	0	
Purchase of shares 2016	2,969,000	1,192,612	0.40
Liquidity provider	(8,000)	(4,156)	0.49
Closing balance at 31/12/2016	**3,500,000**	**1,454,432**	**0.42**

The other equity reserves include reserves for fair value measurement, the provision for increases in capital and legal reserve.

The change in the item "Gains/(losses) carried forward" is determined primarily by the target for the year 2015 approved at the meeting on 27th April 2016, from the reserve for treasury shares and issue of profits/(losses) of period.

Note 13. Non controlling interest

Non controlling interest consists of the portions of capital and reserves, as well as the operating result for the period, attributable to minority interests relevant to the fully consolidated subsidiaries. The table below shows the breakdown of the item in question.

(Euro/000)	Geographic area	% owned by third parties		Profit/(loss) attributable to minority Shareholders		Non controlling interest	
Business name		**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Aedes Real Estate SGR S.p.A.	Italy	0.00%	5.00%	0	583	0	394
Aedes Project S.r.l. in liquidation	Italy	9.00%	9.00%	4	(21)	(362)	(366)
Bollina S.r.l.	Italy	30.00%	30.00%	41	11	67	26
Petrarca fund	Italy	35.00%	35.00%	1,267	525	7,476	6,209
Nova Re S.p.A.	Italy	0.00%	0.00%	0	(129)	0	0
Pragafrance S.ar.l.	France	25.00%	25.00%	(190)	26	(185)	6
Pragasette S.r.l.	Italy	40.00%	40.00%	(15)	(49)	(43)	(28)
Total				**1,107**	**946**	**6,953**	**6,241**

On 1st August 2016, the Company purchased the remaining 5% of the share capital of Aedes Real Estate SGR S.p.A. from RE.POA S.p.A. at a cost of Euro 300 thousand, for a total ownership of the share capital. Subsequently, the Company sold all shares held in the share capital of Aedes Real Estate SGR to Sator Immobiliare SGR; the sale of the investment took place on 14th November 2016 following fulfillment of all the suspensive conditions of the preliminary contract, as described in further detail in Note 30.

LIABILITIES

Note 14. Payables due to banks and other lenders

Payables due to banks and other lenders are broken down as follows:

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Loans with granted real estates	111,667	83,334
Owed to leasing companies for finance lease properties	15,413	16,753
Mortgage loans	96,254	66,581
Due to other lenders	1,346	1,466
Funding in current account	853	9,624
	113,866	**94,424**
Current		
Loans with granted real estates	28,599	57,917
Owed to leasing companies for finance lease properties	1,314	1,272
Mortgage loans	27,285	56,645
Due to other lenders	250	80
Funding in current account	20,513	12,025
	49,362	**70,022**
Total	**163,228**	**164,446**

The financial payables of the associated companies are listed in Annex 3.

Here below is the breakdown of the net financial debt prepared in compliance with the Consob Communication DEM/6064293 of 28th July 2006:

	(Euro/000)	31/12/2016	31/12/2015
A.	Cash	12,610	68,497
B.	Other cash on hand	0	0
C.	Securities held for trading	0	0
D.	**Current assets (A) + (B) + (C)**	**12,610**	**68,497**
E.	**Current financial receivables**	**0**	**0**
F.	Current bank payables	(47,798)	(68,670)
G.	Current part of the non-current debt	0	0
H.	Other current financial payables	(1,564)	(1,352)
I.	**Current financial debt (F)+(G)+(H)**	**(49,362)**	**(70,022)**
J.	**Net current financial debt (I) – (E) – (D)**	**(36,752)**	**(1,525)**
K.	Non-current bank payables	(97,107)	(76,205)
L.	Bonds issued	0	0
M.	Other non-current payables	(17,364)	(18,725)
N.	**Non-current financial debt (K) + (L) + (M)**	**(114,471)**	**(94,930)**
O.	**Net financial debt (J) + (N)**	**(151,223)**	**(96,455)**

The table below shows the reconciliation of the net financial position figures reported in the Management Report with the above table:

(Euro/000)	31/12/2016	31/12/2015
Net financial debt included in the Management Report	(150,618)	(95,949)
Other non-current financial liabilities for derivative contracts	(605)	(506)
Net financial debt included in the Notes	**(151,223)**	**(96,455)**

The breakdown of the loans is illustrated in the table below:

(Euro/000) Type of financing	Project/estate asset	Short-term debt Within 1 month	Short-term debt from 2 to 3 months	Short-term debt from 4 to 12 months	Long-term debt	Total debt	Deadline	Mortgage on property values guarantees	Financial covenants	Compliance with covenant
Leasing	Milan - Via Agnello	0	303	1,011	15,413	16,727	01/08/2021	n.a.	NO	n.a.
Estate Mortgage	Milan - Via Pompeo Leoni	0	0	692	6,174	6,866	31/12/2025	40,000	LTV≤80%	Yes
Mortgage	Santa Vittoria d'Alba (CN) - PHASE B	0	108	297	6,498	6,903	30/11/2030	16,000	LTV≤80%	Yes
Mortgage	Santa Vittoria d'Alba (CN) - PHASE B	17	4	54	393	468	30/04/2023	1,000	LTV≤80%	Yes
Mortgage	Santa Vittoria d'Alba (CN)	65	126	580	265	1,036	17/04/2018	5,800	LTV≤80%	Yes
Mortgage	Serravalle Scrivia (AL) - Bollina	0	127	3,461	10,382	13,970	31/12/2020	37,500	LTV≤80%	Yes
Mortgage	Serravalle Scrivia (AL) - Bollina	29	0	16	793	838	25/07/2034	1,350	LTV≤80%	Yes
Mortgage	Serravalle Scrivia (AL) - Via Novi, 39	0	174	122	3,207	3,503	01/03/2024	8,000	LTV≤80%	Yes
Mortgage	Serravalle Scrivia (AL) - Via Novi	0	1,876	0	0	1,876	27/02/2017	3,700	LTV≤80%	Yes
Mortgage	Rome	0	0	0	1,491	1,491	31/12/2021	30,000	LTV≤50%; ICR≥1.3	Yes
Mortgage	Castellazzo Bormida (AL)	0	67	200	933	1,200	30/06/2021	1,400	LTV≤80%	Yes
Mortgage	Castellazzo Bormida (AL)	0	0	0	0	0	30/04/2016	1,400	LTV≤80%	Yes
Mortgage	Castellazzo Bormida (AL)	0	101	303	1,551	1,955	22/06/2021	5,600	LTV≤80%	Yes
Mortgage	Castellazzo Bormida (AL)	27	0	73	401	501	22/07/2021	1,400	LTV≤80%	Yes
Mortgage	Portfolio	5	0	0	42,937	42,942	31/12/2018	85,883	LTV≤75%; ISCR≥1.35	Yes
Mortgage	Serravalle Scrivia (AL) - Cascina Nuova	0	0	0	2,488	2,488	01/07/2025	5,000	LTV≤80%	Yes
Mortgage loan	2 Boulevard Croisette - Cannes	0	112	324	2,360	2,796	05/12/2022	3,770	NO	n.a.
Mortgage loan	2 Boulevard Croisette - Cannes	0	42	121	793	956	05/06/2022	2,210	NO	n.a.
Mortgage loan	Catania - Via Etnea	0	0	481	5,292	5,773	30/06/2022	13,471	NO	n.a.
Mortgage loan	Portfolio	0	105	1,645	10,296	12,046	31/12/2021	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	Yes
Mortgage loan	Milan - Via San Vigilio	81	15,850	0	0	15,931	31/03/2017	75,000	LTV≤75%; ISCR≥1.5	Yes
Total loans with granted real estates		**224**	**18,995**	**9,380**	**111,667**	**140,266**				
Agricultural promissory note	n.a.	0	199	0	0	199	31/03/2017	Other guarantees	n.a.	n.a.
Hot Money	n.a.	105	224	945	820	2,094	31/08/2018	Not guaranteed	n.a.	n.a.
Hot Money	n.a.	0	74	0	0	74	31/03/2017	Other guarantees	n.a.	n.a.
Loan	n.a.	0	134	0	0	134	31/03/2017	Not guaranteed	n.a.	n.a.
Loan	n.a.	18	18	18	0	54	31/05/2017	Not guaranteed	n.a.	n.a.
Loan	n.a.	0	16	49	33	98	27/06/2018	Other guarantees	n.a.	n.a.
Loan	n.a.	0	239	678	0	917	31/12/2017	Other guarantees	n.a.	n.a.
Loan	n.a.	0	159	442	0	601	31/12/2017	Other guarantees	n.a.	n.a.
Loan	n.a.	0	0	7,989	0	7,989	31/12/2017	Other guarantees	n.a.	n.a.
Not covered by current account	n.a.	817	1	0	0	818	Withdrawal	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	0	68	4,993	0	5,061	02/08/2017	Other guarantees	n.a.	n.a.
Not covered by current account	n.a.	2,000	18	0	0	2,018	Withdrawal	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	228	0	0	0	228	Withdrawal	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	373	3	0	0	376	Withdrawal	Other guarantees	n.a.	n.a.
Not covered by current account	n.a.	0	3	222	0	225	31/10/2016	Other guarantees	n.a.	n.a.
Not covered by current account	n.a.	218	2	0	0	220	Withdrawal	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	0	2	175	0	177	31/10/2016	Other guarantees	n.a.	n.a.
Not covered by current account	n.a.	9	0	0	0	9	Withdrawal	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	72	2	0	0	74	Withdrawal	Other guarantees	n.a.	n.a.
Total loans in current account		**3,840**	**1,162**	**15,511**	**853**	**21,366**				
Total financial debts at 31/12/2016		**4,064**	**20,157**	**24,891**	**112,520**	**161,632**				
Total debts to other financiers at 31/12/2016		**0**	**0**	**250**	**1,346**	**1,596**				
Total gross debt at 31/12/2016		**4,064**	**20,157**	**25,141**	**113,866**	**163,228**				

At 31st December 2016, there are no financial covenants that are not being met.

The following table shows, for loans and derivatives, the carrying amount recognised in the balance sheet and the related fair value.

(Euro/000)	Value at 31/12/2016		Value at 31/12/2015	
	Accounting value	Fair value	Accounting value	Fair value
Mortgage loans	123,539	117,195	123,226	117,359
Financing in current account	21,366	21,341	21,649	21,930
Payables due to leasing companies	16,727	16,209	18,025	16,772
Due to other lenders	1,596	1,354	1,546	1,202
Total	**163,228**	**156,099**	**164,446**	**157,263**
Fair Value Cap	(230)	(230)	(638)	(638)
Fair value Floor	605	605	506	506
Total Fair Value Derivatives	**375**	**375**	**(132)**	**(132)**
Total	**163,603**	**156,474**	**164,314**	**157,131**
(Loss)/Profit not detected	7,129		7,183	

MORTGAGE LOANS

The category "Mortgage loans" reports all medium/long-term loans. The method used to determine the fair value of loans is the Discounted Cash Flow model as calculated using the discount factors the yield curve traded on the market at the balance sheet date, plus a spread for the creditworthiness of the Group companies.
In order to measure indexed loans, the cash flows to be discounted are estimated on the basis of the implicit forward rates in the maturity structure of the spot rates available as at the reference date of the financial statements.
The Aedes Group creditworthiness spread (credit spread) has been defined for each outstanding loan at 31st December 2016, based on the weighted average of interest rates on single financing, and represents the credit risk to which the Group is exposed.
It is necessary to estimate the differences between the surplus of the contract rate and benchmark rate (six month Euribor), given that existing loans and covered mortgage loans require a deferred payment of the difference of the two aforementioned components. This differential was measured using implicit forwards on the respective curve basis to the market conditions at 31st December 2016.

PAYABLES DUE TO LEASING COMPANIES

Payables to leasing companies relate to financial lease contracts for the acquisition of real estate for office use.
This category includes the liabilities relevant to the financial leasing contracts that meet with the provisions of IAS 17.
The method used to calculate the fair value is the Discounted Cash Flow model.
It is also noted that in order to calculate the fair value, the same credit spread was used for mortgage loans.

CURRENT ACCOUNT LOANS AND OTHER LENDERS

The method used to calculate the fair value is the Discounted Cash Flow model.
It is also noted that in order to calculate the fair value, the same credit spread was used for mortgage loans.

The table below summarises the conditions of the payables due to banks and other lenders in force at 31st December 2016, grouped by interest rate range, with the relevant indication of the book value, compared with the figures reported during the previous year.

(Euro/000)	31/12/2016	31/12/2015
Interest rate (current)		
less than 2% (*)	79,587	82,383
between 2% and 3%	25,907	20,504
between 3% and 5.5%	58,109	57,282
between 5.5% and 6.5%	0	2,500
greater than 6.5%	0	1,645
Total	**163,603**	**164,314**

(*) The item includes the active and negative fair value of the Collar of Euro 375 thousand at 31st December 2016 and Euro -132 thousand at 31st December 2015.

Note 15. Retirement benefit obligations

(Euro/000)	31/12/2016	31/12/2015
Debts for Severance Indemnity		
Severance Indemnity	1,047	1,174
	1,047	**1,174**
Provision for profit and loss account		
Service cost	251	285
Interest cost	22	22
Total	**273**	**307**

The provision for severance pay in the income statement is classified, for the service cost, under personnel expenses, described in Note 23 and as for the interest cost under financial expenses.

The changes are specified here below:

(Euro/000)	
Balance at 31/12/2015	**1,174**
Service cost	251
Interest cost	22
Actuarial (Profits)/Losses recognised in equity	79
Indemnities paid during the financial year	(49)
Transfers to other pension funds	(108)
Change in consolidation scope	(322)
Balance at 31/12/2016	**1,047**

The exact number of employees as at the date of the financial statements broken down by category is the following:

(units)	31/12/2016	31/12/2015
Directors	8	9
Executives	30	29
Employees	21	30
Workers/Janitors	6	6
Total	**65**	**74**

The reduction in the number of employees is mainly due to the sale of the investment in Aedes Real Estate SGR S.p.A..

Under the IAS 19, the debt for TFR is recorded according to the method of the benefits accrued using the criterion of unitary credit provided (Projected Unit Credit Method) determining:

- the cost of the service already rendered by the employee (Past Service Liability);
- the cost of the service provided by the employee during the year (Service Cost);
- the cost of personnel employed during the year (Past Service Liability of new recruits);
- the interest costs due to actuarial liabilities (Net Interest Cost);
- actuarial gains/losses relating to the period between one assessment and the next (Actuarial (profit)/loss).

The criterion of the unified credit provided is expected that the costs to be incurred in the year to make up the TFR are determined according to the portion of benefits accrued in the same year. According to the method for accrued benefits, the obligation to the employee is determined on the basis of the work already rendered at the date of assessment and on the basis of the salary reached at the date of termination of employment (only for companies with an average number of employees in 2006 of less than 50 units).

More precisely:

- Past Service Liability is the present value of the demographic sense - financial performance of the employee accruing benefits (severance payments) caused by seniority gained;
- the current Concern Provision is the value of the TFR fund accounting according to the Italian accounting rules at the valuation date;

- the Service Cost is the present value of the demographic sense - the financial benefits accrued by employees only during the financial year closing;
- the Net Interest Cost on net liability is the variation, during the year, the net value of liabilities due to the passage of time and is equal to the product between the net liability of the plan determined at the beginning of the period and the discount rate, taking into account any change in the value of the liability (asset) date during the year due to contributions or benefits payments.
- the Actuarial (Profit)/Loss measure the variation of the elapsing during the period considered liabilities generated by:
  - deviation between the assumptions used in the calculation models and the actual dynamics of the magnitudes being verified;
  - changes in assumptions in the period under review.

Furthermore, in light of the evolving nature of the financial figures, the actuarial economic conditions were carried out in "dynamic" economic conditions; such an approach requires the formulation of economic and financial assumptions that can be summarised in the medium-long term:
- the average annual changes in wages and inflation in compliance with the expectations on the general macroeconomic environment;
- the trend of expected interest rates in the financial market.

With regard to the choice of the interest rate to be used in the simulations it is important to keep in mind that the IAS 19, in point 83 ff, provides the correspondence between the rates used and the expiry of the amounts to be assessed. It should also be noted that in the course of the evaluations account was taken, according to statistics provided by the company, of the probability of:
- resignation;
- requests for Severance Indemnities advances.

Regarding the advances they are regulated in accordance with art. 2120 of the Civil Code.

Finally the assessments have assumed the annual tax of 17% on the severance pay fund revaluation.

For the actuarial valuations of post-employment benefits at 31st December 2016, the demographic and economic-financial assumptions have been adopted.

ECONOMIC-FINANCIAL ASSUMPTIONS

1. Technical annual discount rate 1.31%
2. Annual inflation rate 1.55%
3. Annual rate of increase in salaries 2.50%
4. Annual Severance Indemnity increase rate 3.00%

With reference to the discounting rate, for the valorisation of the mentioned parameter
the iBoxx Eurozone Corporates AA 10+ index was used as reference with a duration calculated on the remaining average residual collective subject to valuation at 31st December 2016.

DEMOGRAPHIC ASSUMPTIONS

1. probability of death: determined by the General State Accounting Office denominated RG48, distinguished by gender;
2. probability of disability: distinguished by gender, adopted in the INPS model for 2010 outlook. These probabilities were calculated starting from the distribution by age and gender of the pensions in force as at 1st January 1987 effective from 1984, 1985, 1986 relevant to the staff of the business concern;
3. time of retirement: for active generic employees the achievement was of the first pensionable requirements valid for the Mandatory General Insurance were assumed;
4. probability of leaving employment for reasons other than death, annual frequency was considered as follows:
   - Aedes SIIQ S.p.A 10.00%
   - Golf Club Castello Tolcinasco S.r.l. 5.00%
   - Praga Service Real Estate S.r.l. 3.00%
   - Praga Construction S.r.l. 3.00%
   - Share Capital Società Agricola La Bollina S.r.l. 3.00%
5. The probability of anticipation was assumed to be a yearly value of 3.00% for all Group companies.

SENSITIVITY ANALYSIS

The sensitivity analysis, carried out in scenarios of upward or downward movement of the average annual discount rate of half a point showed no significant variations with respect to the liability recorded in the balance sheet.

Note 16. Provisions for risks and charges

The risks and charges are detailed below:

(Euro/000)	31/12/2016	31/12/2015
Fund for contractual charges	738	1,018
Fund for contractual risks	205	234
Fund for risks of financial nature	2,444	3,424
Fund for future charges	2,586	1,598
Total	**5,973**	**6,274**

The following table summarises the changes:

(Euro/000)	
Balance at 31/12/2015	**6,274**
Net provisions	1,602
Reclassifications	(1,653)
Changes in scope	(250)
Balance at 31/12/2016	**5,973**

The figure for risks and charges consists of:

- contractual charges: the item is primarily related to contractual charges related to the sale of investments that occurred in previous years;
- contractual risk provisions: this item mainly includes the risks associated with litigation by the parent;
- provisions for risks of a fiscal nature: the balance mainly includes the estimate of probable liabilities for disputes relating to Aedes and its subsidiaries;
- provision for future expenses is primarily related to liabilities set aside to cover the negative outcome of the arbitration concluded with reference to the award to Fih S.a.g.l..

For detailed information regarding the main litigations in which the Group is involved see also the Management Report.

Note 17. Taxes payables

There follows the breakdown of the current taxes due:

(Euro/000)	31/12/2016	31/12/2015
Tax credits for Vat	95	207
Tax credits for taxes	1,359	3,873
Total payables for current taxes	**1,454**	**4,080**

(Euro/000)	31/12/2016	31/12/2015
Tax credits for taxes	221	1,637
Total payables for non-current taxes	**221**	**1,637**

The following table provides a breakdown of tax payables at 31 December 2016:

(Euro/000) Company	Tax	Tax year	Granting of division into instalments	Current share	Non-current share	31/12/2016
Aedes SIIQ S.p.A. (ex Aedes Trading S.r.l.)	Register	2008	08/01/2014 and 02/04/2014	29	13	42
Aedes SIIQ S.p.A. (ex Iupiter S.r.l.)	IRPEG	2004	28/04/2015	825	208	1,033
Debts for current taxes for which payment by instalments has been obtained				**854**	**221**	**1,075**
Bollina S.r.l.				43	0	43
Pragaquattro center SIINQ S.p.A.				26	0	26
Debts for Income Taxes accrued during the year				**69**	**0**	**69**
Tax payables for VAT (not Group)				**95**	**0**	**95**
Tax credits for other taxes				**436**	**0**	**436**
Total				**1,454**	**221**	**1,675**

The tax payables totalling Euro 1,675 thousand at 31st December 2016 and Euro 5,717 thousand in the previous year mainly relate to debts arising to the Agency of revenue as a result of the assessment with adhesion.

In the course of 2016 we made installment payments relating to such positions reducing the current debt to 221 thousand Euro.

In particular, it should be noted that in 2016 the payments ended in relation to the dispute with Actea S.r.l. (merged into Aedes on 1st January 2012) - covering the tax years 2008 to 2010 for Ires, Irap and Vat to 31st December 2015 showed a balance of Euro 226 thousand.

The "assessment with adhesion" still in existence mainly relates to the judicial settlement for an assessment issued for Ires for the year 2004, received by Aedes (incorporating Jupiter S.r.l., in turn incorporating Piemongest S.p.A.). The Company has agreed to pay in twelve quarterly instalments until 30th January 2018, including penalties; 31st December 2016 the outstanding balance was Euro 1,033 thousand (of which Euro 825 thousand falling by 31st December 2017).

Amounts due to tax authorities for current taxes also include the withholding tax on revenue from employment and self-employment and equivalent to Euro 436 thousand.

On 22nd October 2016, Decree Law 193/2016 was issued which provided the opportunity to fully pay off debts registered as paying (in a single payment or in five instalments by 30 September 2018) principal and interest, premiums on principal and interest expenses for executive procedures, notification expenses of the tax bill.
For the payment of these amounts, the amounts have been "waived" which are payable by way of penalties, arrears interest related to in article 30, paragraph 1 of the Decree of the President of the Republic 29th September 1973, no. 602, additional penalties and sums mentioned in article 27, paragraph 1 of Legislative Decree 26th February 1999 no. 46.

The amnesty covers all charges included in roles, including executive assessments, entrusted to Equitalia in the period between 1st January 2000 and 31st December 2016.

The group has requested the regime of concessions for two existing tax assessments related to Praga Construction S.r.l. and Aedes SIIQ S.p.A..

There were no overdue and unpaid taxes at 31st December 2016.

Note 18. Trade payables and other payables

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Payables to associated companies	1,472	1,305
Other payables	621	761
	2,093	**2,066**
Current		
Deposits	77	52
Payables to suppliers	8,682	9,274
Payables to associated companies	6,433	4,710
Payables to parent companies	0	4
Payables to social security institutions	222	349
Other payables	4,371	3,964
Accrued liabilities and deferred charges	409	278
Total	**20,194**	**18,631**

There were no overdue and unpaid taxes at 31st December 2016.

It is believed that the carrying amount of trade payables and other payables approximates their fair value.

PAYABLES TO ASSOCIATED COMPANIES

For the breakdown of the payables due from associated companies see Annex 2.

OTHER PAYABLES

There follows the breakdown of the "Other payables" distinguished between non-current and current:

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Security deposits/interest of tenants	326	206
Other payables	295	555
Payables to others, non-current	**621**	**761**
Current		
Payables to employees for severance pay, bonuses, accrued leave and holidays	1,011	477
Other payables	3,360	3,487
Receivables to others, current	**4,371**	**3,964**

The other non-current liabilities mainly relate to guarantee deposits and debts from tenants for guarantees; at 31st December 2016 they have a balance equal to Euro 621 thousand, and there are no significant changes compared with the previous year.

Other current payables, amounting to Euro 4,371 thousand, Euro 3,964 thousand at 31st December 2015, mainly include commitments made and guarantees issued to commercial counterparties in addition to bonuses allocated to Group employees and Directors.

At 31st December 2016, Euro 708 thousand were recorded as maturing.

ACCOUNTS PAYABLE

Trade payables show a fall over the previous year; the variation in the period is due to the effect of changes in scope due to the sale of Aedes Real Estate SGR S.p.A. the consolidation of Redwood S.r.l. and the Redwood Fund, the increases are attributable to the work in preparation for the construction of properties that will form Phase C of the retail park to the repayment of debts relating to work on the Milan office in Via Morimondo and lower debts to suppliers who provided advisory services in the field of the sale of the investment in Nova Re S.p.A. and the conversion into an SIIQ.

As at year-end 2016, there were overdue payments for Euro 1,467 thousand. It is noted, however, that no actions have been taken by creditors for the relevant recovery, given that the same are parties with which the company entertains continuous business relations.

ACCRUED LIABILITIES AND DEFERRED CHARGES

The following table shows the breakdown of accrued liabilities and deferred charges:

(Euro/000)	31/12/2016	31/12/2015
Accrued liabilities and deferred charges		
Property management instalments	68	0
Deferred income on property management	92	14
Other accruals	1	0
Other income	248	264
Current accruals and deferred income	**409**	**278**

Accruals and deferred revenue amounted to Euro 409 thousand at 31st December 2016, 278 thousand Euro at 31st December 2015; the increase is principally due to higher accruals for 68 thousand Euro relating to the Petrarca Fund.

INCOME STATEMENT

Note 19. Revenues from goods and services

(Euro/000)	31/12/2016	31/12/2015
Property leases	16,411	7,425
Sales of properties held as current assets	745	8,381
Sales of other non-real fixed inventories	2,236	591
Net proceeds from the sale of property and business licenses (profits)	0	1,300
Services rendered	2,910	3,190
Revenues from general contractor services	22,487	6,619
Total	**44,789**	**27,506**

“Real estate leases” amounted to 16,411 thousand Euro, up from the corresponding period of the previous year (Euro 7,425 thousand) due to the higher rent generated by the Redwood Fund and Redwood S.r.l. as well as the consolidation for 12 months of the Petrarca Fund (in the consolidation area starting from the fourth quarter in 2015).

The item “Sales of properties classified as current assets” amounting to Euro 745 thousand includes the proceeds from the sale of the following units:

- Euro 500 thousand relating to the Carlton Residence of the subsidiary Pragafrance S.ar.l.;
- Euro 245 thousand relating to the portion of real estate units based in Milan - Via Pompeo Leoni/Via De Angeli held by the subsidiary Pragaotto S.r.l..

The “Sales of other non-property inventories”, amounting to Euro 2,236 thousand includes wine sales by the subsidiaries Società Agricola la Bollina S.r.l. and Bollina S.r.l..

The item “Net revenue from disposal of property and business licences,” which was nil at 31st December 2016, included the profit made from the sale of the Milan property, Bastions of Porta Nuova, at 31st December 2015.

The item “Provision of services”, amounting to Euro 2,910 thousand, includes the accrued amounts related to real estate and administrative services, provided primarily by Aedes to affiliates, for whose details reference is made to Annex 2. Revenues from services see no significant changes compared to the same period last year.

Revenues for General Contractor services amounted to Euro 22,487 thousand and are mainly due to the General Contractor activity in relation to the work of Phases 5 and 6 of the Serravalle Outlet development and the development of a Carrefour shopping centre in Nichelino. The significant change compared to 31st December 2015 is due to the fact that the sites were launched in June and July 2015.

Note 20. Other revenues
The item is broken down as follows:

(Euro/000)	31/12/2016	31/12/2015
Capital gains from sale of investments	0	5,959
Other revenues and incomes	2,782	6,345
Total	**2,782**	**12,304**

(Euro/000)	31/12/2016	31/12/2015
Other incomes		
Proceeds from other disposals	3	1
Various proceeds	1,106	6,266
Other charges not related to real estate	97	66
Taxes from previous financial years	1,576	0
Release of risks fund	0	12
Total	**2,782**	**6,345**

The item "Gains on disposal of investments", which had a nil balance at 31st December 2016, included capital gains made from the sale of Neptunia S.p.A., Pragasei S.r.l., Praganove and Nova RE S.p.A. at 31st December 2015.

The item "Other revenue" at 31st December 2015 included the positive differential for Euro 3,834 thousand in the Petrarca Fund assessment of the actual price paid for the acquisition of 50% of shares, net of impairment on 15% of the shares already owned. The remaining share of approximately Euro 2,511 thousand included releases of allowances for doubtful accounts in excess and the recharging of the costs to affiliates.

The balance at 31st December 2016 is attributable on the other hand to Euro 1,106 thousand of costs recharged to affiliates and release of allowances for doubtful accounts in excess and for the remainder to contingent assets.

Note 21. Changes in inventory
The item is broken down as follows:

(Euro/000)	31/12/2016	31/12/2015
Costs for capitalized stock purchases	1,274	5,478
Cost of assets sold	(1,939)	(7,643)
(Devaluation)/Recovery of inventory value	(771)	(900)
Capitalized interest on inventories	0	1,112
Total	**(1,436)**	**(1,953)**

Costs for capitalised purchases mainly relate to the costs incurred for purchasing the materials necessary for carrying out the wine grape business carried out by the subsidiary Società Agricola la Bollina S.r.l. and for the wholesale trade of alcoholic beverages carried out by the subsidiary Bollina S.r.l..
The cost of sales amounting to Euro 1,939 thousand is mainly due to the following activities:

- Euro 591 thousand on the sale of Carlton Residence held by the subsidiary Pragafrance S.ar.l.;
- Euro 241 thousand from the sale of the portion of the property in Milan - Via Pompeo Leoni/Via De Angeli held by the subsidiary Pragaotto S.r.l.;
- Euro 1,107 thousand from the sale of non-property inventories related to the above wine grape activities and wholesale trade in alcoholic beverages.

Note 22. Costs for raw materials and services

(Euro/000)	31/12/2016	31/12/2015
Costs to purchase raw materials and other goods	1,777	1,651
Costs for services connected with immovable property	3,465	6,857
Costs for General Contractor	22,061	4,514
Other costs for services	10,608	11,205
Total	**37,911**	**24,227**

There follows a breakdown of the costs for raw materials and services, distinguished by type of expense:

(Euro/000)	31/12/2016	31/12/2015
Other general costs	232	394
Costs to purchase materials for wine business	1,202	1,036
Costs for capitalized stock material purchases	14	0
Property management costs	329	221
Sub total a) Costs for raw materials	**1,777**	**1,651**
Building cleaning	43	36
Maintenance	1,154	1,447
Insurance	101	80
Condominium fees	1,041	543
Others	1,068	309
Costs for capitalized services in warehouse	58	4,442
Sub total b) Costs linked to owned fixed assets	**3,465**	**6,857**
Costs for General Contractor (c)	**22,061**	**4,514**
Sales commissions (d)	**458**	**406**
Administrators emoluments	2,310	1,697
Board of Auditors emoluments	250	256
Professional services	4,333	6,370
Commissions and bank charges	456	147
Travel expenses and conferences	186	162
Cleaning, telephone and maintenance	534	637
Power	143	180
Advertising expenses	67	62
Different	503	712
Sub total e) General expenses	**8,782**	**10,223**
Rental charges	953	361
Leasing charges	415	215
Sub total f) Costs for the use of third-party assets	**1,368**	**576**
Total	**37,911**	**24,227**

"Costs for raw materials" mainly include costs for the wine making business capitalised in inventory, as well as property management costs. At 31st December 2016 the cost of materials amounted to Euro 1,777 thousand, compared to Euro 1,651 thousand at 31st December 2015, with no significant change.

The "Costs related to owned properties" of Euro 3,465 thousand at 31st December 2016, Euro 6,857 thousand at 31st December 2015 show a significant fall compared to the previous year, mainly due to the reduction in capitalised inventory costs, partially offset by higher charges recorded following the consolidation of Redwood Fund, Redwood S.r.l. and Petrarca Fund (the latter entered in the Group's consolidation from the fourth quarter 2015).

The "Costs for General Contractor", amounting to Euro 22,061 thousand at 31st December 2016, Euro 4,514 thousand at 31 December 2015 relate to costs incurred from Praga Construction S.r.l. developed in the context of contracts on behalf of affiliated companies or individuals outside the Group. The significant change is attributable to the work of Phases 5 and 6 of Serravalle Outlet and development of a Carrefour properties shopping centre development in Nichelino, this variation should be read in conjunction with the variation of revenues for the same activity.

The item "General expenses", with a balance of Euro 8,782 thousand at 31st December 2016 decreased compared to Euro 10,223 thousand at 31st December 2015, is mainly attributable to the reduction of professional services which at 31st December 2015 included the costs for intermediation in the purchase/sale of holdings and properties. Emoluments to directors include fees paid to directors during the year, including bonuses for 2016.

The remaining items in the overhead costs do not indicate significant changes.

Note 23. Employee benefit expenses

(Euro/000)	31/12/2016	31/12/2015
Wages and salaries	4,207	3,230
Social charges	1,165	1,118
Severance indemnities	251	233
Other personnel costs	73	22
Total	**5,696**	**4,603**

The average number of employees divided by category is the following:

(units)	31/12/2016	31/12/2015
Description		
Directors	8	7
Executives	29	25
Employees	20	38
Workers/Janitors	8	9
Total	**65**	**79**

Note 24. Other operating costs

(Euro/000)	31/12/2016	31/12/2015
Imu	2,500	1,240
General corporate expenses	325	374
Meetings, budgets, Consob requirements, Stock exchange	157	112
Other minor charges	137	245
Other charges	9	483
Total	**3,128**	**2,454**

The item “Imu”, amounting to Euro 2,500 thousand, shows an increase of Euro 1,260 thousand compared to Euro 1,240 thousand in the same period last year, mainly attributable to the taxes accrued on the properties of the Redwood Fund and Petrarca Fund (the latter has entered the Group consolidation area since the fourth quarter of 2015).

Note 25. Amortisations/Depreciations, adjustment to fair value, write-downs and provisions

(Euro/000)	31/12/2016	31/12/2015
Amortisation of intangible assets	28	10
Amortisation of tangible assets:		
specific plants	19	29
equipment	397	115
other assets	175	172
Total amortisation of tangible fixed assets:	591	316
Amortisation of tangible assets		
other assets	64	0
Amortisations/Depreciations and write-downs	**683**	**326**
Changes to the fair value of investment properties	**(29,773)**	**(1,989)**
Devaluations of loads of partners to associates	178	140
Devaluations of receivables of current assets	14	114
Devaluations of receivables to associates of current assets	0	304
Allocations/(Releases) of funds for risks	1,602	(777)
Write-downs and allocations	**1,794**	**(219)**
Total	**(27,296)**	**(1,882)**

For comments concerning the item “Changes to the fair value of investment properties”, amounting to positive Euro 29,773 thousand, reference is made to the comments in Note 1 - Investment properties.

Net provisions for risks, negative for Euro 1,602 thousand, mainly include the accrual related to the arbitration award Fih S.a.g.l. for which the Arbitration Panel awarded damages of Euro 2,093 thousand.

Note 26. Share of profit of associates and joint ventures

(Euro/000)	31/12/2016	31/12/2015
Profits		
Profits on investments accounted for using the equity method	5,789	1,577
	5,789	**1,577**
Losses		
Losses on investments accounted for using the equity method	(2,780)	(2,713)
	(2,780)	**(2,713)**
Total	**3,009**	**(1,136)**

The item consists of the measurement of the affiliates using the equity method, as stated in Note 4.

Note 27. Restructuring Income/(Costs)

(Euro/000)	31/12/2016	31/12/2015
(Proceeds from full and final settlement)	0	(1,350)
(Release)/Allocation for reorganisation of Company	0	(967)
Various restructuring charges	0	589
Total	**0**	**(1,728)**

This item has a nil balance at 31st December 2016.

“Revenues from full and final settlement” were related to the 31st December 2015 to the balance obtained on bank debt for the property Bastions of Porta Nuova.

The item “Release for restructuring” represented at 31st December 2015 the adjustment of the provision for the costs of completion of the company restructuring process.

The item “Various restructuring charges” included at 31st December 2015 consultancy costs related to the corporate restructuring.

Note 28. Net financial revenue/(Charges)

There follows the breakdown of financial charges and incomes:

(Euro/000)	31/12/2016	31/12/2015
Proceeds		
Interest on bank accounts	92	279
Interest on loans to associates	839	502
Assessment of derivatives on the market	0	198
Other active interest	6	79
	937	**1,058**
Charges		
Interest on bank accounts	318	442
Interest on bank loans	3,124	3,070
Interest on non-bank loans	287	333
Interest on loans from minor Shareholders	50	197
Assessment of derivatives on the market	507	66
Passive interest on other debts	244	114
Capitalized interest on inventories	0	1,112
	4,530	**5,334**
Total	**(3,593)**	**(4,276)**

Net financial expenses amounted to Euro 3,593 thousand, a fall compared to Euro 4,276 thousand in the previous year, which mainly consist of:

- financial revenue amounted to Euro 937 thousand, not significantly changed compared to 31st December 2015;
- financial expenses amount to Euro 4,530 thousand, and show a fall compared to Euro 5,334 thousand at 31st December 2015.

Note 29. Income taxes

(Euro/000)	31/12/2016	31/12/2015
Current taxes	(100)	(2,281)
Deferred tax assets/(liabilities)	3,166	2,146
Total	**3,066**	**(135)**

Here below is the breakdown of the taxes for the year:

(Euro/000)	31/12/2016	31/12/2015
Current taxes		
Ires	(56)	(3,235)
Proceeds/(Charges) from tax consolidation	(266)	2,921
Tax of previous financial years	52	0
	(270)	**(314)**
Irap	(19)	(1,967)
Tax of previous financial years	189	0
	170	**(1,967)**
Deferred tax assets/(liabilities)	**3,166**	**2,146**
	3,066	**(135)**

The Group in 2016 shows net Ires of Euro 270 thousand, principally as a result of the taxable elements in the tax consolidation of some Group companies and revenue recognised to Pragasei S.r.l., for Euro 221 thousand for its losses attributed to the tax consolidation.
At 31st December 2016, Current Irap was booked for Euro 19 thousand. The recognition of the previous year's taxes of Euro 189 thousand is mainly attributable to the recognition of the Irap tax credit under article 1, paragraph 21 of Law no. 190, attributable to entities which do not have employees, not recorded in the previous year.

The Group also has 3, Euro 166 thousand of prepaid taxes, Euro 2,146 thousand for the previous year, generated mainly by:

1. the allocation of deferred taxes arising from temporary unrealized misalignment between the book value and tax value of property assets calculated;
2. the allocation of deferred tax assets on loss carryforwards within the 80% limit of deferred taxes (Ires) related to above;
3. the allocation of deferred tax assets on loss carryforwards within the 80% limit of deferred taxes (Ires) implicitly considered in the carrying value of the investment in joint venture adhering to the tax consolidation of the parent Aedes SIIQ S.p.A..

Note 30. Profit/Loss after tax on activities intended for sale

The result from discontinued operations relates to the result generated by discontinuing Aedes Real Estate SGR S.p.A..; on 11th May 2016 Aedes signed a preliminary contract for the sale to Sator Immobiliare SGR of all shares held in the share capital of Aedes Real Estate SGR; following the formalization of the agreement the results of the period from 1st January 2016 on the date of disposal of the investment and the corresponding comparative period of the subsidiary Aedes Real Estate SGR S.p.A. have been classified under the item "Profits/(Losses) after tax from discontinued operations".

The sale of the shareholding was made on 14th November 2016 following the fulfillment of all the suspensive conditions of the preliminary agreement, and the realized loss on sale was classified under "Profit/(loss) after tax on activities intended for sale disposal".

The table below illustrates the breakdown of the item at 31st December 2016:

(Euro/000)	31/12/2016
Income statement	
Revenues from sales and services	2,277
Other revenue	20
Costs for raw materials and services	(796)
Cost of personnel	(824)
Other operating costs	(35)
Gross operating result	**642**
Amortisations/Depreciations	(3)
Operating result	**639**
Financial revenue/(expense), net	530
Result before tax	**1,169**
Taxes	195
Loss for the period	**1,364**
Release of reserve for valuation at fair value	516
Losses on disposal	(844)
Profit/(Loss) after tax on activities intended for sale	**1,036**

The corresponding entry at 31st December 2015, reclassified for comparative purposes, is as follows:

(Euro/000)	31/12/2015
Income statement	
Revenues from sales and services	4,094
Other revenue	388
Costs for raw materials and services	(1,070)
Cost of personnel	(1,190)
Other operating costs	(41)
Gross operating result	**2,181**
Amortisations/Depreciations	0
Operating result	**2,181**
Financial revenue/(expense), net	14
Result before tax	**2,195**
Taxes	(711)
Loss for the period	**1,484**
Profit/(Loss) after tax on activities intended for sale	**1,484**

The sale price of SGR shares was Euro 9,772 thousand, of which: Euro 4,500 thousand received in response to the fall of SGR's share capital, Euro 1,281 thousand following the payment of dividends, Euro 3,567 thousand received by 29th December 2016 and the remaining Euro 424 thousand for cash following the liquidation of Investietico Fund.
The sale of the fund management, envisaged in the Business Plan 2014-2019, represents another step to the property company model that the Company has adopted joining the SIIQ status, which provides for the direct management of assets owned and not the activity management for third parties.

The following is a reconciliation of net cash flow from operations on the holding in the course of 2016 as reported in the cash flow statement:

(Euro/000)	31/12/2016
Net assets sold	4,835
Loss on sale	(844)
Sale price	3,991
Cash out for SGR purchase	(300)
Liquidity in the Company at the date of sale	(3,167)
Quotation for deferred collection price	(424)
Net cash flow from the sale	**100**

The following is evidence of net cash flow generated by Aedes Real Estate SGR S.p.A. on the consolidated financial flows:

(Euro/000)	31/12/2016	31/12/2015
Financial flows of business activity	2	323
Financial flows of investment activity	2,148	(25)
Financial flows of loan activity	0	(576)
Total cash flow	**2,150**	**(278)**

The cash flow from investing activities 2,189 relates to the collection by the companies of the Investietico Fund shares redeemed during 2016, and the remainder are investments in the period.

Note 31. Earning per share

	31/12/2016	31/12/2015
Total profit attributable to ordinary Shareholders (in thousands of Euro)	28,512	5,478
Weighted average of shares outstanding during the year	316,773,018	277,777,019
Profit/(Loss) per share (Euro)	**0.09**	**0.02**

Given that the outstanding warrants would have an anti-dilution effect the diluted profit/(loss) per share was not calculated.

Note 32. Commitments

COMMITMENTS ARISING FROM 2014 RESTRUCTURING AGREEMENTS

In the context of the restructuring agreement signed by Aedes with certain financing banks in 2014, Natixis S.A. Banca Popolare di Vicenza S.C.p.A., and Banca Mediocredito Friuli Venezia Giulia S.p.A. have acquired the right to sell (put option) to Aedes, which has the obligation to buy some or all of the Leopardi Fund units assigned to those banks under the so-called Restructuring Agreement.
The agreement entered into with Natixis S.A. provides inter alia that, subject to the disposal of a property contributed to the Leopardi Fund, Naxtis has the possibility to yield to Aedes the stake held in the Leopardi Fund, at a discount compared to its face value.
The agreements executed with Banca Popolare di Vicenza S.C.p.A., and Banca Mediocredito del Friuli Venezia Giulia S.p.A., instead provide that, subject to the sale on the market of the Aedes shares owned by the mentioned banks, resulting from the Banks Increase, such institutions have the possibility to sell to Aedes the shares owned in the Leopardi Fund, at a discount compared to their face value.
In addition, within the contribution and assumption of real estate, investments and debts in favour of the Leopardi Fund, Aedes signed, on 23rd December 2014, a guarantee and compensation agreement with which it has agreed to indemnify Leopardi Fund (or Aedes Real Estate SGR SpA within the limits of liabilities that may be incurred by it directly and without any duplication with respect to any compensation in favour of Leopardi Fund) from any damage, loss or expense suffered or incurred as a result of events that constitute non-compliance to the true and/or failure to comply with declarations and guarantees provided by it, limited to a maximum amount, in the aggregate, of Euro 1 million. It is stated that this commitment is intended to be extinguished, as it is fully paid.
With reference to the restructuring agreement signed by Aedes with Banco Popolare Società Cooperativa, Aedes provided various declarations and guarantees respectively in favour of Banco Popolare Società Cooperativa and

Release S.p.A. (and undertook the corresponding indemnification obligations), in relation to the investments and properties subject to the disposal of such companies.
Finally, it is also noted that, as part of the budget package, and with reference to agreements executed on 23rd December 2014, relevant to the start-up of the Leopardi Fund, Aedes Real Estate SGR S.p.A, in name and on behalf of Leopardi Fund committed, relevant to such counter-securities issued by Aedes in favour of Rubattino 87 S.r.l. and Galileo Ferraris 160 S.r.l. as guarantee of the recourse claim of, respectively, Generali S.p.A., atradius Credit Insurance N.V., Reale Mutua Assicurazioni S.p.A., Meliorbanca S.p.A. and Unicredit S.p.A, relevant to the securities issued by the same, to indemnify Aedes from any liability arising from, or related to, the aforementioned commitments.

WARRANTIES ISSUED BY THIRD PARTIES IN THE INTEREST OF GROUP COMPANIES

Mainly, the item includes:

- Euro 1,561 thousand for a bank guarantee issued by Banco BPM in favour of Carrefour Property Italia S.r.l. in the interest of Praga Construction S.r.l., a guarantee of 50% of its procurement contracts for the construction and expansion of the shopping complex in Nichelino, Via dei Cacciatori;
- Euro 694 thousand relating to a bank surety issued by Banco BPM in favour of Pragasei S.r.l. In the interest of Praga Construction S.r.l., to guarantee the proper performance of the obligations arising from the contract for the design and construction of the shopping centre called “Serravalle Luxury Outlet (Phase 6)”.
- Euro 632 thousand relating to insurance coverage issued by the Guarantee Consortium in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragatre SIINQ S.p.A. now Aedes, for OO.UU. areas to standard PEC Lot C;
- Euro 466 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragaotto S.r.l. to guarantee the OO.UU. PEC Road Services;
- Euro 422 thousand relating to insurance coverage issued by AmTrust Europe for the Office of the Revenue in the interest of P9 S.r.l., now Aedes, for the Vat refund request advanced by itself;
- Euro 356 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. for the Office of the Revenue in the interest of Satac SIINQ S.p.A. in relation to tax credits arising during 2013 and transferred to the parent Vat Praga Real Estata Holding S.p.A., now Aedes, and the latter completely offset the Vat liquidation procedure Group (D.M. 13th December 1979);
- Euro 175 thousand for a bank guarantee issued by Banco BPM in favour of Serravalle Outlet Mall S.r.l. in the interest of Praga Construction S.r.l., to ensure proper performance of the obligations under the contract for the design, construction and expansion of the shopping centre called “Serravalle Luxury Outlet (Phase 5).”
- Euro 266 thousand relating to insurance coverage issued by Atradius Credit Insurance N.V. to the Municipality of the City of Novi Ligure in the interest of Novipraga SIINQ S.p.A. to guarantee the provisions of the urban planning agreement signed on 24th September 2015 and recorded in Alessandria on 9th October 2015 N. 9949 - Series 1 T.
- Euro 207 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragaotto S.r.l. to guarantee the OO.UU. Standard PV1;
- Euro 172 thousand for a bank guarantee issued by Veneto Banca S.p.A. in favour of the C4 Investment fund in the interest of Aedes as collateral as foreseen by the lease agreement signed on 25th July 2015 and the successive alterations;
- Euro 170 thousand relevant to an insurance surety issued by Lloyd Italico S.p.A. in favour of the Municipality of Caselle Torinese (a) in the interest of Satac SIINQ S.p.A. as a guarantee for that which is provided by article 1.2 of the addendum to the Proceedings Agreement executed on 7th August 2014;
- Euro 134 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragaotto S.r.l. to guarantee the OO.UU. roundabout; Euro 130 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragaotto S.r.l. to guarantee the OO.UU.Internal road services;
- Euro 124 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragaotto S.r.l. to guarantee the OO.UU. Strada Gorreto;
- Euro 110 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d’Alba (CN) in the interest of Pragaotto S.r.l. to guarantee the OO.UU. Standard PV2;
- Euro 90 thousand relating to insurance coverage issued by Elba insurance S.p.A. in favour of the City of Serravalle Scrivia in the interest of Cascina Praga SIINQ S.p.A. S.r.l. to guarantee the OO.UU. road section Lot 10 B;

- Euro 50 thousand relevant to insurance sureties issued by Lloyd Italico S.p.A. in favour of Agea-Rome, in the interest of Società Agricola La Bollina S.r.l., to guarantee the contribution required for the relocation of vineyards.

It is also noted that Aedes issued:
- Euro 30,951 thousand relating to the autonomous guarantee on first demand issued in favour of Credit Agricole Company and Investment Bank in the interest of the associated Pragasei S.r.l. to guarantee the loan granted to it. It notes also that Serravalle Outlet Mall Investment Sarl, partner at 49.9%, issued identical guarantee.
- Euro 718 thousand relating to insurance guarantee issued in favour of the tax office on behalf of Pival S.r.l. credits required for the Vat reimbursement;
- Euro 131 thousand relating to insurance guarantee issued in favour of the tax office on behalf of Aedificandi S.r.l. (Discontinued company), in relation to 50% of Vat receivables required for redemption.

GUARANTEES ON THE GROUP'S OWN ASSETS
They have been granted a pledge in favour of lenders shares held in the company Pragasei S.r.l..

COMMITMENTS TO THIRD PARTIES
- Euro 6,688 thousand commitment Aedes in connection with any extra costs for the construction of the shopping centre called “Serravalle Luxury Outlet (STEP 6)” of Pragasei S.r.l. properties. It is also noted that Serravalle Outlet Mall Investment Sarl, shareholder at 49.9% of Pragasei S.r.l., has released the same commitment.

It is noted that in respect of the sum of all the undertakings set out in this Note 32, the Group made provisions for risks where deemed necessary.

Note 33. Segment information
In order to present the new business model we proceeded to the definition of the Business Units (the “BU”) by Sector of activity.
Shown below are the income statement and the consolidated financial position statement by segment.

INCOME STATEMENT AT 31 DECEMBER 2016

(Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Real-estate activities	Non-real-estate activities	31/12/2016
Gross revenues from rentals	14,995	53	71	15,119	1	15,120
Profit from property sales	(87)	0	0	(87)	0	(87)
Profit from the sale of non-real fixed inventories	0	0	0	0	1,129	1,129
Profit from the sale of subsidiares	0	0	0	0	(3)	(3)
Margin from General Contractor and Project Management services	0	488	0	488	0	488
Revenues from non-core services	0	0	0	0	2,230	2,230
Other revenue	195	340	2,118	2,653	103	2,756
Total revenues	**15,103**	**881**	**2,189**	**18,173**	**3,460**	**21,633**
Total direct costs	**(4,638)**	**(438)**	**0**	**(5,076)**	**(1,356)**	**(6,432)**
Net Operating Income	10,465	443	2,189	13,097	2,104	15,201
Personnel direct costs	(150)	(1,756)	0	(1,906)	(616)	(2,522)
Capitalized internal costs	8	1,051	0	1,059	0	1,059
Total direct costs	**(142)**	**(705)**	**0**	**(847)**	**(616)**	**(1,463)**
Cost of headquarters personnel	0	0	(3,174)	(3,174)	0	(3,174)
Consultancy	0	0	(2,951)	(2,951)	(446)	(3,397)
G&A	0	0	(5,415)	(5,415)	(1,602)	(7,017)
Capitalized internal costs	0	0	21	21	0	21
Total general expenses	**0**	**0**	**(11,519)**	**(11,519)**	**(2,048)**	**(13,567)**
EBITDA	10,323	(262)	(9,330)	731	(560)	171
Adjustments to property values	35,233	(6,231)	0	29,002	0	29,002
Amm, acc. and amortisation (excluding investments)	(80)	(317)	(2,204)	(2,601)	124	(2,477)
Net income/expense from holdings	(1,547)	4,556	0	3,009	0	3,009
EBIT (Operating result)	43,929	(2,254)	(11,534)	30,141	(436)	29,705
Financial income/(charges)	(2,235)	(1,042)	(249)	(3,526)	(67)	(3,593)
PBT (Profit before taxes)	41,694	(3,296)	(11,783)	26,615	(503)	26,112
Income taxes	(19)	(2)	3,162	3,141	(75)	3,066
Profit/(Loss) from continuing operations	**41,675**	**(3,298)**	**(8,621)**	**29,756**	**(578)**	**29,178**
Profit/Loss after tax from discontinued operations	0	0	1,036	1,036	0	1,036
Profit/(Loss)	**41,675**	**(3,298)**	**(7,585)**	**30,792**	**(578)**	**30,214**

There follows a table of reconciliation between revenues and costs indicated in the tables by sector of activity with the data in the financial statements.

(Euro/000)	31/12/2016
Total revenue shown in the Management Report	**21,633**
Revenues for recharging tenants	1,288
Costs from General Contractor and Project Management activities	22,708
Cost of real estate and non-real estate inventories sold	1,939
Margin from sale of holdings	3
Revenues from goods and services and other revenues shown in the financial statements	**47,571**

(Euro/000)	31/12/2016
Total costs as set out in the Management Report	**(21,462)**
Costs from General Contractor and Project Management activities	(22,708)
Margin from sale of holdings	(3)
Revenues for recharging tenants	(1,288)
Costs capitalised on inventories	(1,274)
Total costs shown in the financial statements	**(46,735)**

Revenues from charge-backs to tenants in the Management Report are presented as a reduction of “Net losses for vacant” whereas in the notes to the consolidated accounts are reported under “Revenue from goods and services”. With reference to the costs of a General Contractor business and Project Management, it is noted that the Management Report shows the revenues net of direct costs in the notes are shown in the item “Costs for raw materials and services”.

With reference to the cost of inventories sold, it is noted that while the operating report sets out revenues, net of the cost of the sale, the notes to the notes are included in the change in inventories item.

INCOME STATEMENT AT 31 DECEMBER 2015

(Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Real-estate activities	Non-real estate assets	31/12/2015
Gross revenues from rentals	7,064	4	0	7,068	0	7,068
Profit from property sales	1,994	0	0	1,994	0	1,994
Profit from the sale of non-real fixed inventories	0	0	0	0	635	635
Profit from the sale of subsidiares	0	2,599	0	2,599	1,215	3,814
Margin from General Contractor and Project Management services	(4)	932	0	928	0	928
Revenues from non-core services	0	0	0	0	2,081	2,081
Other revenue	56	271	2,051	2,378	1,084	3,462
Total revenues	**9,110**	**3,806**	**2,051**	**14,967**	**5,015**	**19,982**
Total direct costs	**(2,031)**	**(365)**	**0**	**(2,396)**	**(1,354)**	**(3,750)**
Net Operating Income	7,079	3,441	2,051	12,571	3,661	16,232
Personnel direct costs	(151)	(714)	0	(865)	(869)	(1,734)
Capitalized internal costs	162	1,243	0	1,405	0	1,405
Total direct costs	**11**	**529**	**0**	**540**	**(869)**	**(329)**
Cost of headquarters personnel	0	0	(2,869)	(2,869)	0	(2,869)
Consultations	0	0	(5,875)	(5,875)	(523)	(6,398)
G&A	0	0	(4,607)	(4,607)	(1,648)	(6,255)
Capitalized internal costs	0	0	0	0	0	0
Total general expenses	**0**	**0**	**(13,351)**	**(13,351)**	**(2,171)**	**(15,522)**
EBITDA	**7,090**	**3,970**	**(11,300)**	**(240)**	**621**	**381**
Adjustments to property values	5,625	(690)	(11)	4,924	0	4,924
Amm, acc. and amortisation (excluding investments)	(7)	0	112	105	(212)	(107)
Net income/expense from holdings	278	(64)	2,523	2,737	0	2,737
EBIT (Operating result)	**12,986**	**3,216**	**(8,676)**	**7,526**	**409**	**7,935**
Financial income/(charges)	(1,625)	(597)	(867)	(3,089)	(75)	(3,164)
PBT (Profit before taxes)	**11,361**	**2,619**	**(9,543)**	**4,437**	**334**	**4,771**
income taxes	0	(3)	(94)	(97)	(38)	(135)
Profit/(Loss) from continuing operations	**11,361**	**2,616**	**(9,637)**	**4,340**	**296**	**4,636**
Profit/Loss after tax from fixed discontinued operations	0	0	1,484	1,484	0	1,484
Profit/(Loss)	**11,361**	**2,616**	**(8,153)**	**5,824**	**296**	**6,120**

FINANCIAL STATEMENT AT 31 DECEMBER 2016

(Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Real-estate activities	Non-real estate assets	31/12/2016
Property investments and inventories	259,580	135,924	0	395,504	2,214	397,718
Investments and funds	28,870	11,587	0	40,457	5	40,462
Financial receivables	2,573	10,993	84	13,650	0	13,650
Other assets	0	0	2,612	2,612	255	2,867
Deferred tax assets	0	0	6,351	6,351	28	6,379
Trade receivables and other receivables	0	0	15,675	15,675	537	16,212
Tax receivables	0	0	10,779	10,779	1,190	11,969
Liquid funds and treasury shares	0	0	12,558	12,558	282	12,840
Total assets	**291,023**	**158,504**	**48,059**	**497,586**	**4,511**	**502,097**
Payables/banks	117,843	36,151	6,972	160,966	1,271	162,237
Payables/other lenders	0	0	1,596	1,596	0	1,596
Amounts due to personnel	0	0	3,355	3,355	278	3,633
Trade and other payables due within one year	0	0	18,319	18,319	1,382	19,701
Taxes due	0	0	1,608	1,608	67	1,675
Passive deferred tax	0	0	3,903	3,903	18	3,921
Provisions for risks and charges	0	0	5,956	5,956	17	5,973
Shareholders' Equity	**173,180**	**122,353**	**6,350**	**301,883**	**1,478**	**303,361**
Net assets attributable to the Group	**173,367**	**122,353**	**(1,083)**	**294,637**	**1,771**	**296,408**
Net assets of third parties	(187)	0	7,433	7,246	(293)	6,953
Total liabilities	**291,023**	**158,504**	**48,059**	**497,586**	**4,511**	**502,097**

(Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Real-estate activities	Non-real-estate activities	31/12/2015
Real Estate investments and inventories	182,998	136,202	0	319,200	2,147	321,347
Investments and funds	33,010	6,872	0	39,882	1,973	41,855
Financial receivables	2,477	10,663	72	13,212	0	13,212
Other assets	0	0	2,893	2,893	1,481	4,374
Deferred tax assets	0	0	1,730	1,730	164	1,894
Trade receivables and other receivables	0	0	12,293	12,293	1,262	13,555
Tax receivables	0	0	10,987	10,987	466	11,453
Liquid funds and treasury shares	0	0	62,225	62,225	6,910	69,135
Total assets	**218,485**	**153,737**	**90,200**	**462,422**	**14,403**	**476,825**
Payables/Banks	109,959	41,386	10,546	161,891	1,515	163,406
Payables/Other lenders	0	0	1,546	1,546	0	1,546
Amounts due to personnel	0	0	1,639	1,639	777	2,416
Trade and other payables due within one year	0	0	17,969	17,969	1,486	19,455
Taxes due	0	0	5,453	5,453	264	5,717
Passive deferred tax	0	0	2,397	2,397	294	2,691
Provisions for risks and charges	0	0	5,728	5,728	546	6,274
Shareholders' Equity	**108,526**	**112,351**	**44,922**	**265,799**	**9,521**	**275,320**
Net assets attributable to the Group	**108,520**	**112,351**	**38,741**	**259,612**	**9,467**	**269,079**
Net assets of third parties	6	0	6,181	6,187	54	6,241
Total liabilities	**218,485**	**153,737**	**90,200**	**462,422**	**14,403**	**476,825**

Note 34. IFRS 13

IFRS 13, fair value measurement, was published by the IASB on 12th May 2011 and endorsed by the European Union on 11th December 2012 with Reg. 1255/2012.
This principle governs the assessment and measurement of the fair value of balance sheet items. IFRS defines fair value as the exit price, i.e. “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.
The fair value measurement process takes into account the characteristics of the asset or liability to be measured making reference to the conditions, location, constraints/restrictions relevant to the sale or use of the items in question. It is also necessary to identify a main market, where the same exists, should it not be possible to identify the aforementioned, it is imperative to relate to the most advantageous market. The main market is the market with the higher volume of exchanges relevant to the assets or liabilities considered.
The most advantageous market is that which maximises the proceeds from the sale of the asset or minimises the financial amount payable to extinguish a liability net of transport and accessory costs. Contrary to the transport costs, accessory costs must be considered only in the identification of the most advantageous market and not for the measurement of fair value.
IFRS 13 provides that:

- non-financial assets must be measured using the Highest and best use method, i.e. taking into account the best use of the assets from the perspective of market participants;
- liabilities (financial and non-financial) and equity instruments (i.e. shares issued as consideration in a business combination) must be transferred to a market participant as of measurement date. In the process of measuring the fair value of a liability it is necessary to identify the risk of default of the counterparty, which also includes credit risk.

The general rules for preparing fair value measurement technologies should be adjusted based on the circumstances, configured in order to maximise observable inputs and established pursuant to the measurement method used (multiples method, revenue method and cost method):

1. Adjusted based on the circumstances: measurement technologies must be applied consistently over time unless there are more representative alternative technologies for the measurement of fair value.
2. Maximise the observable inputs: inputs are divided into observable and unobservable, providing various examples of markets from which fair values can be calculated.

3. Measurement technologies of fair value are classified in three hierarchical levels according to the type of input used:
   - Level 1: inputs are quoted prices in active markets for identical assets or liabilities. In this case the prices are used without any adjustments.
   - Level 2: inputs are quoted prices or other information (interest rates, observable yield curves, credit spreads) for similar assets and liabilities in active and inactive markets. For this case price adjustments can be made based on specific factors of the assets and liabilities.
   - Level 3: in this case inputs are not observable. The standard provides that it is possible to use the latter technique only in this case. Inputs for this level include, for example, long-term currency swaps, interest rate swaps, decommissioning liabilities undertaken in a business combination, etc..

The arrangement of these levels follows a priority hierarchy: attributing the maximum importance to level 1 and minimum for Level 3.
IFRS 13 provides that three different measurement methods can be used for the measurement of fair value:

- the market approach method is based on prices and other important information for market transactions involving identical or comparable assets and liabilities. The models used are the multiples method and the matrix price method;
- the income method is obtained from the discounted sum of future amounts that will be generated by the asset. This method makes it possible to obtain a fair value that reflects the current market expectation of such future amounts;
- the cost method reflects the amount that would be required as at the measurement date to substitute the capability of the service of the asset subject to measurement. Fair value will be equal to the cost that a market participant would incur to acquire or build an asset of adjusted comparable use (taking into consideration the level of obsolescence of the asset in question). It is noted that this method can be used only when the other methods cannot be used.

Measurement technologies are applied consistently over time unless there are alternative technologies that allow a more representative measurement of fair value. In the selection of measurement technologies, the assumptions used for the determination of the assets or liabilities are particularly important.

The assets of the Aedes Group were classified in the third ierarchical level; all properties owned by Group companies were grouped into the following categories, depending on their intended use:

- *Retail;*
- *Office;*
- *Other.*

The following table shows the book value and fair value of the properties owned by the companies of the Aedes Group, classified based on the measurement methods used and the intended use:

(Euro/000)	Discounted Cash Flow (DCF)		Comparative method		Residual method		Total	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Retail	84,250	84,250	0	0	100,297	100,305	184,547	184,555
Office	150,550	150,550	0	0	0	0	150,550	150,550
Other	1,080	1,080	2,201	2,314	3,010	3,010	6,291	6,404
Total	**235,880**	**235,880**	**2,201**	**2,314**	**103,307**	**103,315**	**341,388**	**341,509**

The above amounts do not include inventories that are valued in accordance with IAS 2 “Inventories”.

The main measurement methods used are the DCF and the Residual Method, however, for a part of the property it was decided to use the Comparison Method given it was considered more relevant to the type of assets. The following is a breakdown of the measurement methods used:

- **Discounted Cash Flow** (or ‘DCF’): taking into account the investment yield and the yield profile in the early years of investment, a Discounted Cash Flow is constructed over a defined period of time. This approach depends on many variables, inter alia the market rental charge, assumptions regarding market growth, output yield rate, discount rate. A comparison is also made between the investment yield and the evolution of the yield with recent transactions in the market, using the DCF as a support for the projection of costs and revenues;

- **Comparative Method**: it is based on the direct comparison of the asset object of analysis with purchased goods similar or related to it; the prices paid or application are correlated with factors that affect the property value; usually this valuation type is applied for residential properties or property intended for direct users;
- **Residual Method**: it is standardly used for properties vacant/to be restored before being re-leased or sold and for development projects; the market value is the result of the difference between the value of the transformed well and the sum of all costs required to perform the conversion, not including the profit that the entity which the property today would want as compensation of the double risk assumed for processing and subsequent sale.

With reference to the measurements of the individual properties, based on the method applied and the intended use identified, it is specified that:

- DCF Method (approximately 60% of the overall fair value):
  - *Retail*: the discount period is between 2 and 10 years; it is essentially based on a constant inflation rate of 1.50% for the entire time horizon; the market growth rate was assumed to be equal to inflation. The discount rate used, however, varies between 7.00% and 9.00%; the net capitalization rate between 5.80% and 8.20%;
  - *Office*: the discount period is between 3 and 12 years; it is essentially based on a constant inflation rate of 1.50% for the whole time horizon. The discount rate used, however, varies between 6.35% to 8.20%; the net capitalization rate between 4.00% and 6.00%;
  - *Other*: it includes a single property in hotel use, the discount period used is equal to 10 years; it was used an inflation rate of 1.50% for the entire time horizon; the market growth rate was assumed to be equal to inflation. The discount rate, however, stood at 8.10%; the gross capitalisation rate amounted to 6.60%.
- Residual Method (approximately 32% of the overall fair value):
  this assessment method has been used almost exclusively for the development projects, the profit of the developer was rated between 13.00% and 39.00% of the development costs and the net capitalization rate used to determine the value final property varies between 5.50% and 8.50%.

Note 35. Non-recurring important events and transactions

During 2016, under the Consob Communication of 28th July 2006, the Aedes Group has not carried out significant non-recurring transactions during the year.

Note 36. Settlements from atypical and/or unusual transactions

During FY 2016, the Group did not execute atypical and/or unusual transactions[1].

Note 37. Information on financial risks

CLASSES OF FINANCIAL INSTRUMENTS

The following is a breakdown of the financial assets and liabilities required by IFRS 7 in the scope of the categories of IAS 39.

Amounts at 31 December 2016

(Euro/000)	Assets at fair value	Investments held to maturity	Loans and receivables	Assets at amortised cost	Assets available for sale	Book value at 31/12/2016	Notes
Financial instruments - Assets at 31/12/2016							
Non-current financial activities	230	0	13,650	0	0	13,880	5-7-8
Trade receivables	0	0	15,668	0	0	15,668	9
Current financial activities	0	0	0	0	0	0	
Liquid assets	0	0	12,610	0	0	12,610	11
Total	**230**	**0**	**41,928**	**0**	**0**	**42,158**	

[1] According to the Consob Communication of 28th July 2006, which defines atypical and/or unusual transactions those transactions which, by significance/importance, the nature of the counterparties that are the subject of the transaction, the way of determining the transfer price and the timing of the transaction, may give rise to doubts in respect of: the correctness/completeness of the information in the budget, the conflict of interests, the safeguarding of the Company's assets and the protection of minority Shareholders.

(Euro/000)	Liabilities at Fair Value	Liabilities at amortised cost	Book value at 31/12/2016	Notes
Financial instruments - Liabilities at 31/12/2016				
Non-current payables to banks and other financial institutions	0	113,866	113,866	14
Other non-current financial liabilities	605	621	1,226	7
Current payables to banks and other non-current financial institutions	0	49,362	49,362	14
Payables to suppliers/client deposits	0	16,664	16,664	18
Other current financial liabilities	0	3,360	3,360	18
Total	**605**	**183,873**	**184,478**	

Amounts at 31 December 2015

(Euro/000)	Assets at fair value	Investments held to maturity	Loans and receivables	Assets at amortised cost	Assets available for sale	Book value at 31 December 2015	Notes
Financial instruments - Assets at 31/12/2015							
Non-current financial activities	638	0	13,212	0	1,963	15,813	5-7-8
Trade receivables	0	0	12,960	0	0	12,960	9
Current financial activities	0	0	0	0	0	0	
Liquid assets	0	0	68,497	0	0	68,497	11
Total	**638**	**0**	**94,669**	**0**	**1,963**	**97,270**	

(Euro/000)	Liabilities at Fair Value	Liabilities at amortised cost	Book value at 31 December 2015	Notes
Financial instruments - Liabilities at 31/12/2015				
Non-current payables to banks and other financial institutions	0	94,424	94,424	14
Other non-current financial liabilities	506	761	1,267	7
Current payables to banks and other non-current financial institutions	0	70,022	70,022	14
Payables to suppliers/client deposits	0	15,345	15,345	18
Other current financial liabilities	0	3,487	3,487	18
Total	**506**	**184,039**	**184,545**	

INCOMES AND CHARGES BOOKED IN THE FINANCIAL STATEMENTS

There follows are the financial incomes and charges booked in the financial statements.

Amounts at 31 December 2016

(Euro/000)	From interest	From changes in fair value	From equity reserve	Profits and losses on foreign exchange	Book value at 31 December 2016	Notes
Proceeds and Charges generated by financial instruments - financial year 2016						
Loans and receivables	937	0	0	0	937	28
Fair value investments	0	0	0	0	0	28
Assets available for sale	0	0	0	0	0	28
Liabilities at fair value	0	(507)	0	0	(507)	28
Liabilities at amortised cost	(4,023)	0	0	0	(4,023)	28
Total	**(3,086)**	**(507)**	**0**	**0**	**(3,593)**	

Amounts at 31 December 2015

(Euro/000)	From interest	From changes in fair value	From equity reserve	Profits and losses on foreign exchange	Book value at 31 December 2015	Notes
Proceeds and Charges generated by financial instruments - financial year 2015						
Loans and receivables	860	0	0	0	860	28
Fair value investments	0	0	0	0	0	28
Assets available for sale	0	0	(49)	0	(49)	28
Liabilities at fair value	0	0	0	0	0	28
Liabilities at amortised cost	(5,268)	0	0	0	(5,268)	28
Total	**(4,408)**	**0**	**(49)**	**0**	**(4,457)**	

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the trade assets and liabilities and other financial receivables and payables corresponds to the nominal value booked in the financial statements.

The fair value of borrowings and derivatives is identified in detail in Note 14.

IFRS 7 requires that derivative financial instruments recorded at fair value are classified on the basis of a hierarchy of levels that reflect the significance of the inputs used for the calculation of fair value. This hierarchy has the following levels:

Level 1 - quoted prices in active markets for assets or liabilities subject to measurement;
Level 2 - inputs other than the quoted prices mentioned above, which are observable directly (prices) or indirectly (derived from prices) on the market;
Level 3 - that are not based on observable market data.

The following table points out the assets and liabilities (derivative instruments commented in Note 7) that are measured at fair value at 31st December 2016 and at 31st December 2015, by hierarchical level of fair value measurement.

Amounts at 31 December 2016

(Euro/000)	Level 1	Level 2	Level 3	Total
Assets available for sale	0	0	0	0
Derivative financial instruments	0	230	0	230
Total assets	**0**	**230**	**0**	**230**
Derivative financial instruments	0	(605)	0	(605)
Total liabilities	**0**	**(605)**	**0**	**(605)**
Total	**0**	**(375)**	**0**	**(375)**

Amounts at 31 December 2015

(Euro/000)	Level 1	Level 2	Level 3	Total
Assets available for sale	1,963	0	0	1,963
Derivative financial instruments	0	638		638
Total assets	**1,963**	**638**	**0**	**2,601**
Derivative financial instruments	0	(506)	0	(506)
Total liabilities	**0**	**(506)**	**0**	**(506)**
Total	**1,963**	**132**	**0**	**2,095**

Derivative financial instruments are measured using the Discounted Cash Flow Method. Future cash flows are discounted based on the forward rate curves obtained at the end of the observation period and contractual fixing, also considering the credit risk of the counterparty in compliance with the accounting standard IFRS 13.

The Group is exposed to financial risks:

- interest rate risk;
- exchange rate risk;
- liquidity risk;
- credit risk.

Risk management policies are stated in section 3.9. The following section provides qualitative and quantitative disclosures on the effect of those risks on the Group.

INTEREST RATE RISK

Financial instruments that expose the Company to an interest rate risk are variable rate loans.
The exposures do not include the interest-rate risk on loans at fixed rates, as the changes in fair value are not recognised in the income statement and have no cash flow variables as a function of market conditions.

Sensitivity Analysis
The financial instruments exposed to interest rate risk were subject to a sensitivity analysis at the date of preparation of the financial statements. A change of 50 bps in both directions was applied to the debt as at the date of the financial statements.

The following table shows the change in the operating result for the year and of the Shareholders' Equity subsequent to the sensitivity analysis performed net of the consequent tax effects calculated based on the rate in force.

Years	Economic result		Net assets		Total net assets	
	50 bps	- 50 bps	50 bps	- 50 bps	50 bps	- 50 bps
2016	**816**	**(816)**			**816**	**(816)**
2015	822	(822)			822	(822)

VARIABLE RATE LOANS

Taking into consideration the particularly advantageous rates and in order to reduce the overall exposure of the Group to the interest rate risk, given that as at year-end of the previous year the Group had 100% of its financial payables at a variable rate, the Company signed, on 4 November 2015, a derivative contract with the following characteristics:

Type	nil cost Collar
Effective date	31st December 2015
Maturity	31st December 2020
Notional	Euro 50 million, Bullet
Variable Rate Euribor	3 months, act/360, quarterly
Cap strike	1.00%
Floor strike	0.00%

The notional subscribed amounts to approximately 30% of the gross financial debt of the Group at 31st December 2016. It is noted that the instrument is not combined with a specific loan but has the purpose of limiting the risk of increasing interests rates on the overall exposure of the Group. Accordingly, any changes in the period will be recorded in the income statement as period adjustments to the mark-to-market.

EXCHANGE RATE RISK

The Group, at 31st December 2016, does not have an exchange rate risk given that it does not have exposures in currencies other than Euro.

LIQUIDITY RISK

The analysis of liquidity risk set out below quantifies, for each contractual maturity, the cash flow from the financial liabilities held by the Group at 31st December 2016.
In reference to the maturities of cash flows, given the nature of the Company's monetary cycle it was considered appropriate to aggregate payments into time periods of variable length, illustrating further detail for short-term positions. The cash flows of floating-rate liabilities were valued on the basis of the forward interest rates at the balance sheet dates.
Here below are the summary tables of the analysis performed comparing the situations at 31st December 2016 and 31st December 2015.

(Euro/000)	Accounting value	Contractual cash flows	Within 1 month	1-3months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
31/12/2016									
Non-derivative liabilities									
Mortgage loans	123,539	126,207	224	19,509	4,036	6,314	53,195	28,210	14,719
Liabilities for leasing	16,727	16,862	0	344	373	756	1,530	13,859	0
Financing in current account	21,366	21,860	3,838	1,348	4,253	11,581	840	0	0
Due to other lenders	1,596	1,703	0	13	12	274	89	130	1,185
Total	**163,228**	**166,632**	**4,062**	**21,214**	**8,674**	**18,925**	**55,654**	**42,199**	**15,904**
Derivative financial instruments									
Hedging derivatives	0	0	0	0	0	0	0	0	0
Non-hedging derivatives	**375**	**375**	**0**	**0**	**0**	**0**	**0**	**375**	**0**
Fair Value Cap	(230)	(230)	0	0	0	0	0	(230)	0
Fair Value Floor	605	605	0	0	0	0	0	605	0
Total	**163,603**	**167,007**	**4,062**	**21,214**	**8,674**	**18,925**	**55,654**	**42,574**	**15,904**

(Euro/000)	Accounting value	Contractual cash flows	Within 1 month	1-3months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years
31/12/2015									
Non-derivative liabilities									
Mortgage loans	123,226	125,904	1,632	48,958	3,617	5,536	26,954	21,370	17,837
Liabilities for leasing	18,025	18,171	0	347	362	734	1,486	4,646	10,596
Financing in current account	21,649	22,753	9,698	854	883	1,545	9,741	32	0
Due to other lenders	1,546	1,758	0	17	17	35	125	182	1,382
Total	**164,446**	**168,586**	**11,330**	**50,176**	**4,879**	**7,850**	**38,306**	**26,230**	**29,815**
Derivative financial instruments									
Hedging derivatives	0	0	0	0	0	0	0	0	0
Non-hedging derivatives	**(132)**	**(132)**	**0**	**0**	**0**	**0**	**0**	**(132)**	**0**
Fair Value Cap	(638)	(638)	0	0	0	0	0	(638)	0
Fair Value Floor	506	506	0	0	0	0	0	506	0
Total	**164,314**	**168,454**	**11,330**	**50,176**	**4,879**	**7,850**	**38,306**	**26,098**	**29,815**

The Company, through the Finance Department and continuous supervision by the executive bodies of the Parent Company, maintains careful monitoring of liquidity and short-term financial commitments. For this purpose, the Group monitors the liquidity risk through the preparation of a detailed economic and financial budget over a period of not less than one year and consistent management of real estate sales and financial commitments.
In identifying the criteria to be used for the preparation of these financial statements, the Company has taken into account the financial commitments affecting the Group over a period of 12 months, including the investment activities and the timing of certain loan agreements. Based on these requirements, the Company has identified the main sources of funding, mainly traceable to refinancing activity of certain assets and part of the non-strategic portfolio sale. Based on the information and the documentary evidence available at the time of preparing the financial statements at 31st December 2016 there are no significant risks regarding the possibility that the actions can be completed during the reporting period.

Analysis of liabilities by maturity
To complete the disclosures contained in the specific notes to the financial position, here below are the accounting balances for the years ended at 31st December 2016 and 31st December 2015.

Amounts at 31 December 2016

(Euro/000)	Accounting value	withdrawal	within 1 year	from 1 to 5 years	over 5 years
Analysis of liabilities by maturity at 31/12/2016					
Non-current payables to banks and other financial institutions	113,866	0		96,208	17,658
Other non-current financial liabilities	1,226	0	0	621	605
Current payables to banks and other non-current financial institutions	49,362	0	49,362	0	0
Payables to suppliers/client deposits	16,664	0	15,192	1,472	0
Other current financial liabilities	3,360	0	3,360	0	0
Total	**184,478**	**0**	**67,914**	**98,301**	**18,263**

Amounts at 31 December 2015

(Euro/000)	Accounting value	withdrawal	within 1 year	from 1 to 5 years	over 5 years
Analysis of liabilities by maturity at 31/12/2015					
Non-current payables to banks and other financial institutions	94,424	0	0	62,339	32,085
Other non-current financial liabilities	1,267	0	0	761	506
Current payables to banks and other non-current financial institutions	70,022	0	70,022	0	0
Payables to suppliers/client deposits	15,345	0	14,040	1,305	0
Other current financial liabilities	3,487	0	3,487	0	0
Total	**184,545**	**0**	**87,549**	**64,405**	**32,591**

CREDIT RISK
The credit risk of the Group is essentially due to the amount of trade receivables for the sale of properties or investments and the supply of services. For the latter relate to the specific sections of the commentary notes.

4.14 Annex 1 - Company information

CONSOLIDATED SUBSIDIARIES

Shareholdings	Registered Office	Share Capital	Shares of Equity
Aedes Project S.r.l. in liquidation	Milan Via Morimondo 26, Ed. 18	€ 520,000	91% Aedes SIIQ S.p.A.
Bollina S.r.l.	Serravalle Scrivia (AL) Via Monterotondo, 58	€ 50,000	70% Aedes SIIQ S.p.A.
Cascina Praga SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 50,000	100% Aedes SIIQ S.p.A.
Consorzio ATA	Serravalle Scrivia (AL) Via Novi, 39	€ 10,000	99.33% Aedes SIIQ S.p.A.
Petrarca Fund	–	–	65% Aedes SIIQ S.p.A.
Redwood Fund	–	–	100% Aedes SIIQ S.p.A.
Golf Club Castello Tolcinasco SSD S.r.l.	Pieve Emanuele (MI) Località Tolcinasco	€ 10,000	100% Aedes SIIQ S.p.A.
Novipraga SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Pragafrance S.à r.l.	Nice (France) 14, Rue Dunoyer de Séconzac	€ 52,000	75% Aedes SIIQ S.p.A.
Praga Service Real Estate S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Pragaquattro Center SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 54,000	100% Aedes SIIQ S.p.A.
Pragaotto S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Pragasette S.r.l. in liquidation	Milan Via Morimondo 26, Ed. 18	€ 10,000	60% Aedes SIIQ S.p.A
Pragaundici SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Praga Construction S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Redwood S.r.l.	Milan Via Vittor Pisani, 19	€ 50,000	100% Aedes SIIQ S.p.A.
Sedea SIIQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 50,000	100% Aedes SIIQ S.p.A.
Satac SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 620,000	100% Aedes SIIQ S.p.A.
Società Agricola La Bollina S.r.l.	Serravalle Scrivia (AL) Via Monterotondo, 58	€ 100,000	100% Aedes SIIQ S.p.A.

Aedes Project S.r.l. in liquidation
Company held 91% by Aedes SIIQ S.p.A..

Bollina S.r.l.
Company operating in the wine trade sector. 70% of it is held by Aedes SIIQ S.p.A..

Cascina Praga SIINQ S.p.A.
Unlisted property investment company (SIINQ) owner of rented assets, assets in development (intended for commercial and economic/productive use) and building rights (for commercial, economic/productive use) in Serravalle Scrivia (AL). It is held 100% by Aedes SIIQ S.p.A..

Consorzio ATA
Consortium established for the development of the project owned by the company Satac SIINQ S.p.A. in Caselle Torinese (a), which holds 99.33% of the shares.

Petrarca Fund
Fund specialised in the office sector, held 65% by Aedes SIIQ S.p.A..

Redwood Fund
Fund specializing in the commercial segment, 100% owned by Aedes SIIQ S.p.A..

Golf Club Castello Tolcinasco Società Sportiva Dilettantistica S.r.l.
Company held 100% by Aedes SIIQ S.p.A., appointed for the management of the sports facilities.

Novipraga SIINQ S.p.A.
Unlisted property investment company (SIINQ) owner of real estate assets in development intended for commercial and economic/productive use in Serravalle Scrivia (AL) and Novi Ligure (AL). It is held 100% by Aedes SIIQ S.p.A..

Pragafrance S.à r.l.
Company owner of real estate on the French Riviera (France) intended for residential use, in part subject to renovations and development and in part finished. It is held 75% by Aedes SIIQ S.p.A..

Praga Service Real Estate S.r.l.
Service company (organisation and master plan development, project management, preparation and verification of emails and agreements, coordination and development of building permits, business permits and environmental management audit, technical direction/tenant coordinator, facility management). It is held 100% by Aedes SIIQ S.p.A..

Pragaquattro Center SIINQ S.p.A.
Unlisted property investment company (SIINQ), owner of property assets in development and intended for commercial use (Castellazzo Design Center) in the Municipality of Castellazzo Bormida (AL) and in the Municipality of Borgoratto Alessandrino (AL). It is held 100% by Aedes SIIQ S.p.A..

Pragaotto S.r.l.
Company owner of rented property assets (intended for tourism/reception and residential use) and under development (Bollina intended for tourism/reception, sports/recreation and residential use) in the Municipality of Serravalle Scrivia (AL). It is held 100% by Aedes SIIQ S.p.A..

Pragasette S.r.l. in liquidation
Company which has completed, in FY 2015, the subdivided sale of a property intended for residential use in Mentone (France). It is held 60% by Aedes SIIQ S.p.A..

Pragaundici SIINQ S.p.A.
Unlisted property investment company (SIINQ), owner of property assets under development (Serravalle Outlet Village fase B intended for commercial use) in the Municipality of Serravalle Scrivia (AL). It is held 100% by Aedes SIIQ S.p.A..

Praga Construction S.r.l.
Company providing predominantly intercompany General Contractor services. It is held 100% by Aedes SIIQ S.p.A..

Redwood S.r.l.
Company providing property leasing activities. It is held 100% by Aedes SIIQ S.p.A..

Sedea SIIQ S.p.A.
Company held 100% by Aedes SIIQ S.p.A..

Satac SIINQ S.p.A.
Unlisted property investment company (SIINQ), owner of properties (Caselle Designer Village intended for commercial and office use) in the Municipality of Caselle Torinese. It is held 100% by Aedes SIIQ S.p.A..

Società Agricola La Bollina S.r.l.
Company operating in the wine sector, owner of farmland in the Municipality of Serravalle Scrivia (AL) and lands managed through the rental of a farm building in the Municipality of Novi Ligure (AL) and a cellar in the Municipality of Serravalle Scrivia (AL). It is 100% owned by Aedes SIIQ S.p.A..

ASSOCIATES AND JOINT VENTURES

Shareholdings	Registered Office	Share Capital	Shares of Equity
Aedilia Nord Est S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 8,797,086	56.52% Aedes SIIQ S.p.A.
Efir S.àr.l.	5 Allé Scheffer L - 2520 Luxembourg	€ 22,279,300	33.33% Aedes SIIQ S.p.A.
Dante Retail Fund	–	–	100% Efir S.àr.l.
Leopardi Fund	–	–	24.389% Aedes SIIQ S.p.A.
Nichelino S.c. a r.l.	Tortona (AL) S.S. per Alessandria 6A	€ 10,000	50% Praga Construction S.r.l.
Parco Grande S.c.ar.l. in liquidation	Milan Via Gaetano de Castillia, 6A	€ 10,000	50% Aedes Project S.r.l. in liquidazione
Pragasei S.r.l.	Milan Via Monte Napoleone n. 29	€ 100,000	50.1% Aedes SIIQ S.p.A.
Ravizza S.c.ar.l. in liquidation	Milan Via Gaetano de Castillia, 6A	€ 10,000	50% Aedes Project S.r.l. in liquidation
Serravalle Village S.c.ar.l.	Tortona (AL) S.S. per Alessandria 6A	€ 10,000	50% Praga Construction S.r.l.

Aedilia Nord Est S.r.l.
A company owned 56.52% by Aedes S.p.A. SIIQ, which owns a valuable property in Venice Cannareggio. Also has a 100% holding in Pival S.r.l., owner of a land suitable for building in Piove di Sacco.

Efir S.ar.l.
Company, owned 33.33% by Aedes S.p.A. SIIQ, which owns 100% of the Dante Retail Fund, owner of retail properties in various parts of the Peninsula, also holder of investments in Giulio Cesare S.r.l., Mercurio S.r.l. in liquidation, and Palmanova S.r.l., owners of businesses related to the commercial activity of certain properties owned by the fund itself.

Leopardi Fund
Fund with a property portfolio intended for mixed use, held for 24.389% by Aedes SIIQ S.p.A.. It is also owner of: (i) 100% of Alpe Adria S.r.l., S.r.l. Agrigento and Trieste S.r.l., owners of business units; (ii) 100% of Galileo Ferraris 160 S.r.l., which owns an area in Naples; (iii) 73.39% of Tolcinasco Golf S.r.l., which owns the golf course; (iv) 100% of Rho Immobiliare S.r.l., which owns the shopping centre “Rho Centre”; (V) 100% of F.D.M. S.A., which owns a valuable asset in Forte dei Marmi (LU); (Vi) 100% Rubattino 87 S.r.l., dedicated to the development, construction and sale of areas in Milan, and owner of apartments in Milan; (Vii) 50% of the West Rubattino S.p.A., via Rubattino 87 S.r.l., a company in joint venture dedicated to the development of free residence in via Rubattino - West Area; (Viii) 50% Via trousers S.r.l. in liquidation, owns areas in Bologna; (ix) 40% Induxia S.r.l. in liquidation, the owner of site areas in Binasco and Lacchiarella; and (x) 49% of Trixia S.r.l., which has ownership of land and a farm in the province of Milan, as well in the context of Tolcinasco Castello, located in Basiglio (MI).

Nichelino S.c.ar.l. e Serravalle Village S.c.ar.l.
Consortium companies established by the Temporary Association of Companies between Praga Construction S.r.l. and Itinera S.p.A., which hold 50% each, for the building of a shopping centre in Nichelino (a) and phase A of the Serravalle Outlet Village.

Parco Grande S.c.ar.l. in liquidation and Ravizza S.c.ar.l. in liquidation
Joint ventures with a stake of 50% held by Aedes Project S.r.l. in liquidation and established for a contract on the building of the lands on via Rubattino and via Pompeo Leoni.

Pragasei S.r.l.
Company owner of property assets under construction (Serravalle Outlet Village intended for commercial use) in Serravalle Scrivia (AL). It is owned 50.1% by Aedes SIIQ S.p.A. in joint venture with TH Real Estate.

OTHER INVESTMENTS

Shareholdings	Registered Office	Share Capital	Shares of Equity
Roma Development S.r.l.	Rome Via Luigi Luciani, 41	€ 4,020,000	0.49% Aedes SIIQ S.p.A.

Roma Development S.r.l.
Company owner of a land under development in Rome, La Storta. Held 0.49% by Aedes SIIQ S.p.A..

4.15 Annex 2 - Related party transactions

Transactions carried through with related parties over the year by the Aedes Group with companies not included within the perimeter of consolidation mainly consist of administration and property services, as well as loans issued by the Group companies to the non-consolidated companies, remunerated at rates in line with those normally applied by the banking system.
All transactions carried out by the Company with related parties were at arm's length.

(Euro/000)	Non-current receivables	Current trade receivables	Non-current payables to banks and other financial institutions	Trade payables and other payables	Revenues from sales and services	Other revenue	Cost of raw materials and services	Personnel costs	Other operating costs	Financial income
Counterpart										
Parent companies										
Augusto S.p.A.	0	32	0	0	18	0	0	0	0	0
Total from parents	**0**	**32**	**0**	**0**	**18**	**0**	**0**	**0**	**0**	**0**
Associated companies										
Aedilia Nord Est S.r.l.	1,936	9	0	0	10	1	0	0	0	85
Alpe Adria S.r.l.	74	59	0	0	5	2	0	0	(1)	2
Leopardi Fund	38	5	0	18	0	0	(4)	0	(5)	0
Galileo Ferraris 160 S.r.l.	0	12	0	0	0	0	0	0	0	0
Golf Tolcinasco S.r.l.	525	50	0	43	0	23	(138)	0	(180)	15
Mercurio S.r.l. - in liquidation	0	0	0	1	0	0	0	0	0	0
Nichelino Village S.c.ar.l.	1,024	32	0	2,251	0	103	(5,581)	0	0	0
Pival S.r.l.	0	17	0	0	10	0	0	0	0	0
Pragasei S.r.l.	9,969	2,902	221	0	11,312	11	0	0	0	564
Ravizza S.c.ar.l.	0	0	0	0	0	0	0	0	2	0
Roma Development S.r.l.	0	0	0	0	0	0	0	0	(11)	10
Rubattino 87 S.r.l.	0	1,038	0	0	0	0	0	0	0	0
Rubattino Ovest S.p.A.	0	89	0	0	0	0	0	0	0	0
Serravalle Village S.c.ar.l.	0	1,463	0	4,100	0	245	(10,702)	0	0	0
Trieste S.r.l.	0	0	0	0	0	0	0	0	0	1
Trixia S.r.l.	0	12	1,251	0	0	0	0	0	0	0
Via Calzoni S.r.l. in liquidation	0	0	0	0	0	0	0	0	(162)	162
Total from associates	**13,566**	**5,688**	**1,472**	**6,413**	**11,337**	**385**	**(16,425)**	**0**	**(357)**	**839**
Other associated parties										
R&P S.r.l.	0	0	0	0	0	0	(354)	0	0	0
Sator Immobiliare SGR S.p.A.	0	505	0	20	34	0	0	(55)	0	0
Legal and tax consultancy	0	0	0	0	0	0	(6)	0	0	0
Agarp S.r.l.	0	1	0	0	0	1	0	0	0	0
Arepo Ad S.ar.l.	0	2	0	0	0	2	0	(1)	(1)	0
Prarosa S.r.l.	0	2	0	0	0	1	0	0	0	0
Tiepolo S.r.l.	0	2	0	0	0	1	0	0	0	0
Total other associated parties	**0**	**512**	**0**	**20**	**34**	**5**	**(360)**	**(56)**	**(1)**	**0**
Total associated parties	**13,566**	**6,232**	**1,472**	**6,433**	**11,389**	**390**	**(16,785)**	**(56)**	**(358)**	**839**

The overall fees resolved for the Directors of the Board of Directors, including Directors with proxies, Auditors and Managers with strategic responsibilities are listed in the table below:

(Euro/000)	Aedes SIIQ S.p.A.	Subsidiaries and associates	Total
Directors and Auditors fees			
Members of the Board of Directors fees	2,150	0	2,150
of which used	0	0	0
Members of the Board of Auditors fees	88	69	157
Remuneration of Directors and Board of Statutory Auditors for positions held in the Supervisory Body	45	0	45
of which directors of Aedes SIIQ S.p.A.	0	0	0
of which Board of Statutory Auditors of Aedes SIIQ S.p.A.	45	0	45
Total	**2,283**	**69**	**2,352**

For further details see the remuneration report prepared by the appointed Company pursuant to art. 123-*ter* of the TUF, which will be published pursuant to the law on the Company website.

4.16 Annex 3 - Investments in associates and joint ventures

(Euro/000)	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Counterpart				
Associates and joint ventures				
Aedilia Nord Est S.r.l.	4	9,828	3,182	32
Efir S.ar.l. - Dante Retail Fund	58,130	283	0	41
Dante Retail Fund	95,032	10,802	70,022	895
Leopardi Fund	57,108	2,811	24,817	2,472
Pragasei S.r.l.	43,663	10,753	43,906	10,969
Total	**253,937**	**34,477**	**141,927**	**14,409**

(Euro/000)	Revenues from sales and services	Other revenue	Variations in inventory	Cost of raw materials and services	Cost of personnel	Other operating costs
Counterpart						
Associates and joint ventures						
Aedilia Nord Est S.r.l.	317	0	630	(229)	0	(8)
Efir S.ar.l. - Dante Retail Fund	0	0	0	(73)	0	(13)
Dante Retail Fund	9,644	69	0	(1,501)	0	(1,024)
Leopardi Fund	1,945	736	0	(2,361)	0	(502)
Pragasei S.r.l.	777	959	24,786	(26,260)	0	(55)
Total	**12,683**	**1,764**	**25,416**	**(30,424)**	**0**	**(1,602)**

(Euro/000)	Amortisations/ depreciations	Write-downs and provisions	Financial income/ (expense) Net	Income/ (expenses) from investments	Taxes	Profit/(Loss) of the period
Counterpart						
Aedilia Nord Est S.r.l.	0	0	(38)	0	(13)	659
Efir S.ar.l. - Dante Retail Fund	0	0	0	5,467	(44)	5,337
Dante Retail Fund	0	(1,595)	(1,769)	16	0	3,840
Leopardi Fund	0	(5,291)	(440)	(5,131)	0	(11,044)
Pragasei S.r.l.	(24)	(17)	(1,755)	0	185	(1,404)
Total	**(24)**	**(6,903)**	**(4,002)**	**352**	**128**	**(2,612)**

The following is a breakdown of the net financial position of the associates and joint ventures:

(Euro/000)	% of share	PFN 100%	NFP pro-rata
Shareholdings			
Aedilia Nord Est S.r.l.	56.52%	605	32
Efir S.ar.l. - Dante Retail Fund	33.33%	261	87
Dante Retail Fund	33.33%	80,219	26,737
Leopardi Fund	24.89%	25,670	6,261
Pragasei S.r.l.	50.10%	26,194	13,123
Total		**132,949**	**46,550**

Against the debt listed, it is noted that the same is in turn guaranteed mainly by property guarantees. Please relate to Note 32 for any commitments of the Group.

4.17 Annex 4 - Disclosure pursuant to art. 149-duodecies of the Consob Issuers Regulation

The following statement, prepared pursuant to art. 149-duodecies of the Consob Issuers Regulation, illustrates the fees due for FY 2016 for Audit services and services other than Audit provided by the Independent Auditors.

(Euro/000)	Party providing the service	Recipient	Fees for the year 2016
Audit	Deloitte & Touche S.p.A.	Parent Company - Aedes SIIQ S.p.A.	204
	Deloitte & Touche S.p.A.	Subsidiaries	222
Total			**426**

4.18 Certification of the Consolidated Financial Statements[1]

The undersigned Giuseppe Roveda, as Chief Executive Officer, and Gabriele Cerminara, as Manager in Charge of the preparation of the Company accounting documents of Aedes SIIQ S.p.A., certify, also bearing in mind the provisions of art. 154-*bis*, subsections 3 and 4 of Italian Legislative Decree 58 of 24th February 1998:

- adequacy in relation to the characteristics of the Aedes Group, and
- the effective application of the administration and accounting procedures for the preparation of the consolidated financial statements during FY 2016.

It is also certified that:

1. The consolidated financial statements:
    a. are prepared in compliance with the applicable international accounting standards recognised within the European European pursuant to EC regulation 1606/2002 of the EU Parliament and Committee on 19th July 2002;
    b. correspond to the accounting results and bookkeeping entries;
    c. is suitable to supply a true and correct representation of the equity, economic and financial situation of the Company and the together of the companies included within the consolidation of the Aedes Group.

2. The Management Report includes a fair review of the performance and operating result, as well as the situation of the issuer and the together of the companies included within the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 21st March 2017

The Chief Executive Officer	The Manager Charged for the preparation of the Company accounting documents
Giuseppe Roveda	Gabriele Cerminara

[1] Under art. 81-*ter* of Consob Regulation no. 11971 of 14th May 1999 and subsequent amendments and additions.

4.19 Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

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Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Aedes SIIQ S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Aedes Group, which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Aedes Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Aedes SIIQ S.p.A., with the consolidated financial statements of the Aedes Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Aedes Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
April 6, 2017

This report has been translated into the English language solely for the convenience of international readers.

5

SEPARATE FINANCIAL STATEMENTS

5.1 Statement of Financial Position[1]

(Euro)	Note	31/12/2016	of which related parties	31/12/2015	of which related parties
Assets					
Non-current assets					
Investment properties	1	163,960,000		81,800,000	
Other tangible assets	2	2,248,201		2,421,244	
Intangible fixed assets	3	53,414		64,035	
Investments in subsidiaries	4	79,975,888		95,418,909	
Investments in associated companies and others	5	37,905,020		40,477,879	
Deferred tax asset	6	1,059,482		1,059,482	
Derivative financial instrument	7	230,409		637,777	
Financial receivables	8	66,884,723	66,830,164	43,555,669	43,509,576
Trade receivables and other receivables	9	1,136,820		1,116,827	
Total non-current assets		**353,453,957**		**266,551,822**	
Current assets					
Inventory	10	187,028		0	
Financial receivables	8	304,703	304,703	321,002	321,002
Trade receivables and other receivables	9	16,415,636	3,984,592	17,324,222	4,742,935
Cash and cash equivalents	11	3,848,620		55,555,375	
Total current assets		**20,755,987**		**73,200,599**	
Total assets		**374,209,944**		**339,752,421**	

(Euro)	Note	31/12/2016	of which related parties	31/12/2015	of which related parties
Shareholders' Equity					
Share capital		212,945,601		212,945,601	
Treasury shares		(1,454,432)		(265,977)	
Fair value measurement reserves and other reserves		47,326,888		47,298,579	
Retained earnings		8,827,452		8,297,261	
Profit/(Loss) for the year		17,312,689		566,172	
Total Shareholders' Equity	12	**284,958,198**		**268,841,636**	
Liabilities					
Non-current liabilities					
Payables due to banks and other lenders	13	40,202,899		39,826,823	
Derivative instruments	7	605,265		505,958	
Deferred taxes liabilities	6	1,324,353		1,324,353	
Provisions for Severance Indemnity	14	561,056		487,842	
Provisions for risks and charges	15	5,160,414		4,149,795	
Trade payables and other payables	16	2,581,125	2,226,125	2,271,337	1,716,337
Non-current taxes payables	17	220,428		1,637,357	
Total non-current liabilities		**50,655,540**		**50,203,465**	
Current liabilities					
Trade payables and other payables	16	10,191,586	3,195,776	9,675,031	2,549,269
Current taxes payables	17	1,161,612		1,824,660	
Payables due to banks and other lenders	13	27,243,008		9,207,629	
Total current liabilities		**38,596,206**		**20,707,320**	
Total liabilities		**89,251,746**		**70,910,785**	
Total liabilities and Shareholders' Equity		**374,209,944**		**339,752,421**	

[1] Under Consob Resolution no. 15519 of 27th July 2006, the effects of relations with affiliates are shown in the balance sheet and income statement schedules as well as the notes to them.

5.2 Income Statement

(Euro)	Note	31/12/2016	on which non-recurring	of which related parties	31/12/2015	on which non-recurring	of which related parties
Income statement							
Revenues from sales and services	18	11,612,335		3,739,306	23,484,120		15,276,235
Other revenue	19	2,045,455		373,144	5,151,086		653,157
Changes in inventory	20	(2,293,000)			(15,674,206)		
Costs for raw materials and services	21	(8,081,573)		(651,246)	(8,478,619)		(1,786,731)
Employee benefit expenses	22	(3,876,851)			(3,134,916)		
Other operating costs	23	(1,339,663)		(354,946)	(1,118,328)		(288,272)
Amortisations/Depreciations	24	(463,208)			(153,314)		
Adjustment to fair value	24	32,636,788			678,932		
Write-downs and provisions	24	(1,817,151)			140,587		
Income/(Charges) from investments	25	(11,093,081)		1,216,997	(4,960,558)		632,958
Restructuring Income/(Costs)	26	0			1,830,387	1,350,000	
Operating result		**17,330,051**			**(2,234,829)**		
Financial income	27	2,456,772		2,348,508	2,801,504		2,275,788
Financial expenses	27	(2,151,412)		16,114	(2,419,497)		(16,245)
Result before tax		**17,635,411**			**(1,852,822)**		
Taxes	28	(322,722)			2,418,994		
Profit/(Loss) for the year		**17,312,689**			**566,172**		

5.3 Statement of Comprehensive Income

(Euro)	31/12/2016	31/12/2015
Statement of comprehensive income		
Profit/(Loss) for the year	**17,312,689**	**566,172**
Other comprehensive income not reclassified to profit or loss		
Actuarial profit/(loss) on Severance Indemnity	(12,891)	69,378
Total comprehensive income for the year after tax	**17,299,798**	**635,550**

5.4 Statement of Changes in Shareholders' Equity

(Euro)	Share capital	Treasury shares	Other reserves				Retained earnings	Result for the year	Total
			Merger difference	Legal reserve	Others for capital increase	Capital contributions by Shareholders			
01/01/2015	**172,945,240**	**(34,526,832)**	**0**	**0**	**50,114,943**	**9,502,922**	**342,441**	**44,610,734**	**242,989,448**
Allocation result 2014				2,230,537			42,380,197	(44,610,734)	0
Merger difference			(3,637,394)						(3,637,394)
Capital increase by cash	40,000,006					(9,502,922)			30,497,084
Sale of rights					122,101				122,101
Subscription warrant	355				177				532
Share issue cost					(1,531,785)				(1,531,785)
Treasury shares in portfolio		34,260,855					(34,494,755)		(233,900)
Profit/(Loss) for the year								566,172	566,172
Actuarial profit/(loss) on Severance Indemnity							69,378		69,378
Total comprehensive income							**69,378**	**566,172**	**635,550**
31/12/2015	**212,945,601**	**(265,977)**	**(3,637,394)**	**2,230,537**	**48,705,436**	**0**	**8,297,261**	**566,172**	**268,841,636**

(Euro)	Share capital	Treasury shares	Other reserves				Retained earnings	Result for the year	Total
			Merger difference	Legal reserve	Others for capital increase	Capital contributions by Shareholders			
01/01/2016	**212,945,601**	**(265,977)**	**(3,637,394)**	**2,230,537**	**48,705,436**	**0**	**8,297,261**	**566,172**	**268,841,636**
Allocation result 2015				28,309			537,863	(566,172)	0
Treasury shares in portfolio		(1,188,455)					5,219		(1,183,236)
Profit/(Loss) for the year								17,312,689	17,312,689
Actuarial profits/(losse) on Severance Indemnity							(12,891)		(12,891)
Total comprehensive income							**(12,891)**	**17,312,689**	**17,299,798**
31/12/2016	**212,945,601**	**(1,454,432)**	**(3,637,394)**	**2,258,846**	**48,705,436**	**0**	**8,827,452**	**17,312,689**	**284,958,198**

5.5 Cash Flow Statement

(Euro)	31/12/2016	31/12/2015
Profit/(Loss) for the year	17,312,689	566,172
Capital losses from sale of investments	572,277	25,969
Capital gains disposal of tangible/intangible fixed assets	0	(1,300,000)
Capital gains from sale of investments	0	(3,798,328)
Amortisations/Depreciations and write-downs	539,834	915,889
Adjustments to fair value of fixed investments	(32,636,788)	(678,932)
Write-downs of investments in subsidiaries and associates	11,559,000	5,593,516
Impairment of credits to affiliates	178,000	0
Other allocations	1,917,165	(723,298)
Financial charges/(income)	201,315	(382,007)
Restructuring charges/(income)	0	(1,069,129)
Current and deferred taxes for the year	322,722	(2,418,994)
Changes in provision for Severance Indemnity	(126,125)	(226,704)
Changes in provision for risks and charges	(1,028,650)	(1,406,874)
Changes in inventory	2,292,972	15,674,206
Changes in trade receivables and other receivables	(3,784,651)	26,711,381
Variations of trade payables and other payables	5,200,890	(4,563,449)
Changes in other assets and liabilities	(1,636,408)	12,279,367
Income taxes paid net of reimbursements	(379,338)	(1,307,010)
(Paid) received interest	(1,452,456)	(1,493,764)
Cash flow from operating activities	**(946,752)**	**42,398,011**
Changes in investment properties and other tangible fixed assets	(14,669,586)	(1,799,494)
Decrease of intangible investments	0	(5,227)
Increase of intangible investments	(15,142)	(61,602)
Cash flows from acquisitions/sales of investments	(9,796,149)	24,872,590
Change in financial receivables from subsidiaries and affiliates	(20,305,886)	(20,022,053)
Cash flow from investing activities	**(44,786,763)**	**2,984,214**
Effects of variations of payables due to banks and other lenders	(4,970,997)	(41,171,205)
Acquisitions and sales of treasury shares	(1,183,236)	(233,900)
Variation of capital for cash and warrant	0	30,619,717
Costs for capital increase	0	(1,531,785)
Cash flow from financial activities	**(6,154,233)**	**(12,317,173)**
Net increase/(Decrease) in cash and cash equivalents	**(51,887,748)**	**33,065,052**
Cash and cash equivalents at beginning of year	**55,555,375**	**22,455,366**
Cash and cash equivalents at beginning of year merged companies	**180,993**	**34,957**
Cash and cash equivalents at year-end	**3,848,620**	**55,555,375**

5.6 Non-recurring significant events

On 27th January 2016, the Board of Directors of Aedes SIIQ S.p.A. approved, under art. 12 of the Articles of Association and art. 2505 of the Civil Code, the merger of the wholly owned Pragacinque SIINQ S.p.A. (the merger deed signed by the notary Stefano Rampolla in Milan on 29th March 2016, index no. 55,848/14,140, entered in the Register of Enterprises of Milan on the same date, with effect against third parties, under art. 2504 paragraph 1 of the Civil Code of 29 March 2016).
Subsequently, on 1st September 2016, the Board of Directors of Aedes SIIQ S.p.A. approved, under art. 12 of the Articles of Association and art. 2505 of the Civil Code, the merger of the wholly owned Pragatre SIINQ S.p.A. (the merger deed signed by the notary Stefano Rampolla in Milan on 9th November 2016, index no. 57,137/14,613, entered in the Register in Milan on 21st November 2016, effective as against third parties, under art. 2504 bis, paragraph 1 of the Italian Civil Code from 21st November 2016). Both mergers have a retroactive effect for accounting and tax purposes to 1st January 2016. The effects of these mergers have been incorporated in this Report.
These operations fall within a more complex task of reorganization and strategic reorientation of the Group, which, through transfers, voluntary liquidations and mergers, aims to consolidate the Parent Company's portfolio of properties in revenue in line to the SIIQ model and at the same time ensuring greater efficiency of the Group structure under the management, economic, financial and control profile.

It was decided to account for the transaction in question, in accordance with the provisions of OPI 2 in continuity of values with respect to what is stated in the Aedes Group consolidated financial statements.

We set out below the financial effects of the merger:

(Euro/000)	Aedes SIIQ S.p.A. 31/12/2015	Pragacinque SIIQ S.p.A. 31/12/2015	Pragatre SIIQ S.p.A. 31/12/2015	Merger effect	Post-merger 01/01/2016
Assets					
Non-current assets					
Investment properties	81,800	0	14,400	14,400	96,200
Other tangible assets	2,421	0	1	1	2,422
Intangible fixed assets	64	0	0	0	64
Investments in subsidiaries	95,419	21,659	0	(7,532)	87,887
Investments in associated companies and others	40,478	0	0	0	40,478
Deferred tax asset	1,059	0	233	233	1,292
Derivative financial instrument	638	0	0	0	638
Financial receivables	43,556	0	1	1	43,557
Trade receivables and other receivables	1,117	0	145	145	1,262
Total non-current assets	**266,552**	**21,659**	**14,780**	**7,248**	**273,800**
Current assets					
Inventory	0	0	2,746	2,480	2,480
Financial receivables	321	0	0	0	321
Trade receivables and other receivables	17,324	0	366	333	17,657
Cash and cash equivalents	55,555	22	159	181	55,736
Total current assets	**73,200**	**22**	**3,001**	**2,994**	**76,194**
Total assets	**339,752**	**21,681**	**17,781**	**10,242**	**349,994**
Total Shareholders' Equity	**268,841**	**21,426**	**7,761**	**0**	**268,841**

(Euro/000)	Aedes SIIQ S.p.A. 31/12/2015	Pragacinque SIIQ S.p.A. 31/12/2015	Pragatre SIIQ S.p.A. 31/12/2015	Merger effect	Post-merger 01/01/2016
Liabilities					
Non-current liabilities					
Payables to banks and other lenders	39,826	0	7,919	7,919	47,745
Derivative instruments	506	0	0	0	506
Deferred tax liabilities	1,324	0	227	227	1,551
Provisions for Severance Indemnity	488	0	0	0	488
Provisions for risks and charges	4,150	0	111	111	4,261
Trade payables and other payables	2,272	0	0	(3)	2,269
Non-current taxes payables	1,637	0	0	0	1,637
Total non-current liabilities	**50,203**	**0**	**8,257**	**8,254**	**58,457**
Current liabilities					
Trade payables and other payables	9,675	255	102	327	10,002
Current tax payables	1,825	0	42	42	1,867
Payables to banks and other lenders	9,208	0	1,619	1,619	10,827
Total current liabilities	**20,708**	**255**	**1,763**	**1,988**	**22,696**
Total liabilities	**70,911**	**255**	**10,020**	**10,242**	**81,153**
Total liabilities and Shareholders' Equity	**339,752**	**21,681**	**17,781**	**10,242**	**349,994**

FOREWORD

Aedes SIIQ S.p.A. ("**Aedes**", the "**Company**" or "**Parent Company**"), founded in 1905, was the first real estate company to be listed on the Milan Stock Exchange (NYSE: aE.MI) in 1924. The strategy of the Company, as an SIIQ from 1st January 2016, aims to create and maintain in the medium to long term a real estate portfolio for commercial use, which generate cash flows consistent with the SIIQ model. The recurring cash flow will be derived from both properties that are already owned, with retail and office locations, currently in revenue or marketing, as well as areas that will be developed in-house for real estate revenue primarily for retail purposes.
During 2016, whose financial figures saw a further significant improvement compared to 2015, the Company has strived to further enhance and improve the average occupancy of the property portfolio. On 28th September 2016 the Company's Board of Directors has approved the strategic guidelines 2017-2021, under which the Company will in the growth and consolidation of a portfolio "commercial", focused on the retail assets of the new generation and office, with the goal of maintaining, in the medium and long term, a real estate portfolio that will generate recurring cash flows, typical of the SIIQ/SIIQ model, which yield more than the sector average.
In particular, the Company and the Group will continue to acquire properties and real estate portfolios already in revenue, 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.

The financial statements were audited by Deloitte & Touche S.p.A. under art. 159 of Legislative Decree no. 58 of 24th February 1998.

The publication of the financial statements of Aedes S.p.A. SIIQ for the year ended 31 December 2016, was approved by resolution of the Board of Directors on 21st March 2016.

BASIS FOR PREPARATION

The financial statements of 2016 are the financial statements of the Parent Aedes SIIQ S.p.A. and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and the measures taken to implement art. 9 of Legislative Decree no. 38/2005. The IFRS also include all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The financial statements and the disclosures contained in the statement of financial position were prepared in compliance with the International Standard IAS 1, pursuant to the Consob Communication DEM 6064313 of 28th July 2006.

The financial statements have been prepared on the going concern assumption. The Directors, in fact, have estimated that, there are no uncertainties regarding the ability of the Company and the Group to operate as a going concern, even on the basis of estimates reported in the notes to the "Management of main business risks", to which reference is made.

The risks and uncertainties relevant to the business are described in the section dedicated to the Management Report. The description of how the Company manages its financial risks, *inter alia*, those of capital and liquidity, are found within the paragraph Additional information on financial instruments and risk management policies herein these Explanatory Notes.

The financial statements have been prepared on the basis of the conventional historical cost, except for the valuation of investment property at fair value and financial assets and liabilities, including derivative instruments, in cases where the fair value method is applied.

Regarding the format of the financial statements, the Company has opted to present the following accounting statements.

Statements of financial position

The financial position statement is filed with separate disclosures of the assets, liabilities and Shareholders' Equity. In turn the assets and liabilities are shown in the financial statements based on their classification as current and non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realized/settled or is expected to be sold or used in the normal operating cycle, or
- it is held mainly to be negotiated, or
- it is expected to be realized/settled within twelve months from the closing date of the financial statements.

In absence of all three conditions, the assets/liabilities are classified as non-current.

Lastly, a liability is classified as current when the company does not have an unconditional right to defer the complex of the liability for at least 12 months from the date of the financial statements.

Income statement

The consolidated income statement is filed in its classification by nature.

For a better understanding of the typical results of the ordinary, financial and tax management, the consolidated income statement shows the following consolidated interim results:

- Operating result;
- Operating result before taxes;
- Profit for the year.

Statement of comprehensive income

The comprehensive income for the year includes all changes of "Other gains/(losses) in total", during the year, generated by transactions other than those carried out with Shareholders and on the basis of specific IAS/IFRS accounting principles. The Company has chosen to present these changes in a separate statement to the income statement. Changes of other comprehensive profits/(losses) are shown net of the relevant tax effects. The table also provides evidence of the separate components that may or may not be subsequently reclassified in the income statement.

Statement of changes in Shareholders' Equity

We provide the statement of changes in equity as required by the International Financial Reporting Standards with separate disclosure of net revenue and other changes not recorded in the income statement, but directly to other comprehensive revenue/(loss) based on specific accounting standards of the IAS/IFRS.

Cash flow statement

We present the cash flows statement divided by areas of cash flows as required by the international accounting standards, prepared by applying the indirect method.

The financial statements have been prepared using the Euro as currency and all values are rounded to the nearest Euro thousand unless otherwise indicated.

The effects of transactions with related parties are shown in the income statement and statement of financial and asset position as well as the notes to them.

For the purpose of preparing these financial statements, to provide greater clarity, it was reclassified under "Revenue/(expense) from holdings" now included in "Operating revenue." This item includes write-downs and write-backs of subsidiaries and affiliates equal to (Euro 11.42 million respectively) and Euro (139,000), in addition to dividends, amounting to Euro 1,216,997, the losses from disposal of investments equal to Euro (572,277) and impairment of financial and commercial loans to subsidiaries and affiliates (made in the event that, as a result of the impairment test, the value of the investment does not prove large) amounted to Euro (178,801).

The total "Income/(Charges) from investments" at 31st December 2016 therefore amounts to Euro (11,093,081).

For comparative purposes, we have also reclassified the corresponding values at 31st December 2015:

1. Reclassification of "Income/(Charges) from investments" Euro (5,593,516);
2. Reclassification of dividends from "Other revenue" to "Income/(Charges) from investments" for Euro 632,958.

The total of "Income/(Charges) from investments at 31st December 2015 therefore amounts to Euro (4,960,558).

In preparing the financial statements at 31 December 2016, the same measurement criteria adopted for the financial statements at 31st December 2015 were used, with exception for the adoption of the new standards, amendments and interpretations in force as at 1st January 2016.

IFRS Accounting standards, amendments and interpretations applicable since 1st January 2016

The following IFRS accounting standards, amendments and interpretations were first adopted by the Company as from 1st January 2016:

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" (issued on 21st November 2013) concerning the recognition of contributions from employees or third parties to defined benefit plans. The adoption of these amendments had no impact on the financial statements of the Company.

- Amendments to IFRS 11 "Accounting for acquisitions of interests in joint operations" (issued on 6th May 2014) concerning the accounting for acquisitions of interests in a joint operation when the operation constitutes a business. The adoption of these amendments had no impact on the financial statements of the Company.

- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation" (issued on 12th May 2014) establishing that a depreciation or amortisation method that is based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortisation is part reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a pre-requisite for depreciation or amortisation. The adoption of these amendments had no impact on the financial statements of the Company.

- Amendment to IAS 1 "Disclosure Initiative" (issued on 18th December 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements. The adoption of these amendments had no impact on the financial statements of the Company.

- Amendment of IAS 27 "Equity Method to Separate annual accounts" (published on 12th August 2014) introduces the option of using the financial statements of an entity the equity method for valuation of investments in subsidiaries, joint ventures and affiliates.

As part of its annual improvement process, on 12th December 2013, the IASB published documents "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments – Definition of vesting condition, IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and – on 25th September 2014 – document "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) partly amending existing standards. The adoption of these amendments had no impact on the financial statements of the Company.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union not yet mandatory applicable and not early adopted by the Company as at 31st December 2016

The Company has not adopted the following new and amended standards, that have been issued but are not mandatory applicable.

- IFRS 15 – Revenue from Contracts with Customers (issued on 28th May 2014 and supplemented with additional clarifications on 12 April 2016) bound to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IFRSs, such as leases, insurance contracts and financial instruments. The main steps for revenue recognition according to the new model are:
  - identifying the agreement in place with the customer;
  - identifying the performance obligations under the agreement;
  - defining the transaction price;
  - price allocation to the performance obligations under the agreement;
  - revenue recognition criteria when the entity satisfies each performance obligation.

  This standard is applicable as from 1st January 2018, though early adoption is allowed. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published by IASB on 12th April 2016, have not yet been endorsed by the European Union. Directors expect that the adoption of IFRS 15 will have an impact on the revenue recognition and the relevant disclosure included in the Financial Statements of the Company. Still, it will be impossible to provide a reasonable estimate as to the effects until the Company completes a detailed analysis of the agreements in place with the customers.

- Final version of IFRS 9 – Financial instruments (issued on 24th July 2014). The standard includes the results of IASB project pending the replacement of IAS 39:
  - it introduces new criteria to classify and measure financial assets and liabilities;
  - with reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced, available free of charge or without unreasonable effort and including historic, current and forecast data;
  - a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

  The new standard must be applied to reporting period beginning on 1st January 2018 and thereafter. Directors expect IFRS 9 to have an impact on the balances and the relevant disclosures in the Financial Statements of the Company. Still, it will be impossible to provide a reasonable estimate as to the effects until the Company completes a detailed analysis.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union
The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these Financial Statements.

- IFRS 16 – Leases (issued on 13th January 2016) is to replace IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.
  The standard introduces a single lessee accounting model for recognising and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognised in the statement of financial position as assets and leas financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 within the scope of this standard. No significant changes are introduced for lessor accounting.
  The standard applies for reporting period beginning on or after 1st January 2019. Early application is only allowed for early adopters of IFRS 15 – Revenue from Contracts with Customers. Directors expect that the adoption of IFRS 16 will have a significant impact on lease accounting and the relevant disclosures included in the Company Financial Statements. Still, it will be impossible to provide a reasonable estimate as to the effects until the Company completes a detailed analysis of the relevant agreements.

- Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses” (published on 19th January 2016). This document provides clarifications on the recognition of deferred tax assets for unrealised losses under certain circumstances and on the estimation of taxable income for future periods. The amendments apply as from 1st January 2017, though early adoption is allowed. The Directors are evaluating the possible effects of applying these amendments to the Company’s Financial Statements.

- Amendments to IAS 7 “Disclosure Initiative” issued on 29th January 2016. The document provides some clarifications to improve information on financial liabilities. Specifically, the amendments require such disclosures as to allow the recipients of the financial statements to understand changes in liabilities generated by financing operations. The amendments apply as from 1st January 2017, though early adoption is allowed. They do not require a presentation of comparative information relating to previous years. The Directors are evaluating the possible effects of applying these amendments to the Company’s Financial Statements.

- Document “Annual Improvements to IFRSs: 2014-2016 Cycle”, issued on 8th December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) partially supplements existing standards. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8th December 2016). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity is to determine the date of the transaction and consequently the spot exchange rate to be used for foreign currency transactions whose consideration is paid or received in advance. IFRIC 22 applies as from 1st January 2018, though early adoption is allowed. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- Amendments to IAS 40 “Transfers of Investment Property” (issued on 8th December 2016). These amendments provide clarifications on the transfer a property asset to, or from, investment property. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity’s management alone is not sufficient. These amendments apply as from 1st January 2018, though early adoption is allowed. Directors do not expect any significant effect on the financial statements of the Company when these amendments are adopted.

- Amendments to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture” (issued on 11th September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.

5.7 Accounting policies

NON-CURRENT ASSETS AND LIABILITIES

Intangible fixed assets

An intangible fixed asset is recognised for accounting purposes only if it is identifiable, controllable and is expected to generate future economic benefits and its cost can be reliably measured.
Intangible fixed assets are recorded at purchase cost, net of accrued amortisation and impairment.
Amortisation is calculated starting from when the asset is available for use or is capable of operating in the manner expected by management and is terminated as at the date in which the asset is classified as owned for sale or is written off for accounting purposes.
Concessions, licences and trademarks are booked at their historic cost, net of accrued amortisation and impairment. Amortisation is recognised based on the lesser period between the contractual duration and the period within which the asset is expected to be used.
Software licences purchased are booked based on the costs incurred for the purchase and installation of the specific software, net of accrued amortisation and impairment. These costs are amortised based on their useful life.
Costs associated to the development or maintenance of computer programs are recorded as costs at the time when the same are incurred. Costs for the development of computer software booked as assets are amortised over their estimated useful life.

Investment properties

Investment properties consist of real estate property held to earn rental revenue or an appreciation of the invested capital, or as areas for development and building of real estate property in order to earn rentals.
Investment properties can, therefore, be broken down as follows:

- **Investment properties**: initially recognised at cost, including transaction costs. After the initial recognition, these property investments are recorded at fair value, reflecting market conditions at the closing date of the financial statements. The profits and losses deriving from the change in the fair value of the fixed investments are recorded in the income statement for the year in which the same occurred;
- **Properties under development**: accounted for using the cost criterion until its fair value can be reliably determined on a continuous basis and, after that time, are recorded at fair value with an equal treatment of investment properties. It should be noted that, in relation to what is stated in Consob Recommendation no. DIE/0061944 of 18th July 2013, on the basis of the procedure approved on 28th September 2016 by the Board of Directors, the Company identified the approval of the urban planning agreement by the competent authority at the time when the real estate under development can be valued at fair value.

Property investment is initially recognised at cost, including transaction costs, and subsequently measured at fair value, recognizing in the income statement under “Adjustment to fair value” the effects of changes in fair value of property investment.
Property investment is eliminated from the balance sheet when they are sold or when it is permanently withdrawn from use and no future economic benefits expected from its disposal. Any gains or losses arising from the retirement or disposal of an property investment are recognised in the income statement in the year of the withdrawal or disposal.
Reclassifications from/to investment properties usually occur when the use of the same is changed. For property investment reclassifications for direct use (instrumental property), the reference value of the property for subsequent accounting is the fair value at the date of change in use. The real estate portfolio is valued every six months with the help of an independent expert with recognised and relevant professional qualification and recent experience in the location and features of the properties evaluated.

Fair value represents the consideration to which an asset could be traded or that it would have to pay to transfer the exit price in a free transaction between conscious and independent parties. Consequently it is assumed that the company is a going concern and that neither party has the need to liquidate their assets in a forced sale on unfavourable conditions.

For the measurement of the individual properties the type of tenant currently occupying the property, the division of the insurance responsibilities and maintenance between the lessor and lessee and residual economic life of the property are taken into consideration.

Other tangible assets

Other tangible assets are reported at purchase or production cost, including directly attributable ancillary costs, net of depreciations and impairments accrued.
Depreciation is calculated starting from when the property is available for use or is potentially able to provide the economic benefits associated to the same.
Depreciation is calculated on a straight line basis at rates that reflect the useful life or, in the case of disposal, until the end of use.
Subsequent costs are included in the book value of the asset and are recorded as a separate asset, depending on the more appropriate method, only when it is probable that the future economic benefits associated to the item will benefit the Company and the cost of the item can be reliably valuated. All other costs for repairs and maintenance are recorded in the income statement during the year in which the same are incurred.
The rates of depreciations, unchanged compared to the previous year, are the following:

- Equipment 20% or, if lower, duration of the rental contract
- Other assets–Vehicles 25%
- Office machinery 20%
- Furniture and fixtures 12%

Financial charges relevant to the purchase are charged to the income statement unless they are directly attributable to the purchase, construction or production of an asset that justifies the capitalisation, in which case they are capitalised. The capitalisation of the financial charges terminates when all of the necessary activities to render the asset available for use are completed.
Improvements of third-party assets are classified under tangible fixed assets based on the nature of the cost incurred. The depreciation period corresponds to the lesser between the residual useful life of the tangible fixed asset and the residual duration of the lease contract.

Financial leasing

The definition of a contractual agreement as a leasing transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment whether the fulfilment of the agreement itself depends on the use of one or more specific assets or if the agreement transfers the right of use to such as set. The verification that an agreement contains a leasing is performed at the beginning of the agreement.
A lease contract is classified as financial or operating leasing at the start of the lease itself. A lease contract that basically transfers to the Company all of the risks and benefits arising from the ownership of the leases asset is classified as financial leasing.
Financial leases are capitalised as at the start date of the lease at the fair value of the asset leased or, if lesser, the current value of the instalments. The instalments are divided between principal and interests in order to obtain the application of a fixed interest rate on the residual balance of the debt. Financial charges are charged to the income statement.
Operating lease instalments are recorded as costs in the income statement on a straight-line basis for the duration of the contract.

Investments

Investments in subsidiaries and affiliates are recorded at cost, adjusted in presence of impairment losses. In the event that the reasons that led to the recognition of losses no longer exist, the value of investments is restored.

Holdings in other companies are classified as financial assets available for sale (AFS) and are measured at fair value except in situations where a market price or fair value cannot be determined: in such cases we resort to the cost method, adjusted for impairment losses.
Gains and losses arising from changes in fair value are entered in the overall income statement.
In the presence of an impairment loss or in the event of sale, profits and losses recorded up to such time directly within the Shareholders' Equity, are booked in the income statement.

Impairment of assets
At each reporting date, the Company reviews the book value of its tangible and intangible assets and holdings to determine whether there are indications that these assets have been impaired. Should these indications exist, the recoverable amount for such assets is estimated to determine the possible amount of the impairment.

The verification consists in the estimate of the recoverable value of the asset comparing it with the relevant net book value.
If the recoverable amount of an asset is less than the net book value, the latter is reduced to its recoverable amount. This reduction constitutes an impairment loss, which is recorded in the income statement in the period in which it occurs.
The recoverable amount is the higher of fair value of assets less costs of sale and value in use. The value in use is the current value of expected cash flows generated by the asset. In order to assess the impairment, assets are analysed starting from the lowest level for which the separate cash generating units can be identified.

Intangible and tangible fixed assets not subject to amortisation/depreciation (indefinite useful life), as well as the intangible fixed assets not yet available for use, are subject to an annual impairment test.
In the presence of an impairment reversal indicator, the recoverable value of the asset is recalculated and the book value has risen up to this new amount. The increase of the book value cannot, in any case, exceed the net book value that the fixed asset would have had should the impairment loss not have occurred.
The impairment loss of goodwill cannot be reversed.

In the property sector, valuations are made for each property, based on appraisals by independent experts. In this context, in consideration of the asset subject to assessment, we note that the methods used are the following:
- transformation method: based on the discounting, as at the appraisal date, of the cash flow generated during the period in which the property transaction is executed; the cash flows are the result of the difference between costs and revenues;
- direct comparison method: based on the comparison between the asset at hand and other similar assets subject to sale or currently offered on the same market or commercial markets;
- discounted cash flow method: based on the present value of the potential future earnings of a property obtained by capitalizing revenue at a market rate.

For holdings, given their nature (mainly real estate), the impairment test is developed on the basis of book equity appropriately adjusted in order to consider the fair value of the properties owned by each company, taken from the above real estate appraisals, net of the related tax effect, where due.

With reference to non-property investments, assessments are developed based on the values recoverable through use, determined on the basis of the predictable evolution of the activity prepared by the Management.

Financial assets
In compliance with the provisions of IAS 32 and 39, financial assets are classified into the following four categories:
1. financial assets at fair value;
2. investments held to maturity;
3. loans and financial receivables similar to loans;
4. financial assets available for sale.

The classification depends on the purpose for which the assets are purchased and held and Management determines the initial classification at the time of their initial recognition, subsequently checking it at each balance sheet date.
Here below is a description of the main characteristics of the assets mentioned before.

FINANCIAL ASSETS AT FAIR VALUE

This category is broken down into two sub-categories:

- financial assets held specifically for trading;
- financial assets designated at fair value from their acquisition. This category also includes all financial investments other than equity instruments that do not have a quoted price on an active market but whose fair value is determinable.

Derivatives are included in this category unless they are designated as hedging instruments (hedge instruments) and their fair value is recognised in the income statement.
All assets within this category are classified as current if they are held for trading or if they are expected to be realized within 12 months from the closing date of the financial statements.
The designation of a financial instrument to this category is final and can only be done at the time of initial recognition.

FINANCIAL DERIVATIVES

Derivative financial instruments are used for hedging purposes in order to reduce the interest risk rate variability. All derivative financial instruments are measured at fair value, pursuant to IAS 39.
When the financial instruments have the characteristics to be booked in hedge accounting, the following accounting treatments are applicable:

- *Fair value hedge* – Where a derivative financial instrument is designated as a hedge against changes in the fair value of an asset or a balance sheet liability attributable to a particular risk and could affect the income statement, the profit or loss arising from remeasurement of the fair value of the hedging instrument is recognised in the income statement. The profit or loss of the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item and are recognised in the income statement.
- *Cash flow hedge* – Where a derivative financial instrument is designated to hedge the variability of future cash flows of an asset or liability recognised in the balance sheet or highly probable forecast transaction and could affect profit or loss, the effective portion of the profit or loss on the derivative financial instrument is recognised in equity. The cumulative profit or loss is removed from the Shareholders' Equity and recorded in the income statement in the same period in which the relevant economic effect of the transaction subject of the hedge is recognised. The profit or loss associated with a hedge (or part of a hedge) which has become ineffective is immediately booked in the income statement.

INVESTMENTS HELD TO MATURITY

Represent non-derivative assets, with payments that are fixed or that can be determined at fixed maturities, which the Group intends to hold until maturity (i.e. subscribed bonds).
The assessment of the willingness and ability to hold the security to maturity is carried out at the time of initial recognition, and it is verified at each balance sheet date.
In the event of early (a significant amount and not in exceptional circumstances) of investments in this asset class are reclassified and assessment of the whole portfolio of assets at fair value as financial assets held for trading.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not listed on an active market and for which the Group does not intend to perform trading operations.
They are included in current assets except for the portion maturing beyond 12 months after the balance sheet date which are classified as non-current.

FINANCIAL ASSETS AVAILABLE FOR SALE

This is a residual category represented by non-derivative financial assets that are designated as available for sale and are not classified in one of the categories described above.
They are classified as fixed assets unless the management intends to dispose of them within 12 months from the balance sheet date.

Detailed below are the effects in terms of accounting for the identification of financial assets in the identified categories.
The "Financial assets at fair value through profit or loss" and "Financial assets available for sale" are recognised at their fair value plus any transaction costs.
Profits or losses on the assets held for trading are immediately recorded in the income statement.
Gains or losses relevant to financial assets available for sale are recorded as a separate equity component until the same are not sold or otherwise disposed of, or until it is ascertained that they have suffered an impairment loss.
On occurrence of such events, all of the gains or losses, in excess compared to the original cost, up to such time recorded directly within the Shareholders' Equity, are recorded on the income statement.
In the case of securities traded on regulated markets, fair value is determined by reference to the quoted bid price at the end of the trading on the closing date of the financial year.
If a market price is not available for the investment, the fair value is determined either based on the current market value of another similar financial instrument or by using appropriate valuation technologies, such as Discounted Cash Flow (DCF or analysis of Discounted Cash Flows).
Purchases or sales regulated at "market prices" are recorded as at the trading date, which corresponds to the date on which the Group undertakes to purchase or sell the asset.
In the case where the fair value cannot be reliably determined, the financial asset is valued at cost, with an indication in the notes of the type and the reasons for it.
"Investments held to maturity" and "Loans and receivables similar to loans" are measured at amortised cost using the effective interest rate and taking into account any discounts or premiums obtained at the time of acquisition can be recorded over the entire period of time up to maturity. Gains or losses are entered in the income statement either when the investment reaches maturity or on an impairment loss, just as they are entered during normal amortisation period provided by the amortised cost criterion.
Investments in financial assets can only be derecognized (derecognition process) when the contractual rights have expired to receive the cash flows deriving from them (e.g. the final redemption of bonds) or if the Group transfers the financial asset and, with all of the risks and benefits related to them.

Non-current assets held for sale

A current asset is not classified separately as non-current asset held for sale if its carrying amount will be recovered principally through a sale transaction, considered highly probable rather than through its continuous use. For sale to be highly probable it is necessary to start the preparatory activities for the sale of the same and that the completion of the sale occurs within a year of the classification date. The Company measures a non-current asset classified as held for sale at the lesser between its book value and fair value net of sales costs.
In compliance with IFRS 5, the figures relevant to the assets held for sale are shown in two specific items of the balance sheet: "Non-current assets held for sale" and "Liabilities relevant to Non-current assets held for sale".
From the date on which such assets are classified as fixed assets held for sale, their depreciation is suspended.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are determined on the basis of temporary differences between the carrying value of assets and liabilities and their tax bases.
Deferred tax assets and liabilities are calculated based on the tax rates expected to be applicable at the time such deferments are realised, considering the rates in force or those expected to be issued.
They cannot be discounted back and are classified among the non-current assets/liabilities.
Prepaid and deferred taxes are credited or charged to equity if they relate to items that are credited or charged directly to equity in the year or in previous years.
Prepaid taxes are booked only when recovery is probable in future years.
The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced in the measure that it is no longer probable that sufficient taxable incomes exist in order to allow the total or partial review of such assets.

Shareholders' Equity

Costs directly attributable to the issue of new shares or options are recorded in Shareholders' Equity.
The purchase cost of treasury shares is recorded as a fall of the Shareholders' Equity; the effects of any subsequent transactions involving the such shares are also recorded directly in Shareholders' Equity.

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a definite nature and whose existence is certain or probable and that as at the closing date of the financial year are indeterminable for amount or date of occurrence. Allocations are recognised when: (i) it is probable that an actual, legal or implicit obligation exists as a result of a past event; (ii) it is probable that the fulfilment of the obligation is not gratuitous; (iii) the amount of the obligation can be reliably estimated. Allocations are booked at the amount representing the best estimate of the amount that the company would rationally pay to extinguish the obligation or to transfer the same to third parties as at the closing of the financial year. When the financial effect of timing is important and the dates of payment can be reasonably estimated, the allocation is subject to discounting; the increase of the provision due to the passing of time is recognised in the income statement at the item "Financial incomes/(charges)".
When the liability is relevant to tangible assets (i.e. land reclamation), the provision is recorded in offset to the asset to which it relates; the recognition in the income statement occurs through the amortisation process.
Provisions are periodically updated to reflect changes in cost estimates, timing of implementation and the discounting rates; changes in estimates of the provisions are charged to the same item of the income statement that previously reported the allocation or, when the liability is relevant to tangible assets (i.e. land reclamation), in offset to the asset to which it relates.
In the notes to the financial statements contingent liabilities are represented by: (i) possible obligations (but not probable), deriving from past events, whose existence will be confirmed only on the occurrence, or not, of one or more future events not totally under the control of the company;(ii) Current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment may not be costly.

Employee benefits

Post employment benefits (Severance Indemnity) and other long-term benefits are subject to actuarial evaluations. Following this method, the liability recognised in the balance sheet is found to be representative of the present value, net of any assets serving the plans, adjusted for any actuarial losses or gains not accounted for.

Accordingly, for Group companies with less than 50 employees, the measurement of the liability continues to be performed by using the actuarial method called "projected unit credit method".
Following the amendment to the standard IAS 19 "Employee Benefits", effective from 1st January 2013, the Group recognises the actuarial profits and losses immediately in the statement of other comprehensive profits/(losses) so that the entire net amount of the provisions for defined benefits (net of plan assets) are recorded in the consolidated financial position statement. The amendment also provides that the changes between one financial year to the next of the provision for defined benefit plans and plan assets must be broken down into three components: cost components relevant to the service period of the financial year must be recorded in the financial statements as "service costs"; the net financial charges, calculated applying the appropriate discount rate to the net balance of the provision for defined benefits net of the assets resulting at the beginning of the financial year, must be recorded in the income statement as such, the actuarial profits and losses that result from the remeasurement of the liabilities and assets must be recognised in the statement of other comprehensive profits/(losses).

Financial payables

Financial debts are initially recognised at fair value net of the costs incurred in the transaction and subsequently measured at amortised cost using the effective interest rate method.
Financial payables are classified as current liabilities unless the Group has an unconditional right to defer complex of the liability for at least 12 months after the balance sheet date.

CURRENT ASSETS AND LIABILITIES

Inventories

Inventories consist of lands - also to be built on -, properties under construction and renovation, completed properties, for which the purpose is the sale to third parties and not maintaining the same in the property portfolio in order to perceive the rental revenue.

Lands to be built on are valuated at the lesser between the cost of acquisition and the corresponding presumed realisation value. The cost has risen by incremental expenses and financial charges eligible for capitalisation where the following conditions are present:

- the Management has taken a decision on the allocation to the areas of use, development or direct sales;
- costs are being incurred to obtain the asset;
- financial charges are being incurred.

Properties under construction and/or being restructured are valued at the lower of cost, including incremental expenses of their value and capitalizable financial charges, and estimated realizable value.

Properties to be sold are valued at the lesser between the cost and market value based on similar property transactions by area and type. The purchase cost has risen by and incremental costs incurred at the time of sale.

The real estate portfolio is valued every six months with the help of an independent expert with recognised and relevant professional qualification and recent experience in the location and features of the properties evaluated.

Receivables booked in current assets, Trade receivables and Other receivables

Credits are initially recognised at fair value of the consideration to be received, which for this type normally corresponds to the nominal value indicated in the invoice, adjusted (if necessary) to the estimated realizable value by provisions for the adjustment of the nominal values. Subsequently, receivables are measured using the amortised cost method, which generally corresponds to nominal value.

Accounts payable are initially recognised at fair value of the consideration to be paid and usually their amount is easily identified with a high degree of certainty. Subsequently, payables are measured using the amortised cost method calculated using the interest method.

Cash and cash equivalents

Cash and cash equivalents include: cash on hand, demand deposits with banks and other short-term highly liquid investments. Bank overdrafts are recognised as loans under current liabilities in the financial position statement.

INCOME STATEMENT

Revenues from sales of goods/assets

Revenues for the sale of assets are recognised only when all of the following conditions are satisfied:

1. the risks and benefits relevant to the ownership of the assets for the most part have been transferred to the purchaser;
2. the effective control over the assets sold and the normal continuing level of activities associated to the ownership are terminated;
3. the value of the revenues can be reliably calculated;
4. it is probable that the economic benefits stemming from the sale will be used by the company;
5. costs incurred or to be incurred can be reliably calculated.

In the case of real estate these conditions are deemed normally fulfilled by the notarial deed.

Revenues from services

The proceeds of an operation for provision of services must be detected only when it can be reliably estimated, with reference to the completion of the transaction at the balance sheet date. The result of a transaction can be reliably estimated when all of the following conditions are satisfied:

1. the amount of the revenues can be reliably measured;
2. it is probable that the company enjoys the economic benefits of the transaction;
3. the degree of completion of the transaction at the balance sheet date can be measured reliably and the costs incurred for the transaction and the costs to be incurred to complete it can be reliably determined.

With particular reference to the leasing contracts, should the same provide financial incentives in favour of tenants for initial lease periods, these incentives are recorded on a straight line basis over the contractual term as required by the international standard IAS 17.

Interests

Financial revenue is recognised in the income statement on an accruals basis, based on the interest accrued using the effective interest rate method. Financial charges incurred for investments in assets that normally require a specific amount of time in order for the asset to be ready for use or sale (qualifying asset pursuant to IAS 23 - Financial charges) are capitalised and amortised over the useful life of the asset class to which the same relate. All of the financial charges are recorded in the income statement during the year in which the same were incurred. Interest is recorded on an accrual basis that considers the effective yield of the asset.

Dividends

Dividends are recorded at the time when the shareholders have the right to receive payment, which normally corresponds with the date of the Shareholders' Meeting called to resolve on the distribution of the same.

Current taxes

Current taxes are calculated on the basis of a realistic estimate of the taxes payable pursuant to the tax laws in force.
The estimated liability is recorded in the item "Taxes payable". Tax assets and liabilities for current taxes are recorded at the amount expected to be paid/recovered to/from the tax authorities applying the rates and tax law in force or substantively approved as at the financial statements date.
Aedes SIIQ S.p.A., as Parent Company pursuant to art. 2359 of the Italian Civil Code has joined through joint exercise of the option with various subsidiaries, the Group taxation pursuant to art. 117 *et seq.* of the Italian Presidential Decree 917/86 (so-called national tax consolidation).
As noted, the national tax consolidation allows the calculation by Aedes SIIQ S.p.A. (consolidator company) of a single taxable base, resulting from the algebraic sum of the taxable amount or tax loss of each participating company. Joining the Group taxation is optional and, once exercised, is irrevocable binding the joining companies for three years. Subsidiaries of Aedes SIIQ S.p.A. that for 2016 tax year opted for group taxation pursuant art. 177 *et seq.* of Italian Presidential Decree 917/86, are: Aedes Project S.r.l. in liquidation, Cascina Praga SIINQ S.p.A., Novipraga SIINQ S.p.A., Pragaquattro Centre SIINQ S.p.A., Praga Construction S.r.l., Pragasei S.r.l., S.r.l. Pragasette in liquidation, Pragaotto S.r.l., Pragaundici SIINQ S.p.A., Praga Real Estate Service S.r.l., Satac SIINQ S.p.A. and Società agricola La Bollina S.r.l..
The economic effects arising from the national tax consolidation are regulated by appropriate regulations signed by the consolidator and consolidated companies; such regulations provide that:

1. subsidiaries, for the financial years with positive taxable revenue, corresponding to Aedes SIIQ S.p.A. the amount equal to the tax payable in respect of the above tax (subsidiaries with taxable revenue reduce their tax liability with their losses from previous years);
2. the subsidiaries with negative taxable revenue are distinguished from those with prospects of profitability that allow with reasonable certainty, in the absence of national tax consolidation, the recording of deferred taxes associated with the negative assessment itself on the financial statements and those without these profitability prospects:
    - subsidiaries with tax losses in the first category receive from Aedes SIIQ S.p.A. compensation corresponding to the lower compensation between the tax savings realized by Aedes SIIQ S.p.A. and deferred tax credits related to the negative assessment itself on the balance sheet; therefore, the compensation will be paid and will be due if and when the tax savings will be effectively achieved by Aedes SIIQ S.p.A.;
    - subsidiaries with tax losses in the second category, are not entitled to any compensation.

On 23rd December 2016, the newly formed company Sedea S.p.A. announced the exercise of the option for the SIIQ taxation regime for the tax year 2017.
Aedes Siiq S.p.A. together with various subsidiaries opted, for the tax year 2016, for the particular procedure of Vat offsetting provided by Italian Ministerial Decree 13th December 1979, containing the regulations for the implementation of the provisions pursuant to art. 73, last subsection (so-called Group Vat payment).

Here below is the list of the subsidiaries that participated in the Group Vat payment in 2016: Cascina Praga SIINQ S.p.A., Novipraga SIINQ S.p.A., Praga Construction S.r.l., Praga Real Estate Service S.r.l., Pragaotto S.r.l., Pragaquattro Centre SIINQ S.p.A., Pragasette S.r.l. in liquidation, Pragaundici SIINQ S.p.A. and Satac SIINQ S.p.A..

Earning per share

The basic earning per share is calculated by dividing the total profit/loss for the period attributable to ordinary Shareholders of Aedes SIIQ S.p.A. for the weighted average number of ordinary shares outstanding during the period, excluding the treasury shares.
The diluted earning per share is determined by adjusting the weighted average number of shares in circulation, to take account of all the potential ordinary shares, having a dilutive effect.

ACCOUNTING ESTIMATES AND CRITICAL ASSUMPTIONS

The preparation of financial statements and related notes in accordance with IFRS requires the Directors to apply accounting principles and methods that, in certain circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic under the related circumstances which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the income statement. It should be noted that the assumptions made about future performance are characterised by significant uncertainty. Accordingly it cannot be ruled out that in the future there will be results different from the estimates which may therefore require possibly considerable adjustments and which cannot be predicted or estimated.
The estimates and assumptions are primarily used with reference to the assessment of the recoverable value of the investments, the valuation of fixed investments and inventories, the recoverability of receivables, the fair value measurement of derivatives and the measurement of provisions for risks and charges.

With particular regard to the valuation of investment property (Euro 163,960 thousand at 31st December 2016) and inventories (Euro 187 thousand at 31st December 2016), it should be noted that the assessment of fair value, performed with the help of independent experts, comes from variables and assumptions concerning the future performance which may vary significantly and thus produce changes - in the book value of property - which cannot be foreseen or estimated at present.
The main variables and assumptions characterised by uncertainty are:

- net cash flows from real estate and related implementation timelines;
- inflation rates, discount rates and capitalization rates.

Reference is made to Note 30 - IFRS13 for more information about the methods of determining the fair value of property and the section entitled "Assessment of the independent experts" in the Management Report for information on the selection process of independent experts.

Similar considerations apply to the valuation of investments in subsidiaries (Euro 79,976 thousand at 31st December 2016) affiliates and joint ventures (Euro 37,905 thousand at 31st December 2016) whose net assets reflect the fair value measurement of the investment properties.

INFORMATION ON THE SPECIAL ARRANGEMENT OF THE COMPANIES' INVESTMENT LISTED REAL ESTATE - SIIQ

The special regime of Listed Property Investment Company ("SIIQ") introduced and regulated by Law no. 296/2006 and subsequent modifications, as well as by D.M. no. 174/2007 (the "Special Regime"), involves the exemption taxation for Ires and Irap revenue arising from property leasing (so-called "exempt operations").
The system of the special regime was subject to changes as a result of the Decree Law. no. 133/2014 (hereinafter the "D.L. no. 133/2014"), in force since 13th September 2014 and ratified by the Law of 11th November 2014, no. 164. For the application of the special regime, the revenue from the exempt operations is intended to be taxed to Shareholders as a result of its distribution. The distribution must be decided (subject to revocation by special arrangement) on approval of the financial statements in which the net has formed. In particular, the special system entails the obligation, for each year, to distribute to the members, (i) at least 70% of net profit derived from rental activities, possession of shares in SIIQ/SIINQ and real estate funds qualified (such as resulting from the income

statement of the relevant financial statements), if the total net profit available for distribution is equal to or higher than the profit of the free management, or (ii) at least 70% of the total operating profit available for distribution, if this is lower than the profit tax-exempt operations.
With D.L. no. 133/2014 has been provided a further binding regime of profit distribution which joins to the existing, and that is an obligation to distribute, in the following two exercises to that realizable, 50% of the revenue from net gains that originate the sale of properties held for leasing, investments in SIIQ/SIINQ and qualified real estate funds (which are treated as an investment company with fixed capital - SICAF - real estate).
Aedes SIIQ S.p.A. has opted to enter the scheme in 2015, with effect from 2016.

1. Information on the compliance with the requirements for the permanence in the special arrangements

(1) Objective requirements

As required by Art. 1, para. 121, of Law no. 296/2006, the SIIQ must, predominantly conduct property leasing activities. This activity is considered predominant if property is held by way of ownership or other real right to be leased, investments in SIIQ/SIINQ and mutual funds (or SICAF) in qualified real estate represent at least 80% of the assets (asset parameter) and if, in each operating revenues emanating from it represent at least 80% of the positive components of the income statement (economic parameter).
The non-compliance for three consecutive periods of one of the two above parameters leads to the termination of the special arrangement from the second of the three years; failure to comply with both parameters with reference to the same financial year leads to the termination of the special arrangements as from in relation to which the revocation condition is realized.

We set out below the results of the calculation of the above parameters. The capital requirement is respected for 2016, whereas the revenue requirement was not met.

Asset parameter

(Euro/000)		31/12/2016
Aedes SIIQ S.p.A. - Asset parameter		
Value of properties intended for lease	(A)	162,210,000
Value of properties value of properties covered by activities for the development of the real estate portfolio	(B)	1,750,000
Holdings in SIINQ and qualified property investment funds	(C)	106,447,744
Total numerator	**(D)=(A)+(B)+(C)**	**270,407,744**
Total assets	**(E)**	**374,209,944**
Items excluded from the denominator of the ratio:		
Carrying value headquarter SIINQ		0
Cash and cash equivalents		(3,848,620)
Loans to Group companies		(67,189,426)
Trade receivables		(6,278,387)
Derivative financial instruments		(230,409)
Deferred tax assets		(1,059,482)
Tax receivables		(10,778,696)
Prepaid expenses		(231,452)
Total adjustments	**(F)**	**(89,616,472)**
Total denominator: adjusted assets	**(G)=(E)+(F)**	**284,593,472**
Asset parameter	**(D)/(G)**	**95%**

The asset parameter, as shown in the table above is given by the ratio between:

- the numerator, totalling Euro 270,408 thousand, which includes the charge value: (i) leaseholds amounting to Euro 162,210 thousand, (ii) “developing properties” (Euro 1,750 thousand) and (ii) the holdings in SIINQ and Funds Property investment (shares held directly in Real Estate Funds Petrarca, Leopardi, Redwood, and indirectly in the Dante Retail Real Estate Fund (through Efir s.àr.l, as confirmed by the Agency’s response to a interpello appropriate);

- the denominator, totalling Euro 284,593 thousand, which includes the total assets (Euro 374,210 thousand) adjusted in order to exclude, in application of the criteria indicated under Article 6 D. M. 174/2007: i) the carrying amount of the properties intended for the registered office of SIIQ (equal to nil); ii) the value of cash and cash equivalents (3,849 thousand Euro); iii) the value of loans to Group companies (Euro 67,189 thousand); iv) the value of trade receivables arising both from exempt operations and, as clarified by the Tax Authority Circular 8/E of 2008, from the liable management (Euro 6,278 thousand). In addition, in order not to affect the relationship further elements which are not in direct relation with either the exempt operations, nor with the tax management and whose inclusion in the denominator of the ratio could alter the outcome of the verification of the balance prevalence criterion, are were excluded: v) the value of assets for hedging derivatives (Euro 230 thousand); vi) the value of deferred tax assets (Euro 1,059 thousand); vii) the value of tax credits (Euro 10,779 thousand); viii) prepaid expenses related to the activity of leasing exempt amounting to Euro 231 thousand).

Income parameter

(Euro/000)		31/12/2016
Aedes SIIQ S.p.A. - Income parameter		
Rental payments and similar revenues	(A)	7,630,600
Net margin on real estate sales	(B)	0
Dividends from SIINQ and qualified real estate funds	(C)	0
Gains on constituent holdings of financial assets in other SIIQs or SIINQs	(D)	0
Total numerator	**(E)=(A)+(B)+(C)+(D)**	**7,630,600**
Total income components	**(F)**	**50,805,049**
Elements excluded from the denominator of the ratio:		
Revaluation of properties		(33,246,083)
Cost of goods sold on inventories		(2,293,000)
Income from recharged costs		(1,182,563)
Income for costs or losses related to hedging instruments		0
Contingent assets, funds releases and other recoveries		(1,414,224)
Deferred tax and interest on tax credits		(228,037)
Indemnification and insurance assets adjustments		(32,151)
Total adjustments	**(G)**	**(38,396,058)**
Total denominator: income components adjusted	**(H)=(F)+(G)**	**12,408,991**
Income parameter	**(E)/(H)**	**61%**

The revenue parameter, as shown in the table above, is given by the ratio between:

- the numerator, totalling Euro 7,631 thousand, includes revenues from: (i) rental revenue of properties held in such activity (fixed investments, properties under development and properties included in assets held for sale). It should be noted that this amount is inclusive of revenue equivalent to rents, such compensation by tenants (not but also the revenue deriving from the recharging of costs to the tenants); (ii) gains on sales of properties to be leased, net of related costs and charges relating to the sale, which for 2016 are nil; iii) dividends from holdings in SIINQ and qualified real estate funds, which are nil for 2016;

- the denominator, totalling Euro 12,409 thousand. This amount corresponds to the total of the positive components of the income statement amounted to Euro 50,805 thousand, adjusted to exclude the revaluations of property, under the instructions of the Tax Authority Circular no. 8/E of 2008 (Euro 33,246 thousand). In addition, in order not to affect the relationship further elements which are not in direct relation with either the exempt operations, nor with the tax management and whose inclusion in the denominator of the ratio could alter the outcome of the verification of criterion of economic prevalence, are were excluded:
  1. proceeds representing recharges of costs such as, mainly, those related to personal detachment, the recharge of costs to tenants of properties to be leased (also excluded from the numerator of the earnings parameter), to recharge to subsidiaries of costs and financial charges incurred in ‘interest in the investee. The adjustments to these financial components totalled Euro 1,183 thousand;
  2. the cost of sales attributable to revenue from the sale of properties recognised as inventories (included in the total positive economic components);

3. contingent assets, funds releases and other recoveries totalling Euro 1,414 thousand;
4. the proceeds for deferred tax, tax consolidation and interest on tax receivables (Euro 228 thousand);
5. indemnification and insurance adjustments for Euro 32 thousand.

With reference on the other hand to the provisions of art. 1, paragraph 123, of Law 296/2006 and concerning the distribution obligation to the members, in each year, of part of the accounting management exempt amounting to (i) at least 70% of its amount, if the total profit operating available for distribution is equal to or higher than the profit of the resulting free management from the income statement of the relevant financial statements or (ii) at least 70% of total operating profit available for distribution, if this is lower than profit tax-exempt operations, it should be noted that the budget for 2016 includes a positive revenue from exempt amounting to Euro 20,089 thousands management and a loss of tax management of Euro 2,776 thousand.
The positive outcome of operations is determined entirely exempt from capital gains recognised in the income statement arising from the application of fair value, and accordingly the Company does not record profit of exempt operations available for distribution.

Consequently, in accordance with the applicable law, with respect to the result for the financial year 2016, there was no obligation to distribute the operating profit.

Finally, in relation to the further distribution obligation provided for under art. 1, paragraph 123-*bis*, of Law no. 296/2006 following the legislative changes introduced by D.L. no. 133/2014, 50% of the proceeds from the net gains realized during the year on leased premises and the sale of SIIQ/SIINQ shares or qualifying real estate funds (SICAFs), it should be noted that during 2016, the conditions for any compulsory distribution have not been met.

(2) Subjective requirements

Aedes SIIQ S.p.A., which draws up the financial statements in accordance with the international accounting standards, complies with the subjective requirements set out in the reference rules for permanence in the special scheme as a company: (i) constituted as a joint-stock company; ii) resident for tax purposes in Italy; (iii) whose shares are traded on the Borsa Italiana.
It is also confirmed that in 2016 there were no extraordinary operations that took effect on permanency requirements under the special regime.

(3) Requirements relating to the holding structure

According to information held by the Company, there are no Shareholders who hold directly or indirectly, under art. 1, para. 119 of Law no. 296/2006 as amended by Law no. 164/2014, more than 60% of the voting rights in the ordinary and more than 60% of the profit-sharing rights.

2. Subdivision of the economic components to exempt and taxable operations and relative allocation criteria

The Company has divided the income statement at 31st December 2016 into exempt and taxable operations.

The separate accounting has the purpose of identifying the operating results of the exempt and taxable assets through: i) assigning to each of the two management of the economic components specifically attributable to them; (ii) allocating to each of the two management, according to a reasonable percentage, the “common” economic components (since they are not specifically related to one of the two managements).

In particular, we note that Aedes SIIQ S.p.A. adopted for the purpose of allocation to exempt operations (or base) of such components “common” to the earnings facing described in the previous paragraph sub. [1.], as it was considered the most appropriate parameter percentage to operate the above allocation, because - purified economic components not related to any activity - actually expressive of incidence percentage of the lease relationship with respect to the complex of the activities carried out by the Company.
It is also understood that revenue derived from exempt operations is subject to the special rules provided for applied art. 1, paragraphs 119 ff., of Law no. 296/2006 and its implementing decree, while the for revenue arising from taxable operations ordinary rules of taxation for Ires and Irap have been applied.

In what follows, for each economic component, we illustrate the main components within the scope of the two types of operations:

Net rental revenues: within this margin, revenues and costs were divided between exempt and taxable management depending on the specific relevance of those components to the property from which they originate.
In particular: (i) rental payments, reimbursements of conducting costs, revenue from insurance premiums and revenues "assimilated" to rental payments and in any case related to leasing; (ii) costs for the management and maintenance of real estate, indirect taxes on lease contracts, municipal property tax and all costs related to leasing, are charged to (a) exempt operation if they relate to property for these purposes, real estate included in the accounting categories of "Fixed investments" (excl. for shopping malls part of revenues and related costs, on the basis of special expertise, rent of branches "Non-residential real estate"), "Developing properties" and properties included in "Assets held for sale", (b) taxable revenue when referring to "Business lines" (for the part not relevant to the real estate component, as determined by appropriate expertise) and to "Commercial properties".

Losses and writedowns of receivables arising from rental have all been recognised as taxable operations where relate to revenue from rental activities in years previous at the entrance of the Company into the special regime of the SIIQ.

Net service revenues: includes revenues and costs specifically related to the activity of real estate and administrative services, accounting and tax paid by Aedes SIIQ S.p.A. in favour of subsidiaries. Since the activity is different from the leasing activity falling within the scope of exempt operations, the economic components detected within that margin are fully charged to taxable operations.

Operating costs: all the costs are within the scope of this category, costs are considered "common" to the two types of operations, and as such as distributed among the same basis of the revenue parameter as previously calculated.

Other revenues and revenue and other costs and expenses: revenues and revenue included in this category are specifically related to taxable operations, except for exempt provisions for risks and bad debts and revenue for cost-free adjustments. In fact, the revenues of exempt operations are limited only to rental revenue (included in the budget item) and dividends from investments in real estate and SIINQ "qualifying funds", included in the context of revenue from subsidiaries.

Other costs and charges are as such, mainly costs "common" to the two types of operations, and are divided between the same basis of the revenue parameter as previously calculated.

Profit/(Loss) from the sale of properties: the margins achieved due to the sale of property to be leased, equal to the difference between selling price and relative charge value, net of brokerage costs and other costs directly related to the sale, are made to fall within the exempt operations. On the other hand, the margins achieved from the sale of "Trading properties", always equal to the difference between the selling price and its book value, net of brokerage costs and other costs directly associated with the sale, are recognised as taxable operations.

Revaluations/(losses) on real estate: include revenues and costs, mainly recognised as a result of valuation at fair value of the fixed assets assets, which are allocated to exempt operations when referring to properties to be leased, or taxable operations when referring to "Properties intended for marketing."

Net revenue/(expense): the financial revenue are entirely attributed to taxable operations, except as indicated below for the financial gains from hedges the risk of fluctuation of interest rates of the loans (which express corrective components of financial charges).

With reference to the main categories of financial charges, we report the following:

- financial charges relating to mortgage loans that are also structured in such a way as to bind, in various ways, the benefits arising from the management of real estate collateralising of debt repayment are regarded as "specifically" related to exempt operations and/or taxable depending traceability of one or the other property management object of the mortgage guarantee. Consequently for loans that (i) have a warranty properties to be leased and (ii) are simultaneously accompanied by structures that constrain the relative benefits of

management to guarantee the repayment of debt, the relevant borrowing costs have been attributed to exempt operations, while if the funds have to guarantee trading properties associated borrowing costs have been attributed to taxable operations;
- in cases where the loans from which originate the above financial charges are subject to hedge the risk of fluctuation of interest rates, related revenue and hedging costs are allocated in the management exempt or taxable depending imputation of flows financial covered, while the portion of ineffectiveness is allocated between the costs or revenue “common” to the two types of operations;
- financial charges relating to short-term debt and medium-long-term unsecured loans, nor any of the recalled servo characteristics of streams, such as convertible bonds and short-term lines of credit are considered “common” costs to both sectors and consequently they have been split between the same basis of the revenue parameter calculated as mentioned previously;
- the financial costs incurred in the issue of guarantees to banks on behalf of subsidiaries were recognised as taxable operations as the related revenue from the recovery of such costs to the subsidiaries was allocated among the proceeds of the tax administration;
- revenue and expense for changes in the fair value of conversion options related to convertible bonds (recorded under liabilities in compliance with IAS/IFRS) as is attributable to taxable operations.

Revenue and charges from subsidiaries, affiliates and other companies: all financial gains were entirely attributed to taxable operations, with the exception of revenue from holdings in SIIQ/SIINQ and qualified real estate funds, which by express provision of law are included in the management free.

The charges from subsidiaries, affiliates and other companies are attributed to taxable operations, with the exception of charges arising from loans to subsidiaries, which are considered “common” costs to both sectors, like the financial costs of short and long-term debts mortgage and, consequently, are divided between the same basis of the revenue parameter as previously calculated.

Taxes for the year: the revenue taxes, both current and deferred taxes were recognised as taxable operations, having no link with the exempt operations.

As to revenue and expenses that are adjustments to economic components accounted for in budgets in the years previous the special regime that is representative contingent of costs and expenses that would have been attributable to the years previous the special scheme, these components - irrespective of their classification in the margins or the other items identified above - are entirely attributed to the taxable operations as they are closely related (by correcting) component accrued in the years in which the entire revenue was taxable.

5.8 Management of main business risks

Here below are the main sources of risk and admissible hedging strategies.

STRATEGIC RISKS

- **Market risk**
  Market risk is the possibility that changes in the general economy, exchange rates, interest rates or commodity prices will adversely affect the value of assets, including real estate, liabilities or expected future cash flows.
  The Company periodically performs a sensitivity analysis in order to monitor the effects of changes to the discount or capitalisation rates or revenues on the value of the assets themselves.

OPERATING RISKS

- **Credit risk**
  Credit risk mainly consists in the possibility that clients, in particular the tenants of assets owned, are insolvent. The Company is not characterised by significant concentrations of credit risks having an adequate diversification in terms of tenants.
  The activity carried out to reduce the exposure to credit risk is based on an analysis of the composition of the client portfolio for each business area aims to ensure adequate security as to the financial solidity of the clients themselves. Where deemed necessary suitable guarantees are required for property transactions.
  The maximum theoretical exposure to credit risk for the Company is the carrying value of financial assets in the balance sheet, plus the face value of guarantees given to third-party debts or commitments set out in Note 29.
  Most of the financial assets to subsidiaries and affiliates. These financial assets are essentially represented by receivables whose collection is related to the development/sale cycle of the Group's real estate assets.
  Any write-downs of financial assets occur on an individual basis and it is believed that the write-downs are representative of the risk of effective irrecoverability.

- **Rental risk**
  The rental risk is the possibility that the property assets will be vacant for long periods, exposing the Company to a reduction in cash flows from rent and an increase in real estate costs.
  The Company adopts a policy aimed at a constant relation with the tenants aimed at their retention.
  The current situation in the property market does not rule out the possibility that certain tenants may, on the expiry of the contract or during the window of exercise of the so-called break option, exercise the right to terminate the lease or demand renegotiation of the rent.
  The Company monitors this risk by maintaining constant relations with the principal specialized real estate agencies.

COMPLIANCE RISKS

- **Responsibility pursuant to Italian Legislative Decree no. 231/01**
  The risk pursuant to Italian Legislative Decree no. 231/01, is that the Company may incur penalties related to the regulation of the responsibility of the companies for the commission of the offences pursuant to Italian Legislative Decree no. 231/01.
  In order to limit the aforementioned risk, the Company has adopted an "Organisational Model" or "Model 231", structured into a so-called General Part, which illustrates objectives, structural guidelines and the implementation method for the Organisational Model, and a so-called Special Part that, in summary, describes

the criminal offences pursuant to Italian Legislative Decree no. 231/01 considered significant as a result of the risk assessment work, establishes rules of conduct for the recipients of Model 231, sets standards for the preparation of the procedures in the relevant business areas.
The Company has also drawn up a Code of Ethics, applicable to all persons working for the Group and that have committed to comply and enforce the principles of the Code in the scope of their duties and responsibilities.
The Company has also appointed a Board of Statutory Auditors which has autonomous powers of initiative and control, body in charge of supervising the effectiveness, adequacy, operation and compliance with the Organisational Model, also providing for the constant updating of the same.

Regulations for Listed Companies

The Company has the status of an issuer of securities listed on a regulated market and is therefore subject to specific regulations imposed by operational and control bodies.
The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. In particular, the Company Affairs Department and Investor Relations Department supervise the handling of obligations with respect to management and supervisory authorities and are responsible for the management of the information provided to the market. This process, which provides for a close coordination with the internal functions for the identification, verification and communication of administration data and information, is carried out in compliance with the specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Manager in Charge.

Responsibility pursuant to Italian Law no. 262/05

The risk under Law no. 262/05 relates to the responsibilities of the executive responsible for preparing the Company's financial reports, under Law no. 262/05.
The Company, in accordance with the regulatory provisions of Law 28 December 2005 no. 262 "Savings Law" adopted an administrative and accounting control system related to financial disclosures, with the aim of (i) ascertaining that the current Internal Control System in place is adequate to provide reasonable certainty about the true representation and fair economic information produced and financial capital; (ii) implementing adequate administrative and accounting procedures for the preparation of financial statements and the consolidated financial statements, as well as any other financial communication; (iii) ensuring the effective application of administrative and accounting procedures established during the period covered by the documents related to above.

Tax Risk - SIIQ regime requirements

The risk relative to the SIIQ regime is that the Company may not comply with the profitability and capital requirements for staying in that tax regime, with the consequent loss (in the event that this continues under the terms of the law) of the status of SIIQ. The Company intends to place adequate emphasis on the monitoring of the associated tax risks; the assessments made on the tax model used are prepared with the assistance of selected specialised professionals. Separate book-keeping is provided for taxable and tax exempt transactions. The structure is designed to carry out periodic asset tests and profit tests in order to monitor compliance with the requirements laid down by the legislation including on a prospective basis.

FINANCIAL RISKS

Interest-rate risk

The interest rate risk to which the Company is exposed is mainly due to medium and long-term financial debts. Financial payables issued at variable rates expose the Company to a risk of cash flow; borrowings issued at fixed rates expose the Company to a fair value risk.
The risk to which the Company is exposed mainly originates from debt indexed to a variable market rate, with consequent risk of cash flow fluctuations.
The exposures do not include the interest-rate risk on loans at fixed rates, as the changes in fair value are not recognised in the income statement and have no cash flow variables as a function of market conditions.
Interest rate risks can be limited by executing derivatives contracts. The instruments normally used are interest rate swaps, which transform the variable rate into a fixed rate, and/or cap, which set an upper limit on the interest rates payable by the company, and/or collar or instruments represented by the purchase of a cap and the sale of a floor, which set a lower limit and an upper limit on the interest rates payable by the Company, enabling it to maintain a floating rate within the set range.

The choice of the derivative instrument is made by analysing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

Given the very favourable rates and to reduce the overall exposure of the Company to interest rate risk, the Company had signed, dated 4th November 2015, a derivative having the following characteristics:

Type	nil cost Collar
Effective date	31st December 2015
Maturity	31st December 2020
Notional	Euro 50 million, Bullet
Variable Rate Euribor	3 months, act/360, quarterly
Cap strike	1.00%
Floor strike	0.00%

It is noted that the instrument is not combined with a specific loan but has the purpose of limiting the risk of increasing interests rates on the overall exposure of the Group. Accordingly, any changes in the period will be recorded in the income statement as period adjustments to the mark-to-market.

Exchange rate risk

At 31st December 2016 the Company does not have an exchange rate risk since it has no exposure in foreign currencies.

Liquidity risk

Liquidity risk is the risk that the Company and the Group is unable to meet its payment obligations due to difficulty in raising funds (loans liquidity risk) or liquidate assets on the market (asset liquidity risk). The result is a negative impact on net revenue in the event that the Company or the Group are forced to incur additional costs to meet its commitments or, as an extreme consequence, a situation of insolvency that endangers business continuity.
The Company, through the Finance Department and continuous supervision by the Parent Company's executive bodies, maintains close monitoring of cash and short-term financial commitments. For this purpose, the Group monitors the liquidity risk through the preparation of a detailed economic and financial budget prepared on a monthly basis, taking into account a period of not less than one year and consistent management of real estate sales and financial commitments.

In identifying the criteria to be used for the preparation of these financial statements, the Company/the Group has taken into account operational and financial commitments on cash flows affecting all Group companies for a period of 12 months from the date of the next approval of the current year's budget, including the planned investment activities and forthcoming deadlines of specific loan agreements currently in place.
On the basis of the needs arising from the financial budget, the Company has identified the main sources of loans, mainly due to:

- refinancing activities of certain assets;
- sale of certain non-strategic assets;
- rescheduling of short-term credit lines.

Based on the information and the documentary evidence available at the time of preparing the financial statements at 31st December 2016 and on the progress of the initiatives currently in place with regard to the above hedging sources, there are no significant risks regarding the possibility that the actions taken will not be finalised according to the timetable and procedures provided in the financial budget. Accordingly, the Directors consider that there are no uncertainties about the ability of the Company and of the Group to meet its financial obligations, both current and prospective, in the foreseeable future.

5.9 Explanatory notes to Aedes SIIQ Financial Statements

ASSETS

Note 1. Investment properties

The changes in the year are the following:

(Euro/000)	Fixed investments	Properties under development	Total
Closing balance 31/12/2015			
Book value at 01/01/2015	80,070	0	80,070
Increases	23,070	0	23,070
Decreases	(22,019)	0	(22,019)
Adjustment to fair value	679	0	679
Book value at 31/12/2015	**81,800**	**0**	**81,800**
Closing balance 31/12/2016			
Book value at 01/01/2016	**81,800**	**0**	**81,800**
Book value from Merger	12,600	1,800	14,400
Increases	35,123	0	35,123
Adjustment to fair value	32,687	(50)	32,637
Book value at 31/12/2016	**162,210**	**1,750**	**163,960**

For the purpose of preparing the financial statements at 31st December 2016, the Company has granted a mandate to CB Richard Ellis Valutation S.p.A., a leading independent expert for the valuation of the property portfolio.
During 2016 there have been positive adjustments to fair value in the values of fixed investments totalling Euro 32,637 thousand.
The increases attributable to the merger of the subsidiary Pragatre SIINQ S.p.A. concern:

- for Euro 12,600 thousand instrumental property “Roero Retail Park Phase B”, leased to major companies in the retail sector;
- for Euro 1,800 thousand the sites and their business licences within the development project for fixed investments called “Roero Retail Park Phase C”.

During the year the Company also:

- signed on 27th June 2016 with GE Capital Corporation a definitive agreement for the purchase of a property located in Rome, in via Veneziani, 56 at the price of Euro 13,743 thousand, including directly attributable costs;
- gained from the Redwood Fund liquidation, in which Aedes SIIQ S.p.A. had acquired 100% of shares in the course of 2016, no. 16 commercial properties, the equivalent of Euro 21,296 thousand, including directly attributable expenses.

The further Euro 84 thousand classified among the increases were extraordinary maintenance carried out on the properties.

It is specified that on some of owned properties included as investment property are recorded mortgages with a total value of Euro 135,471 thousand to guarantee bank loans issued by banks in the specific liability commented section. The value of mortgages securing loans relates in many cases to the original amounts of the loans. In the event of sales of portions of properties or properties that are part of portfolios with subsequent partial repayment of the loans, the mortgages originally registered on the entire property package are maintained for the full amount but only encumber the properties or residual portions. On sale of the latter the mortgages are completely cancelled. The book value of the properties which are encumbered by mortgages amounts to Euro 92,310 thousand.

The following table shows the changes in investment property acquired by leasing, already included in the movements of the table above, and an integral part thereof:

(Euro/000)	Total
Closing balance 31/12/2015	
Net book value at 01/01/2015	33,400
Increases	1,975
Adjustment to fair value	4,725
Book value at 31/12/2015	**40,100**
Closing balance 31/12/2016	
Book value at 01/01/2016	40,100
Increases	25
Adjustment to fair value	275
Book value at 31/12/2016	**40,400**

Future payments from fixed investments acquired under finance leases are as follows:

(Euro/000)	Rent	Capital Share
Within 1 year	2,038	1,314
Over 1 year, but within 5 years	17,520	15,413
Over 5 years	0	0
Total leasing fees	**19,558**	**16,727**
Interests	(2,831)	-
Total	**16,727**	**16,727**

Note 2. Other tangible assets

The changes in the year are the following:

(Euro/000)	Specific plants	Industrial and commercial equipment	Other goods	Total
Opening balance 01/01/2015				
Historical cost	1,664	0	2,914	4,578
Amortising fund	(1,664)	0	(2,544)	(4,208)
Net book value	**0**	**0**	**370**	**370**
Closing balance 31/12/2015				
Net book value at 01/01/2015	0	0	370	370
Historical cost from Merger	0	0	358	358
Amortising fund from Merger	0	0	(211)	(211)
Increases	0	1,915	144	2,059
Decreases	0	0	(11)	(11)
Amortisation and devaluations of financial year	0	(68)	(76)	(144)
Net book value at 31/12/2015	0	1,847	574	2,421
Closing balance at 31/12/2015				
Historical cost	1,664	1,915	3,072	6,651
Amortising fund	(1,664)	(68)	(2,498)	(4,230)
Net book value	0	1,847	574	2,421
Closing balance 31/12/2016				
Net book value at 01/01/2016	0	1,847	574	2,421
Historical cost from Merger	0	0	3	3
Amortising fund from Merger	0	0	(2)	(2)
Increases	0	238	104	342
Decreases	0	0	(2)	(2)
Amortisation and devaluations of financial year	0	(343)	(171)	(514)
Net book value at 31/12/2016	0	1,742	506	2,248
Closing balance at 31/12/2016				
Historical cost	1,664	2,153	3,072	6,889
Amortising fund	(1,664)	(411)	(2,566)	(4,641)
Net book value	**0**	**1,742**	**506**	**2,248**

SPECIFIC PLANTS

The item consists of improvements to the plants and is fully depreciated.

INDUSTRIAL AND COMMERCIAL EQUIPMENT

This item consists of improvements to the new head office.

OTHER GOODS

The item consists of furniture and fixtures for Euro 392 thousand, electronic machinery for Euro 93 thousand cars for Euro 11 thousand and other assets for Euro 10 thousand.

Note 3. Intangible fixed assets

The changes in the year are the following:

(Euro/000)	Others
Opening balance 01/01/2015	
Historical cost	674
Amortising fund	(668)
Net book value	**6**
Closing balance 31/12/2015	
Net book value at 01/01/2015	6
Increases	67
Amortisation and devaluations of financial year	(9)
Net book value at 31/12/2015	64
Closing balance at 31/12/2015	
Historical cost	727
Amortising fund	(663)
Net book value	**64**
Closing balance 31/12/2016	
Net book value at 01/01/2016	64
Increases	16
Amortisation and devaluations of financial year	(26)
Net book value at 31/12/2016	54
Closing balance at 31/12/2016	
Historical cost	743
Amortising fund	(689)
Net book value	**54**

The item includes mainly software licences, increments 2016 Euro 15 thousand.

Note 4. Equity investments in subsidiaries

The movements of the investments in subsidiaries for FY 2016 are the following:

(Euro/000)	Amounts as at 31/12/2015	Merger operation	Increases	Disposals and decreases	Other charges	(Devaluations)/ Reversal	Reclassification to/(from) provisions	Amounts as at 31/12/2016	% of share
Shareholdings									
Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A.	8,754	0	310	(9,064)	0	0	0	0	
Aedes Project S.r.l. in liquidation	0	0	0	0	0	44	0	44	91%
Bollina S.r.l.	38	0	0	0	0	0	0	38	70%
Cascina Praga SIINQ S.p.A.	5,739	0	0	0	0	(229)	0	5,510	100%
Petrarca Fund	10,672	0	0	0	0	0	0	10,672	65%
Redwood Fund	0	0	30,085	(14,504)	(7,779)	0	0	7,802	100%
Golf Club Castello di Tolcinasco SSD S.r.l.	0	0	600	0	0	(680)	80	0	100%
Novipraga SIINQ S.p.A.	12,031	0	0	0	0	(3,528)	0	8,503	100%
Pragacinque SIINQ S.p.A.	37,539	(37,539)	0	0	0	0	0	0	100%
Praga Construction S.r.l.	423	0	0	0	0	(22)	0	401	100%
Pragafrance S.ar.l.	0	0	0	0	0	(692)	692	0	75%
Pragaotto S.r.l.	0	0	550	0	0	(1,782)	1,232	0	100%
Pragaquattro Center SIINQ S.p.A.	7,364	0	0	0	0	(3,202)	0	4,162	100%
Praga Service Real Estate S.r.l.	144	0	300	0	0	(562)	118	0	100%
Pragasette S.r.l. in liquidation	0	0	0	0	0	(22)	22	0	60%
Pragatre SIINQ S.p.A.	7,765	(7,765)	0	0	0	0	0	0	100%
Pragaundici SIINQ S.p.A.	4,527	0	0	0	0	(53)	0	4,474	100%
Redwood S.r.l.	0	0	0	0	817	0	0	817	100%
Satac SIINQ S.p.A.	0	37,772	0	0	0	(436)	0	37,336	100%
Sedea SIIQ S.p.A.	0	0	50	0	0	(13)	0	37	100%
Società Agricola La Bollina S.r.l.	423	0	0	0	0	(243)	0	180	100%
Total	**95,419**	**(7,532)**	**31,895**	**(23,568)**	**(6,962)**	**(11,420)**	**2,144**	**79,976**	

ADDITIONS, DISPOSALS AND REDUCTIONS AND OTHER CHANGES

On 1st August 2016, the Company purchased the remaining 5% of the share capital of Aedes Real Estate SGR S.p.A. from RE.POA S.p.A. at a cost of Euro 300 thousand, for a total ownership of the share capital. Subsequently, on 14th November 2016, the Company, following the satisfaction of all the suspensive conditions of the preliminary agreement signed and announced on 11th May 2016, completed the sale of 100% of the shares held in Aedes Real Estate SGR S.p.A. to Sator Immobiliare SGR S.p.A.. The realizable value for the sale of SGR shares was Euro 8,492 thousand, net of the distribution of dividends received Euro 1,385 thousand, of which: Euro 4,500 thousand received in response to the fall of SGR's share capital, Euro 3,568 thousand received by 29th December 2016 and the remaining Euro 424 thousand for cash following the liquidation of the Investietico Fund. The sale of this investment resulted in a loss of Euro 572 thousand recorded under the item "Revenue/expense from holdings".

On 15th March 2016, the Company acquired 70% of the Property Redwood Fund, owner of 18 retail properties for Euro 16,435 thousand; subsequently, on 23rd March 2016 completed the purchase, the equivalent of Euro 13,650 thousand, from a leading bank, cash loans secured by a pledge on the shares of 30% in the Redwood Fund itself. Concurrently, the Company purchased from Kyra Sa.r.l. ownership of those units of the Fund. On 30th May 2016 the General Meeting of Holders of the Redwood Fund approved the early payment of the same to the Company, as the sole shareholder of the Fund, through the allocation of real estate and the equity investment of 100% of Redwood Capital S.r.l. owned by Redwood Property Fund (under "other changes"). On 28th June 2016 and 5th August 2016 the Redwood Fund proceeded to the partial redemption of shares for a total of Euro 14,504 thousand in favour of the only quota holder Aedes SIIQ S.p.A.. On 28th December 2016, after fulfillment of the mandatory number of conditions precedent, the assignment to Aedes was completed for 16 properties of the Fund, with the simultaneous assumption of total debt incumbent on it, in addition to the allocation of the holding of Redwood S.r.l., previously held by the Fund. The transfer of properties is part of the Aedes SIIQ strategy aimed at consolidating a real estate portfolio with predominantly commercial purpose of use held directly. It is also noted that as a result of this grant, the Redwood Fund remains owner of two properties that will be assigned to Aedes in the first half of 2017. On one of the two properties insists a mortgage loan of Euro 1,491 thousand allocated to Aedes part of the allocation procedure for which Redwood Fund remains to every para-forced way.

On 13th December 2016, the Company incorporated the company Sedea SIIQ S.p.A., by paying 100% of the share capital, Euro 50 thousand.

During the year, the Company has renounced part-financing and made a share capital payment to subsidiaries for a total of Euro 850 thousand and Euro 600 thousand respectively, to cover the cumulative losses.

WRITE-DOWNS

Given the nature of the investments held, the Directors considered the impairment test should be conducted considering the unrealized gains on which properties of each investment property, derived from real estate appraisals prepared by independent third parties, net of taxes, when due. On the outcome of this test, also taking into consideration the estimated losses for the year, the investments were written down for an amount of Euro 11,420 thousand.

We set out below the main figures relevant to investments in subsidiaries at 31st December 2016:

(Euro/000)	Registered office	Share capital	Shareholders' Equity	of which profits (losses) for the year	Production value	% of share	Equity attributable	Impairment losses/ reversals	Book value
Investments									
Aedes Project S.r.l. in liquidation	Milan Via Morimondo 26, Ed. 18	520	(4,014)	49	33	91%	(3,653)	44	44
Bollina S.r.l.	Milan Via Morimondo 26, Ed. 18	50	226	138	1,594	70%	158	0	38
Cascina Praga SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	50	5,352	(99)	252	100%	5,352	(229)	5,510
Petrarca Fund	Milan Via Morimondo 26, Ed. 18 (1) (*)	n.a.	21,361(*)	3,621(*)	4,182(*)	65%	13,885	0	10,672
Redwood Fund	Milan Via G. Puccini 3 (2) (*)	n.a.	13,255(*)	(8,548)(*)	4,395(*)	100%	13,255	0	7,802
Golf Club Castello di Tolcinasco SSD S.r.l.	Pieve emanuele (MI) Località Tolcinasco	10	(566)	(679)	2,232	100%	(566)	(680)	0
Novipraga SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	100	8,487	(3,543)	1	100%	8,487	(3,528)	8,503
Praga Construction S.r.l.	Milan Via Morimondo 26, Ed. 18	100	401	(16)	23,066	100%	401	(22)	401
Pragafrance S.ar.l.	Nice (France) 14, Rue Dunoyer de Séconzac	52	(994)	(765)	(244)	75%	(746)	(692)	0
Pragaotto S.r.l.	Milan Via Morimondo 26, Ed. 18	100	(2,130)	(2,271)	122	100%	(2,130)	(1,782)	0
Pragaquattro Center SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	54	4,152	(3,131)	0	100%	4,152	(3,202)	4,162
Praga Service Real Estate S.r.l.	Milan Via Morimondo 26, Ed. 18	100	(118)	(498)	3,723	100%	(118)	(562)	0
Pragasette S.r.l. in liquidation	Milan Via Morimondo 26, Ed. 18	10	(118)	(38)	0	60%	(71)	(22)	0
Pragaundici SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	100	4,474	(54)	104	100%	4,474	(53)	4,474
Redwood S.r.l.	Milan Via Morimondo 26, Ed. 18 (**)	50	(391)(**)	(736)(**)	2,734(**)	100%	(391)	0	817
Satac SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	620	37,330	(88)	0	100%	37,330	(436)	37,336
Sedea SIIQ S.p.A.	Milan Via Morimondo 26, Ed. 18	50	37	(13)	0	100%	37	(13)	37
Società Agricola La Bollina S.r.l.	Milan Via Morimondo 26, Ed. 18	100	(193)	(293)	1,049	100%	(193)	(243)	180
Total								**(11,420)**	**79,976**

(1) Registered office of the management company Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A..
(2) Registered office of the management company Castello SGR S.p.A..
(*) The value relates to the company at 31st December 2016 statements adjusted for the appropriate alignment adjustments to the Group's principles.
(**) The value relates to the accounting situation of the Company at 31st December 2016 to the appropriate adjustments in line to the Group's principles.

The investments which, as a result of the impairment test showed a recoverable amount less than the book value, were impaired, while if the recoverable value is higher than the book value was made, where possible, a recovery of value, as outlined below:

- Aedes Project S.r.l. in liquidation: some of the motivations behind the devaluation in previous years are no longer in place, therefore the investment was partially reassumed for Euro 44 thousand;
- Cascina Praga SIINQ S.p.A.: the write-down amounts to Euro 229 thousand;
- Golf Club Castello di Tolcinasco SSD S.r.l.: the write-down of Euro 680 thousand; the amount of Euro 114 thousand has been offset by the decrease in the amount of trade receivables for Euro 23 thousand (see Note 9), as well as a liability of Euro 543 thousand (Note 15). During the year, a reclassification from the provision for doubtful accounts and the write-down of trade receivables to the provision for impairment of equity investments was made for Euro 355 thousand and Euro 131 thousand respectively;
- Novipraga SIINQ S.p.A.: the write-down amounts to Euro 3,528 thousand;
- Praga Construction S.r.l.: devaluation amounted to Euro 22 thousand;
- Pragafrance S.ar.l.: devaluation amounted to Euro 692 thousand; it is therefore provided, having already cleared the holding, to enter accounting for a specific decrease in financial receivables of equal amounts (see Note 8);
- Pragaotto S.r.l.: devaluation amounted to Euro 1,782 thousand; it was therefore Euro 519 thousand to reset the holding and to accounting for a specific decrease in financial receivables Euro 1,263 thousand (see Note 8); during the year was made a reclassification from financial doubtful debt provision to write-downs fund's holdings to Euro 31 thousand;
- Pragaquattro Center SIINQ S.p.A.: the write-down amounts to Euro 3,202 thousand;
- Praga Service Real Estate S.r.l: the write-down of Euro 562 thousand; Euro 444 thousand was thus settled to offset the investment and to enter a special loan loss of Euro 118 thousand (see Note 8);
- Pragasette S.r.l. in liquidation: the write-down amounted to Euro 22 thousand; it is therefore provided, having already cleared the holding, to enter accounting for a specific decrease in financial receivables (see Note 8);
- Pragaundici SIINQ S.p.A.: the write-down amounts to Euro 53 thousand;
- Satac SIINQ S.p.A.: devaluation amounted to Euro 436 thousand;
- Sedea SIIQ S.p.A.: devaluation amounted to Euro 13 thousand;
- Società Agricola La Bollina S.r.l.: the write-down amounts to Euro 243 thousand;

Note 5. Investments in associated companies

The movements of the investments in affiliates during the year are the following:

(Euro/000)	Amounts as at 31/12/2015	Increases/ (decreases)	Other charges	(Devaluations)/ Reversal	Amounts as at 31/12/2016	% of share
Shareholdings						
Aedilia Nord Est S.r.l.	3,376	0	0	269	3,645	56.52%
Efir S.ar.l. - Dante Retail Fund	21,303	0	(2,592)	1,319	20,030	33.33%
Leopardi Fund	10,652	0	0	(2,694)	7,958	24.39%
Pragasei S.r.l.	5,147	158	0	967	6,272	50.10%
Total	**40,478**	**158**	**(2,592)**	**(139)**	**37,905**	

During the year the Company has waived shareholder loans to affiliates of Euro 158 thousand.

Other changes in the investment in Efir S.ar.l. concern the distribution to unitholders of the share premium reserve.

The following is the key data at 31st December 2016 relevant to investments in affiliates:

(Euro/000)	Registered office	Share capital	Shareholders' Equity	of which profits (losses) for the year	Production value	% of share	Equity attributable	Write-downs	Book value
Investments									
Aedilia Nord Est S.r.l.	Milan Via Morimondo 26, Ed. 18	8,797	6,450	491	947	56.52%	3,646	269	3,645
Efir S.ar.l. - Dante Retail Fund	5 Allé Scheffer L - 2520 Luxembourg	22,279	60,093 (**)	5,337 (**)	0 (**)	33.33%	20,029	1,319	20,030
Leopardi Fund	Milan Via Morimondo 26, Ed. 18 (1)	n.a.	38,797 (**)	(4,877) (**)	2,380 (**)	24.39%	9,462	(2,694)	7,958
Pragasei S.r.l.	Milan Via Monte Napoleone 29	100	(459) (*)	(1,404) (*)	26,522 (*)	50.10%	(230)	967	6,272
Total								**(139)**	**37,905**

(1) Headquarter office of Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A..

(*) The value relates to the accounting situation of the Company at 31st December 2016 to the appropriate adjustments in line with the Group's principles.

(**) The value relates to the company at 31st December 2016 statements to the appropriate adjustments in line with the Group's principles.

The investments which, as a result of the impairment test showed a recoverable amount less than the book value, were impaired, while if the recoverable value is higher than the book value a value restoration was performed, as explained below:

- Aedilia Nord Est S.r.l.: after the lapsing of some of the reasons that led to the write-down in previous years, the value of the investment was partially restored during the year to Euro 269 thousand;
- Efir S.ar.l.: after the lapsing of some of the reasons that led to the write-down in previous years, the value of the investment was partially restored in the year for Euro 1,319 thousand;
- Leopardi Fund: the write-down amounts to Euro 2,694 thousand;
- Pragasei S.r.l.: after the lapsing of some of the reasons that led to the write-down in previous years, the value of the investment was recovered during the year to Euro 967 thousand.

Note 6. Referred tax asset and liabilities

Deferred tax asset/liabilities are detailed in the following table:

(Euro/000)	31/12/2016			31/12/2015		
	Amount of temporary differences	Tax effect (% rate)	Total	Amount of temporary differences	Tax effect (% rate)	Total
Deferred tax assets:						
Financial losses	(4,413)	24.00%	(1,059)	(4,413)	24.00%	(1,059)
Total	**(4,413)**		**(1,059)**	**(4,413)**		**(1,059)**
Deferred taxes liabilities:						
Differences on investments	5,517	24.00%	1,324	5,517	24.00%	1,324
Total	**5,517**		**1,324**	**5,517**		**1,324**
Net deferred taxes (assets)	**1,103**		**265**	**1,103**		**265**
Net			**265**			**265**

The Company has accumulated losses, as emerging from CNM in 2016 with reference to the financial year 2015, totalling Euro 206,135 thousand, which increased to Euro 217,100 thousand around in this financial year, mainly due to the tax loss relating to the liable management of SIIQ Aedes S.p.A..

Despite this, the Company has not recorded the deferred assets for tax losses, if not minimally, also in consideration of the recommendations of the Consob communication no. 0003907 of 19th January 2015, where it is recalled that the booking of a deferred tax asset for tax losses can be recognised "in the measure in which is it probable that a future taxable profit will be available against which the tax losses can be used", as provided by the standard IAS 12.

Accordingly, also during this year, as during the previous year, in order to be conservative, the Company booked receivables for prepaid taxes for am amount of Euro 1,059 thousand, or up to the limit of 80% of the deferred taxes and, therefore, limiting itself only to the part that could be offset in the year of the tax effect that would arise from the disposal of the gains of the assets and without considering the further 20% of such entry that would be relevant all the same for tax purposes.

Note 7. Derivative financial instruments

(Euro/000)	31/12/2016		31/12/2015	
	Asset	Liabilities	Asset	Liabilities
Current share				
Cap fair value	230	0	638	0
Floor fair value	0	605	0	506
Total	**230**	**605**	**638**	**506**

During the year 2015 there were signed with Banca Popolare di Milan S.c.ar.l. two derivatives contracts designed to limit the risk of increase in overall exposure to interest rates of the Company and the Group. In preparing the financial statements, the Company made use of Ernst & Young S.p.A. as an independent expert for the valuation of the fair value at 31st December 2016 amounted to activities for Euro 230 thousand relative to the fair value of the derivative contract "Cap" and liabilities of Euro 605 thousand based on the fair value of the derivative contracts "Floor".

There follows the information relevant to the derivative financial instruments at 31st December 2016:

(Euro/000)	Type	Notional	Fair value	Contract end date	Borrowing rate	Lending rate
Hedge provider						
Banca Popolare di Milano	Cap	50,000	230	31/12/2020	1%	3m Euribor q,A/360
Banca Popolare di Milano	Floor	50,000	(605)	31/12/2020	0%	3m Euribor q,A/360
Total		**100,000**	**(375)**			

The fair value of derivative financial instruments at 31st December 2016 is classified in the hierarchy of Level 2 (fair value determined on the basis of valuation models powered by observable market inputs).

Note 8. Financial receivables

(Euro/000)	31/12/2016	31/12/2015
Non-current receivables		
Receivables due from subsidiaries	54,288	31,394
Receivables from associates	12,542	12,116
Receivables due from others	55	46
Total	**66,885**	**43,556**
Current receivables		
Receivables due from subsidiaries	304	321
Total	**304**	**321**
Total financial assets by maturity:		
Within 1 year	304	321
Between 1 and 5 years	66,885	43,556
Over 5 years	0	0
Total	**67,189**	**43,877**

RECEIVABLES DUE FROM SUBSIDIARIES

The receivables due from subsidiaries is broken down as follows:

(Euro/000)	31/12/2016							31/12/2015							
	Non-current			Current				Non-current			Current				
Subsidiary	Recei-vables	Bad debt provi-sion	Total	Recei-vables	Bad debt provision	Total	Total	Recei-vables	Bad debt provi-sion	Total	Recei-vables	Bad debt provi-sion	Total	Total	Delta
Aedes Project S.r.l. in liquidation	4,494	(3,697)	797	0	0	0	797	4,330	(3,697)	633	0	0	0	633	164
Bollina S.r.l.	0	0	0	0	0	0	0	50	0	50	0	0	0	50	(50)
Cascina Praga SIINQ S.p.A.	1,335	0	1,335	0	0	0	1,335	480	0	480	0	0	0	480	855
Novipraga SIINQ S.p.A.	3,916	0	3,916	0	0	0	3,916	2,553	0	2,553	0	0	0	2,553	1,363
Praga Construction S.r.l.	1,178	0	1,178	0	0	0	1,178	633	0	633	0	0	0	633	545
Praga Service Real Estate S.r.l.	4,855	(118)	4,737	0	0	0	4,737	1,503	0	1,503	0	0	0	1,503	3,234
Pragafrance S.ar.l.	5,010	(716)	4,294	0	0	0	4,294	4,275	(24)	4,251	0	0	0	4,251	43
Pragaotto S.r.l.	20,602	(1,263)	19,339	0	0	0	19,339	11,601	(31)	11,570	0	0	0	11,570	7,769
Pragaquattro Center SIINQ S.p.A.	6,009	0	6,009	0	0	0	6,009	438	0	438	0	0	0	438	5,571
Pragasette S.r.l. in liquidation	0	0	0	375	(71)	304	304	0	0	0	369	(48)	321	321	(17)
Pragaundici SIINQ S.p.A.	1,019	0	1,019	0	0	0	1,019	777	0	777	0	0	0	777	242
Satac SIINQ S.p.A.	11,022	0	11,022	0	0	0	11,022	8,505	0	8,505	0	0	0	8,505	2,517
Società Agricola La Bollina S.r.l.	642	0	642	0	0	0	642	1	0	1	0	0	0	1	641
Total	**60,082**	**(5,794)**	**54,288**	**375**	**(71)**	**304**	**54,592**	**35,146**	**(3,752)**	**31,394**	**369**	**(48)**	**321**	**31,715**	**22,877**

During the year the financial receivable relating to Shareholders' loans due from the subsidiary Pragasette S.r.l. in liquidation has been reclassified from non-current to current. Same reclassification of Euro 321 thousand net was made at 31st December 2015. These reclassifications arise from the fact that the liquidation of the company is expected in 2017.

The non-current loans are contractually renewable or subordinate to the repayment of amounts due to financial institutions and therefore to be retained permanently.

Financial receivables due from subsidiaries generally relate to balances on current accounts, which have accrued during the interest at Euribor 3 months plus 3.75% and/or credits from the transfer tax on the taxable revenue within the consolidated taxation and Vat Group, including the related accrued interest.

In 2016, there was an increase of Euro 22,877 thousand compared to the previous financial year. This change is due mainly to new loans of Euro 21,783 thousand, the waiver of shareholder loans to subsidiaries for a total of (Euro 850) thousand, the write-downs for the period Euro (2,095) thousand and the balance of trade receivables by the correspondence current account to Euro 4,435 thousand.The provision for bad debts corresponds to the part of devaluation necessary as a result of the impairment test.

It is believed that the book value of receivables from subsidiaries approximates their fair value.

RECEIVABLES FROM ASSOCIATES

The balance of the receivables due from affiliates is broken down as follows:

(Euro/000)	31/12/2016			31/12/2015			
	Non-current			Non-current			
Subsidiary	Receivables	Bad debt provision	Total	Receivables	Bad debt provision	Total	Delta
Aedilia Nord Est S.r.l.	1,936	0	1,936	1,851	0	1,851	85
Alpe Adria S.r.l.	75	(1)	74	73	0	73	1
Leopardi Fund	38	0	38	0	0	0	38
Golf Tolcinasco S.r.l.	529	(4)	525	515	0	515	10
Pragasei S.r.l.	9,969	0	9,969	9,639	0	9,639	330
Trieste S.r.l. in liquidation	0	0	0	38	0	38	(38)
Trixia S.r.l.	10	(10)	0	10	(10)	0	0
Via Calzoni S.r.l. in liquidation	5,860	(5,860)	0	5,698	(5,698)	0	0
Total	**18,417**	**(5,875)**	**12,542**	**17,824**	**(5,708)**	**12,116**	**426**

Receivables from associated companies are related to loans granted at normal market conditions. The above receivables are contractually renewable or subordinate to the repayment of payables due to financial institutions and, therefore, intended to be maintained over time.

The claim against Via Calzoni S.r.l. in liquidation it relates to Euro 5,150 thousand for the partial sale to Aedes SIIQ S.p.A. in 2014 of the financial debt for a loan from the affiliate. The receivable in question was written off.

The overall increase of Euro 426 thousand is mainly attributable to interest accrued but not collected.

The provision for doubtful receivables (Euro 167 thousand the provision for the year) consists of the portion of the impairment loss that exceeds the cost of the investment under assets.

It should be noted that on 15th December 2016, the Company concluded a contract with Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A. and Rubattino 87 S.r.l. to define the methods of adjustment of receivables and payables Aedes SIIQ S.p.A. to the affiliates using the Leopardi Fund; the agreement provides for the compensation of batches, the transfer of real estate and the assumption of the related loan. The effectiveness of the agreement is subject to a suspensive condition that requires the consent of the credit lenders takeover by Aedes of the debt relating to the properties subject to transfer, a condition that must be fulfilled by 30th September 2017.

It is believed that the book value of receivables from associates approximates their fair value.

RECEIVABLES FROM OTHER COMPANIES

The balance of receivables from other companies is as follows:

(Euro/000)	31/12/2016			31/12/2015			Delta
Other companies	Non-current receivables	Bad debt provision	Total	Non-current receivables	Bad debt provision	Total	
Roma Development S.r.l.	842	(842)	0	831	(831)	0	0
Total	**842**	**(842)**	**0**	**831**	**(831)**	**0**	**0**

The receivable due from Roma Development S.r.l. is represented by a loan on which interest accrues at the rate of Euribor 3 months plus 1.5%, this receivable was fully written down in order to adjust the carrying value to its fair value.

RECEIVABLES DUE FROM OTHERS OVER THE YEAR

The balance as at year-end amounts to Euro 55 thousand and relates to caution deposits for utilities and/or long-term rentals requested by contract.
It is believed that the book value of receivables from others approximates their fair value.

Note 9. Trade and other non-current receivables

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Receivables due from others	243	368
Tax receivables	894	749
Total	**1,137**	**1,117**

The item “Receivables due from others” is composed of the portion of the credit company to the tax authorities claimed by Aedificandi S.r.l., liquidated in July 2014, of which Euro 125 thousand received in July 2016.

(Euro/000)	31/12/2016	31/12/2015
Tax credits		
Tax credits for Vat	145	0
Tax credits for taxes	749	749
Non-current tax	**894**	**749**

The non-current portion of tax credits is made up of:

- Euro 268 thousand for the receivable recorded as a result of not deducting Irap in the amount provided for under the law in previous years (art. 6, paragraph 1 of the Decree Law 29 November 2008, no. 185, ratified with amendments by Law 28 January 2009, no. 2 which introduced partial deductibility, for revenue tax, regional tax on productive activities) for which it was decided to initiate the procedure for the application for a refund;
- Euro 392 thousand relevant to foreign taxes reported on the National and Worldwide Consolidation Form of the former Praga Holding S.p.A., which can be carried forward for a maximum of eight financial years;
- Euro 89 thousand in receivables for Vat paid in 2007 from Praga Holding S.p.A. as a result of fractional collection while awaiting judgement.

The item also includes the residual credit for Vat refunds requested by the subsidiary Pragatre SIINQ S.p.A. and it made for the merger, which will be reimbursed by the Tax Agency when the disputes are resolved for Vat 2006 and Ires 2008.
The recoverability of these loans was assessed with the aid of tax advisors of the Company.

Note 9. Trade and other current receivables

(Euro/000)	31/12/2016	31/12/2015
Current		
Receivables due from customers	6,527	8,875
Provision for doubtful accounts	(4,234)	(6,410)
Net receivables from customers	**2,293**	**2,465**
Receivables due from subsidiaries	2,196	3,405
Provision for doubtful accounts	(23)	(131)
Net receivables to subsidiaries	**2,173**	**3,274**
Receivables from associates	3,371	3,583
Provision for doubtful accounts	(2,102)	(2,125)
Net receivables to associates	**1,269**	**1,458**
Loans to other net related parties	511	0
Net receivables to parent companies	32	11
Receivables due from others	22	29
Tax receivables	9,885	9,738
Accrued income and prepaid expenses	231	349
Total	**16,416**	**17,324**

It is believed that the book value of trade receivables and other receivables approximates their fair value.

RECEIVABLES DUE FROM CUSTOMERS

Trade receivables for a net amount of Euro 2,293 thousand consist of amounts due from tenants and clients of services for Euro 6,527 thousand, shown net of a valuation allowance of Euro 4,234 thousand. The merger intake by incorporation of the subsidiary Pragatre SIINQ S.p.A. amounted to Euro 350 thousand.

CHANGE IN PROVISIONS FOR BAD DEBTS

(Euro/000)	To clients	To subsidiaries	To affiliates	Total
Movement of provisions for bad debts				
Balance at 31/12/2015	**(6,410)**	**(131)**	**(2,125)**	**(8,666)**
Release	245	0	23	268
Provisions	0	(23)	0	(23)
Reclassifications	0	131	0	131
Use	1,931	0	0	1,931
Balance at 31/12/2016	**(4,234)**	**(23)**	**(2,102)**	**(6,359)**

The breakdown by maturity of trade credits, which equals the sum of accounts receivable, of receivables from subsidiaries, of receivables from associates, of loans to other related parties and of receivables from the parent is shown in the following table:

(Euro/000)	Falling due	Overdue by						Total
Trade receivables aging		Within 1 month	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days	
Gross Value	2,397	923	494	222	572	258	7,771	12,637
Provision for doubtful accounts	(8)	0	0	(8)	(7)	(37)	(6,299)	(6,359)
Net trade receivables	**2,389**	**923**	**494**	**214**	**565**	**221**	**1,472**	**6,278**

RECEIVABLES DUE FROM SUBSIDIARIES

(Euro/000)	31/12/2016				31/12/2015				Delta
Subsidiary	**Commercial**	**Others**	**Bad debt provision**	**Total**	**Commercial**	**Others**	**Bad debt provision**	**Total**	
Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A.	0	0	0	0	16	238	0	254	(254)
Aedes Project S.r.l. in liquidation	55	72	0	127	43	2	0	45	82
Bollina S.r.l.	2	0	0	2	4	0	0	4	(2)
Cascina Praga SIINQ S.p.A.	47	40	0	87	16	12	0	28	59
Redwood Fund	356	0	0	356	0	0	0	0	356
Golf Club Castello di Tolcinasco SSD S.r.l.	23	0	(23)	0	131	0	(131)	0	0
Novipraga SIINQ S.p.A.	102	2	0	104	53	0	0	53	51
Praga Construction S.r.l.	398	45	0	443	24	15	0	39	404
Praga Service Real Estate S.r.l.	568	34	0	602	46	12	0	58	544
Pragacinque SIINQ S.p.A.	0	0	0	0	5	6	0	11	(11)
Pragafrance S.ar.l.	90	0	0	90	62	0	0	62	28
Pragaotto S.r.l.	53	2	0	55	2,529	0	0	2,529	(2,474)
Pragaquattro Center SIINQ S.p.A.	41	0	0	41	10	0	0	10	31
Pragasette S.r.l. in liquidation	0	0	0	0	16	0	0	16	(16)
Pragatre SIINQ S.p.A.	0	0	0	0	19	0	0	19	(19)
Pragaundici SIINQ S.p.A.	31	10	0	41	6	9	0	15	26
Satac SIINQ S.p.A.	202	0	0	202	107	0	0	107	95
Società Agricola La Bollina S.r.l.	23	0	0	23	24	0	0	24	(1)
Total	**1,991**	**205**	**(23)**	**2,173**	**3,111**	**294**	**(131)**	**3,274**	**(1,101)**

The receivables from subsidiaries originated mainly from the provision of management services, enhancement and transformation of property or real estate projects (asset management), coordination of administrative services, accounting, tax, economic and financial (advisory and administrative-financial services), general, legal-company and EDP services, the recharging of the equipped areas of the organisation, and costs incurred in the year in the name and on behalf of the subsidiaries.

The fall of Euro 1,101 thousand is mainly due to the residual credit adjustment against Pragaotto S.r.l. deriving from the sale of properties fractionated to the subsidiary in 2015, using the correspondence current-account with Pragaotto S.r.l..

RECEIVABLES FROM ASSOCIATED COMPANIES

(Euro/000)	31/12/2016			31/12/2015			Delta
Associated company	Credits	Cred.dev. fund	Total	Credits	Cred.dev. fund	Total	
Alpe Adria S.r.l.	59	0	59	114	0	114	(55)
Aedilia Nord Est S.r.l.	9	0	9	54	0	54	(45)
F.D.M. S.A.	49	(49)	0	49	(49)	0	0
Leopardi Fund	5	0	5	54	0	54	(49)
Galileo Ferraris 160 S.r.l. (previously Aedilia Sviluppo 1 S.r.l.)	473	(461)	12	465	(461)	4	8
Golf Tolcinasco S.r.l.	0	0	0	31	(23)	8	(8)
Pival S.r.l.	10	0	10	59	0	59	(49)
Pragasei S.r.l.	35	0	35	17	0	17	18
Rubattino 87 S.r.l.	1,492	(454)	1,038	1,492	(454)	1,038	0
Rubattino Ovest S.p.A.	777	(688)	89	778	(688)	90	(1)
Trieste S.r.l. liquidated	0	0	0	8	0	8	(8)
Trixia S.r.l.	12	0	12	12	0	12	0
Via Calzoni S.r.l. in liquidation	450	(450)	0	450	(450)	0	0
Total	**3,371**	**(2,102)**	**1,269**	**3,583**	**(2,125)**	**1,458**	**(189)**

This item mainly originated from the supply of services, as previously specified in detail.
The balances have remained virtually unchanged over the previous year.

RECEIVABLES FROM RELATED PARTIES

This item is primarily made up of credit against Sator Immobiliare SGR S.p.A. for Euro 505 thousand, of which Euro 424 thousand are related to the collection of sales remaining the same Sator Immobiliare SGR S.p.A. 100% of the shares held in the share capital of Aedes Real Estate SGR S.p.A., following the liquidation of the Investietico Fund.

RECEIVABLES DUE FROM PARENT COMPANIES

This item originated from the provision of coordination, administration and company services to the parent company Augusto S.p.A..

RECEIVABLES DUE FROM OTHERS

The balance is broken down as follows:

(Euro/000)	31/12/2016	31/12/2015
Receivables due from others		
Advances to suppliers	0	5
Others	22	24
Receivables to others, current	**22**	**29**

TAX RECEIVABLES

(Euro/000)	31/12/2016	31/12/2015
Tax receivables		
Tax receivable for Vat	1,647	1,604
Tax receivable for taxes	8,238	8,134
Current tax	**9,885**	**9,738**

In addition to finance for the Group Vat amounting to Euro 743 thousand, the Company has a Vat credit prior to the entry of the Group amounting to a residual Euro 904 thousand, after during the year Euro 700 thousand have been used to offset taxes payable in instalments and/or other debts to the tax authorities and local authorities.
The current portion of tax credits mainly comprises:

- Euro 6,346 thousand relating to the tax credit for the substitute tax under Law no. 266/2005, built in 2010, Mercury S.r.l., which merged by incorporation into Galileo Ferraris 160 S.r.l. 1 formerly Aedilia Development S.r.l. and from the latter transferred to the parent Aedes SIIQ S.p.A. in the context of the national tax consolidation;
- Euro 803 thousand for Ires claims arising under Aedes SIIQ S.p.A. tax consolidation;
- Euro 537 thousand for Irap credits, which arose in previous years and were not used;

- Euro 226 thousand for residual receivables for refund applications Ires and Irap presented in 2012 by the Company and by the companies participating in the consolidated taxation;
- Euro 156 thousand for Ires receivables of Aedes SIIQ S.p.A..

The recoverability of these loans was assessed with the help of the Company's tax consultants.

ACCRUED REVENUE AND PREPAID EXPENSES

(Euro/000)	31/12/2016	31/12/2015
Accrued income and Prepaid expenses		
Deferred income on property management	43	27
Prepayments for sureties	2	2
Other revenue	186	320
Current accruals and prepayments	**231**	**349**

The merger intake by incorporation of the subsidiary Pragatre SIINQ S.p.A. amounted to Euro 13 thousand.
Prepaid expenses consist primarily of costs related to the real estate for Euro 43 thousand, surety commissions for Euro 2 thousand, maintenance fees/leasing electronic machines, membership subscriptions and contributions for Euro 72 thousand and various insurance premiums Euro 43 thousand paid in advance but relating to future years.
Their release will occur for Euro 219 thousand within 2017 and Euro 12 thousand beyond.

Note 10. Inventories

(Euro/000)	31/12/2016	31/12/2015
Real estate projects in progress	187	0
Finished goods (Real estate)	0	0
Total	**187**	**0**

(Euro/000)	Real estate projects in progress
Balance at 31/12/2015	0
Contribution from Merger	2,480
Decreases	(2,293)
Balance at 31/12/2016	**187**

The item reduces its value during the year as a result of the sale to Pragaotto S.r.l. of land related to "Roero Retail Park Phase D", which is currently not part of the projects for the development and construction of investment properties.

Note 11. Cash and cash equivalents

(Euro/000)	31/12/2016	31/12/2015
Cash and cash equivalents	4	3
Bank and postal deposits	2,883	54,647
Term current accounts	962	905
Total	**3,849**	**55,555**

The contribution from the merger amounts to Euro 181 thousand.
The cash and cash equivalents showed a decrease of Euro 51,706 thousand compared to the situation at the end of 2015. Short-term current accounts are held against credit lines and guarantees granted by financial institutions.
The credit risk related to cash and cash equivalents is limited because the counterparties are leading domestic and international banking institutions.
For a better understanding of the changes to the cash on hand, see the cash flow statement.

SHAREHOLDERS' EQUITY

Note 12. Shareholders' Equity

The changes in the year are the following:

(Euro/000)			Other reserves							
	Share capital	Treasury shares	Merger difference	Legal reserve	Others for capital increase	Capital contributions by Shareholders	Fair value reserve	Profits/ (losses) carried forward	Operating result	Total
01/01/2015	**172,945**	**(34,527)**	**0**	**0**	**50,115**	**9,503**	**0**	**343**	**44,611**	**242,990**
Allocation result 2014				2,231				42,380	(44,611)	0
Merger difference			(3,637)							(3,637)
Capital increase by cash	40,000					(9,503)				30,497
Sale of rights					122					122
Share issue costs					(1,532)					(1,532)
Treasury shares in portfolio		34,261						(34,495)		(234)
Profit/(Loss) for the year									566	566
Actuarial profit/(loss) on Severance Indemnity								69		69
Total comprehensive income								69	566	635
31/12/2015	**212,945**	**(266)**	**(3,637)**	**2,231**	**48,705**	**0**	**0**	**8,297**	**566**	**268,841**

(Euro/000)			Other reserves							
	Share capital	Treasury shares	Merger difference	Legal reserve	Others for capital increase	Capital contributions by Shareholders	Fair value reserve	Profits/ (losses) carried forward	Operating result	Total
01/01/2016	**212,945**	**(266)**	**(3,637)**	**2,231**	**48,705**	**0**	**0**	**8,297**	**566**	**268,841**
Allocation result 2015				28				538	(566)	0
Treasury shares in portfolio		(1,189)						6		(1,183)
Profit/(Loss) for the year									17,313	17,313
Actuarial profit/(loss) on Severance Indemnity								(13)		(13)
Total comprehensive income								(13)	17,313	17,300
31/12/2016	**212,945**	**(1,455)**	**(3,637)**	**2,259**	**48,705**	**0**	**0**	**8,828**	**17,313**	**284,958**

SHARE CAPITAL

At 31st December 2016, the share capital, fully subscribed and paid in, amounts to Euro 212,945,601.41, divided into 319,803,191 ordinary shares without a face value.

(Euro/000)	Number of ordinary shares	Number of special shares "C"	Value of ordinary shares	Value of special shares "C"	Treasury shares	Total value
Balance at 01/01/2015	10,934,596	221,911,287	70,866	102,079	(34,527)	138,418
Balance at 31/12/2015	319,803,191	0	212,945	0	(266)	212,679
Balance at 31/12/2016	**319,803,191**	**0**	**212,945**	**0**	**(1,455)**	**211,490**

The item “Treasury shares” relates to Aedes 3,500,000 common shares held in portfolio at 31st December 2016. The table below summarises the changes in the treasury shares reserve:

Year	N. shares	Value in Euro	Value of average load in Euro
Closing balance at 31/12/2014	**65,028**	**34,526,832**	**5.31**
Sales of shares 2015	(65,028)	(34,526,832)	5.31
Purchase of shares 2015	531,000	261,820	0.49
Liquidity provider	8,000	4,156	0.52
Closing balance at 31/12/2015	**539,000**	**265,976**	**0.49**
Sales of shares 2016	0	0	
Purchase of shares 2016	2,969,000	1,192,612	0.40
Liquidity provider	(8,000)	(4,156)	0.49
Closing balance at 31/12/2016	**3,500,000**	**1,454,432**	**0.42**

The purchase/sale of treasury shares during the year relates exclusively to the liquidity provider.

The allocation of 2015 result to the item “Legal reserve” and “Profits carried forward” was resolved by the Shareholders’ Meeting on 27th April 2016.

On 27th April 2016 the Extraordinary General Meeting of Aedes approved by majority vote the amendment of art. 21 of the articles of Association, for the creation of a statutory reserve input by annual allocations proportional to the net profit for the year, to support the development and growth of the Company and the Group. This amendment involved the establishment of the right of withdrawal in favour of the shareholders who did not wish to participate in the resolution. Since the effectiveness of the meeting resolution was conditional on the right of withdrawal it had not resulted in a payment of more than Euro 2 million (corresponding to a maximum number of 4,360,148 shares, representing approximately 1.4%) and, taking into account that withdrawals were exercised for a number greater than that indicated, the resolution is found to be ineffective and the results of the withdrawal rights exercised are similarly invalid.

Reserves in equity at 31 December 2016 are available except as noted in the following table:

(Euro/000)	Amount	Possibility of use	Available share	Summary of the uses in the previous three financial years	
Nature/description				**to cover losses**	**other reasons**
Capital	**212,945**				
Treasury shares	**(1,455)**				
Reserve of capital:					
Other reserves for increase of capital	48,705	A,B,C	48,705		
Merger surplus	(3,637)				
Reserve of profits:					
Legal reserve	2,259	B			
Profit/(Losses) brought forward	8,828	A,B,C	8,828	24,393	
Total	**267,645**		**57,533**	**24,393**	
Non-distributable share			**5,092**		
Remaining distributable			**52,441**		

Legend:
A = for increase of capital
B = to cover losses
C = for distribution to Shareholders

LIABILITIES

Note 13. Payables due to banks and other lenders

Payables due to banks and other lenders are broken down as follows:

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Due to other lenders	15,413	16,753
Mortgage loans	23,970	23,073
Funding in current account	820	0
	40,203	**39,826**
Current		
Due to other lenders	1,314	1,272
Mortgage loans	18,642	571
Funding in current account	7,287	7,365
	27,243	**9,208**
Total	**67,446**	**49,034**

(Euro/000)	within 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Balance at 31/12/2016						
Total payables to banks	1,021	16,494	8,414	16,530	8,260	50,719
Total	**1,021**	**16,494**	**8,414**	**16,530**	**8,260**	**50,719**

(Euro/000)	within 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Balance at 31/12/2016						
Total payables to other financing institutions	0	303	1,011	15,413	0	16,727
Total	**0**	**303**	**1,011**	**15,413**	**0**	**16,727**

Here below is the breakdown of the net financial debt prepared in compliance with the Consob Communication no. DEM/6064293 of 28th July 2006:

(Euro/000)		31/12/2016	31/12/2015
A.	Cash	3,849	55,555
B.	Other cash on hand	0	0
C.	Securities held for trading	0	0
D.	**Current assets (A) + (B) + (C)**	**3,849**	**55,555**
E.	**Current financial receivables**	**0**	**0**
F.	Current bank payables	(25,929)	(7,936)
G.	Current part of the non-current debt	0	0
H.	Other current financial payables	(1,314)	(1,272)
I.	**Current financial debt (F)+(G)+(H)**	**(27,243)**	**(9,208)**
J.	**Net current financial debt (I) – (E) – (D)**	**(23,394)**	**46,347**
K.	Non-current bank payables	(24,790)	(23,073)
L.	Bonds issued	0	0
M.	Other non-current payables	(16,018)	(17,259)
N.	**Non-current financial debt (K) + (L) + (M)**	**(40,808)**	**(40,332)**
O.	**Net financial debt (J) + (N)**	**(64,202)**	**6,015**

The table below shows the reconciliation of the net financial position figures reported in the Management Report with the above table:

(Euro/000)	31/12/2016	31/12/2015
Net financial debt included in the Management Report	(63,597)	6,521
Other non-current financial liabilities for derivative contracts	(605)	(506)
Net financial debt included in the Notes	**(64,202)**	**6,015**

There were no overdue and unpaid financial obligations at 31st December 2016.

DUE TO OTHER LENDERS

The item consists of the debt to Unicredit Leasing for the property in Milan - Via Agnello, 12, and the fall is due to the payment of instalments for 2016.

The breakdown of the payables due to banks and other lenders is shown in the following table:

(Euro/000)	Project/estate asset	Short-term debt	Short-term debt	Short-term debt	Long-term debt	Total debt	Scadenza	Mortgage on property values in Euro thousands/ guarantees	Financial covenants	Compliance with covenant
Type of financing		Within 1 month	from 2 to 3 months	from 4 to 12 months						
Leasing	Milan - Via Agnello	0	303	1,011	15,413	16,727	01/08/2021	n.a.	NO	n.a.
Mortgage loan	Catania - Via Etnea	0	0	481	5,292	5,773	30/06/2022	13,471	NO	n.a.
Mortgage loan	Portfolio	0	105	1,645	11,787	13,537	31/12/2021	30,000	LTV≤50%; ICR≥1.3	Yes
Mortgage loan	Santa Vittoria d'Alba (CN) - Phase B	0	108	297	6,498	6,903	30/11/2030	16,000	LTV≤80 %	Yes
Mortgage loan	Santa Vittoria d'Alba (CN) - Phase B	18	4	53	393	468	30/04/2023	1,000	LTV≤80 %	Yes
Mortgage loan	Milan - Via San Vigilio	81	15,850	0	0	15,931	31/03/2017	75,000	LTV≤75 %; ISCR≥1.5	Yes
Total loans with granted real estates		**99**	**16,370**	**3,487**	**39,383**	**59,339**				
Hot Money	n.a.	105	224	945	820	2,094	31/08/2018	Not guaranteed	n.a.	n.a.
Loan	n.a.	0	134	0	0	134	31/03/2017	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	817	1	0	0	818	31/03/2016	Not guaranteed	n.a.	n.a.
Not covered by current account	n.a.	0	68	4,993	0	5,061	02/08/2017	Other guarantees	n.a.	n.a.
Total loans in current account		**922**	**427**	**5,938**	**820**	**8,107**				
Total gross debt at 31/12/2016		**1,021**	**16,797**	**9,425**	**40,203**	**67,446**				

The table below shows for the loans the carrying amount recognised in the balance sheet and the related fair value.

(Euro/000)	31/12/2016		31/12/2015		Delta
	Accounting value	Fair value	Accounting value	Fair value	
Mortgage loans	42,612	40,102	23,644	22,686	18,968
Funding in current account	8,107	7,591	7,365	6,975	742
Liabilities for leasing	16,727	16,701	18,025	17,736	(1,298)
Other loans			-	-	-
Derivatives	375	375	(132)	(132)	507
Total	**67,821**	**64,769**	**48,902**	**47,265**	**18,919**
(Loss)/Profit not detected	3,052		1,637		

MORTGAGE LOANS

The merger intake by incorporation of the subsidiary Pragatre SIINQ S.p.A. amounted to Euro 9,538 thousand.
During the year, moreover, the Company, from the liquidation of the Redwood Fund, of which he had acquired 100% of shares in the course of 2016, found 16 commercial properties, with simultaneous transfer of the total debt on them (including debt related to one of the two properties still held by the Fund).
The aggregate under analysis consists of all of the medium/long-term loans. The fair value of these loans was made based on the Discounted Cash Flow model, using factors such as the discount rate curve traded on the market at the balance sheet date, plus an indicative spread of the Aedes credit SIIQ S.p.A..
With reference to the indexed loans, the cash flows to be discounted were estimated on the basis of the forward rates implicit in the term structure of spot rates available at the balance sheet date. The Company's credit spread was set equal to the weighted average interest rate on the single financing and is the credit risk to which the Company is exposed.
It is necessary to estimate the differences between the surplus of the contract rate and benchmark rate (six month Euribor), given that existing loans and covered mortgage loans require a deferred payment of the difference of the two aforementioned components. This differential was measured using the implicit forward in the respective curves basis on market conditions at 31st December 2016.

PAYABLES DUE TO LEASING COMPANIES

This aggregate relates to liabilities relevant to financial leasing contracts that comply with the provisions of IAS 17. Fair value is determined on the basis of the Discounted Cash Flow model, using the same credit spreads indicated for mortgage loans.

CURRENT ACCOUNT LOANS AND OTHER LENDERS

The above-defined aggregates relate to short-term liabilities of the Company. Fair value is determined on the basis of the Discounted Cash Flow model, using the same credit spreads indicated for mortgage loans.
The table below summarises the conditions of the payables due to banks and other lenders in force at 31st December 2016, grouped by interest rate range, with the relevant indication of the book value, compared with the figures reported during the previous year.

(Euro/000)	31/12/2016	31/12/2015
Interest rate (current)		
less than 2% (*)	29,778	24,147
between 2% and 3%	23,220	17,900
between 3% and 5.5%	14,823	2,727
between 5.5% and 6.5%	-	2,578
greater than 6.5%	-	1,550
Total	**67,821**	**48,902**

(*) * The item includes the Fair Value of the Collar amounting to Euro 375 thousand.

The liquidity and market risk analyses are reported in Note 33.

Note 14. Provision for Severance Indemnity

(Euro/000)	31/12/2016	31/12/2015
Debts for Severance Indemnity		
Severance Indemnity	561	488
	561	**488**
Provisions to the profit and loss account for:		
Service costs	177	170
Interest costs	10	10
TFR IAS	**187**	**180**

There were no overdue and unpaid financial obligations for employees at 31st December 2016.

The final balance reflects the current value of the commitment of the Company to employees for Severance Indemnity, calculated based on the legislative provisions in force and collective labour agreements and underlying actuarial dynamics. The provision for severance pay in the income statement is classified as a service cost for Euro 177 thousand under personnel costs and for interest amounting to Euro 10 thousand in the financial expenses.

According to IAS 19R, actuarial gains and losses on employee Severance Indemnities (Euro 13 thousand) are recognised among other comprehensive revenue and are permanently excluded from the income statement.

The change in the composition of Severance Indemnity is illustrated here below:

(Euro/000)	
Balance at 01/01/2015	**309**
Contribution from Merger	295
Amount accrued and charged to the income statement	180
Indemnities paid	(129)
Profit/(Loss) in P.N.	(69)
Transfers to supplementary pension funds	(98)
Closing balance 31/12/2015	**488**
Amount accrued and charged to the income statement	187
Indemnities paid	(33)
Profit/(Loss) in P.N.	13
Transfers to supplementary pension funds	(94)
Closing balance 31/12/2016	**561**

The precise and average number of employees at 31st December 2016 and at 31st December 2015, divided by category are respectively the following:

Qualifications (units)	31/12/2016	31/12/2015
Directors	7	7
Executives/Employees	28	28
Custodian	0	0
Total	**35**	**35**

Qualifications	2016	2015
Directors	7.0	4.9
Executives/Employees	27.9	30.4
Custodian	0.0	0.3
Total	**34.9**	**35.6**

During the year the workforce has remained unchanged over the previous year, maintaining 35 units, also as a result of the same number of employees departing/recruited being equal to 6 units.

Pursuant to accounting standard IAS 19, the payable for Severance Indemnity is booked pursuant to the accrued benefits method using the Projected Unit Credit Method, based on the following actuarial assumptions:

ECONOMIC-FINANCIAL ASSUMPTIONS

1. Technical annual discounting rate 1.31%
2. Annual inflation rate 1.50%
3. Annual rate of increase in salaries 2.50%
4. Annual Severance Indemnity increase rate 3.00%

With reference to the discounting rate, for the valorisation of the mentioned parameter the iBoxx Eurozone Corporates AA 10+ index was used as reference with a duration calculated on the remaining average residual collective subject to valuation at 31st December 2016.

DEMOGRAPHIC ASSUMPTIONS

1. Probability of death: determined by the General State Accounting Office denominated RG48, distinguished by gender;
2. Probability of disability: distinguished by gender, adopted in the INPS model for 2010 outlook. These probabilities were calculated starting from the distribution by age and gender of the pensions in force as at 1st January 1987 effective from 1984, 1985, 1986 relevant to the staff of the business concern;
3. Time of retirement: for active generic employees the achievement was of the first pensionable requirements valid for the Mandatory General Insurance were assumed;
4. Probability of leaving employment for reasons other than death, an annual frequency of 10.00% was considered.

SENSITIVITY ANALYSIS

The sensitivity analysis, carried out in scenarios of upward or downward movement of the average annual discount rate of half a point, showed no significant changes with respect to the liability recorded in the balance sheet.

Note 15. Provisions for risks and charges

(Euro/000)	Closing balance 31/12/2015	Contribution from Merger	CE increases/ decreases	Uses	Reclassifications	Closing balance 31/12/2016
Risk fund for investments	355	0	0	0	188	543
Fund for contractual charges	1,018	0	124	(725)	0	417
Fund for contractual risks	234	0	11	(40)	0	205
Fund for risks of financial nature	1,530	111	(212)	0	0	1,429
Fund for future charges	1,013	0	1,817	(263)	0	2,567
	4,150	**111**	**1,740**	**(1,028)**	**188**	**5,161**

At 31st December 2016 the items that make up the Risk provision are represented by:

- Euro 543 thousand relating to the holding in Golf Club Castello di Tolcinasco SSD S.r.l.;
- Euro 417 thousand to cover contractual obligations primarily related to the sale of holdings;
- Euro 205 thousand against litigations in progress for properties sold in previous years;
- Euro 1,429 thousand for tax disputes and/or fee assessments, of which Euro 111 thousand for the tax dispute relating to the incorporated Pragatre SIINQ S.p.A..;
- Euro 2,567 thousand for future charges, which mainly relate to the dispute with the Fih SA; for further details, see the information provided in the Management Report.

Note 16. Trade payables and other payables

The following table summarises the situation of the trade payables and other payables at 31st December 2016.

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Payables to subsidiaries	754	412
Payables to associated companies	1,472	1,305
Other payables	355	555
	2,581	**2,272**
Current		
Accounts payable	4,109	5,421
Payables to subsidiaries	3,158	2,348
Payables to associated companies	12	143
Amounts due to other related parties	20	13
Payables to social security institutions	142	177
Other payables	2,715	1,569
Accrued liabilities and deferred charges	36	4
	10,192	**9,675**
Total trade and other payables	**12,773**	**11,947**

There were no overdue and unpaid taxes at 31st December 2016.

Transactions with related parties (detailed in para. 4.9 Annex 1) attributable to the Company's subsidiaries or joint ventures and affiliates of the same (so-called "intra-group") and relationships with related parties other than intra-group ("Other Related Parties") are related to commercial and financial relationships governed normal operations and are regulated at market conditions.

PAYABLES DUE TO SUBSIDIARIES

(Euro/000)	Amounts as at 31/12/2016					Amounts as at 31/12/2015			Delta
Subsidiary	Current			Non-current	Total	Current	Non-current	Total	
	Commercial	Others	Total	Group Finance Taxes		Commercial	Financial		
Aedes Project S.r.l. in liquidation	550	0	550	0	550	550	0	550	0
Bollina S.r.l.	1	0	1	0	1	1	0	1	0
Cascina Praga SIINQ S.p.A.	300	0	300	96	396	61	2	63	333
Novipraga SIINQ S.p.A.	0	0	0	65	65	0	2	2	63
Praga Construction S.r.l.	1,853	2	1,855	445	2,300	1,600	7	1,607	693
Pragatre SIINQ S.p.A.	0	0	0	0	0	0	3	3	(3)
Pragaquattro Center SIINQ S.p.A.	0	0	0	3	3	0	2	2	1
Praga Service Real Estate S.r.l.	230	11	241	90	331	92	0	92	239
Pragaotto S.r.l.	0	0	0	7	7	0	120	120	(113)
Pragafrance S.ar.l.	0	0	0	0	0	0	9	9	(9)
Pragasette S.r.l. in liquidation	0	0	0	2	2	0	8	8	(6)
Pragaundici SIINQ S.p.A.	158	0	158	3	161	31	1	32	129
Società Agricola La Bollina S.r.l.	25	0	25	0	25	13	0	13	12
Redwood S.r.l.	28	0	28	0	28	0	0	0	28
Satac SIINQ S.p.A.	0	0	0	43	43	0	258	258	(215)
Total	**3,145**	**13**	**3,158**	**754**	**3,912**	**2,348**	**412**	**2,760**	**1,152**

The merger by incorporation contribution amounts to Euro 17 thousand.

Financial payables are represented by debt arising from the transfer of the balance of taxes on the taxable revenue within the consolidated taxation and Vat Group, which are, on the dates established by contract, capitalised on the current accounts which pay during the year interest at Euribor 3-month plus 3.75%. Deferred debts within the year are essentially attributable to the subsidiary Praga Construction S.r.l., for accrued and unpaid remuneration for the renovation of the head office.

PAYABLES DUE TO AFFILIATES

(Euro/000)	Amounts as at 31/12/2016			Amounts as at 31/12/2016			Delta
Affiliate	Current	Non-current	Total	Current	Non-current	Total	
	Commercial	Others		Commercial	Others		
Alpe Adria S.r.l.	0	0	0	63	0	63	(63)
Leopardi Fund	8	0	8	72	0	72	(64)
Golf Tolcinasco S.r.l.	3	0	3	3	0	3	0
Mercurio S.r.l. in liquidation	1	0	1	1	0	1	0
Pragasei S.r.l.	0	221	221	0	54	54	167
Trieste S.r.l. liquidated	0	0	0	4	0	4	(4)
Trixia S.r.l.	0	1,251	1,251	0	1,251	1,251	0
Total	**12**	**1,472**	**1,484**	**143**	**1,305**	**1,448**	**36**

Payables due to affiliates, substantially unchanged, are mainly relevant to the payable due to Trixia S.r.l., which in the scope of the tax transparency regime transferred to Aedes SIIQ S.p.A., until 2008, the operating loss.
The debt to Pragasei S.r.l. Euro 221 thousand also relates to the transfer of taxes on the taxable revenue within the tax transparency.

AMOUNTS DUE TO OTHER RELATED PARTIES

During the year debts due from related parties 31st December 2016 amounting to Euro 20 thousand have been reclassified from other payables. The same reclassification for Euro 13 thousand was performed at 31st December 2015.

OTHER PAYABLES

The item is broken down as follows:

(Euro/000)	31/12/2016	31/12/2015
Security deposits/tenants interests	60	0
Other payables	295	555
Payables to others, non-current	**355**	**555**

(Euro/000)	31/12/2016	31/12/2015
Awards, permits, 13th, accrued vacation and other amounts due to employees	723	236
Other payables	1,992	1,333
Receivables to others, current	**2,715**	**1,569**
Total other payables	**3,070**	**2,124**

The merger by incorporation contribution amounts to Euro 37 thousand.
During the year debts due from related parties 31st December 2016 amounting to Euro 20 thousand have been reclassified to Due from other related parties. The same reclassification for Euro 13 thousand was performed at 31st December 2015.

Other payables mainly relate to:

- payables due to the tenant for the acquisition of commercial licences for the property in Catania, of which Euro 295 thousand falling due beyond the year and Euro 520 thousand falling due within the year;
- payables for fees to Directors (Euro 1,171 thousand), inclusive of bonus in their favour, and the members of the Board of Statutory Auditors (Euro 72 thousand);
- debts to service charges for Euro 84 thousand.

Payables to employees consist mainly of leave and holidays accrued but not taken, in addition to bonuses for Management and employees.

There are no other payables falling due beyond 5 years other than those mentioned in the previous notes.

PAYABLES DUE TO SUPPLIERS

The contribution from the merger by incorporation of trade payables amounted to Euro 267 thousand.

The balance due to suppliers amounts to Euro 4,109 thousand and consists for Euro 1,059 thousand for invoices received and for Euro 3,050 thousand to be invoiced to be received. Trade payables show a fall over the previous year; the balance at 31st December 2015 included Euro 528 thousand for appropriations and/or invoices received to/from suppliers who provided consulting services on the sale of the holding in Nova Re S.p.A. and Euro 163 thousand for the transformation into a SIIQ. These payables were extinguished over 2016.
The breakdown by maturity of the payables due to suppliers is shown in the following table:

(Euro/000)	Falling due	Overdue by				Total
		Between 0 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days	
	3,220	47	12	0	830	4,109
Ageing debts to suppliers	**3,220**	**47**	**12**	**0**	**830**	**4,109**

As at year-end 2016, there were overdue payments for Euro 889 thousand. It is noted, however, that no actions have been taken by creditors for the relevant recovery, given that the same are parties with which the company entertains continuous business relations.

Accrued revenue and deferred revenue includes rental revenue and reimbursements to tenants already invoiced but in respect of 2017.
The contribution from the merger by incorporation of deferred revenue amounted to Euro 3 thousand.

Note 17. Payables

(Euro/000)	31/12/2016	31/12/2015
Non-current		
Payables	221	1,637
Total	**221**	**1,637**

(Euro/000)	31/12/2016	31/12/2015
Current		
Tax payables for taxes	1,161	1,825
Total	**1,382**	**3,462**

There were no overdue and unpaid taxes at 31st December 2016.

The following table provides a breakdown of tax payables at 31st December 2016:

(Euro/000)	Tax	Tax year	Year of subscription of membership	Current share	Non-current share	Total debt at 31/12/2016
Company						
Aedes S.p.A. (ex Aedes Trading S.r.l.)	Register	2008	08/01/2014 and 02/04/2014	29	13	42
Aedes S.p.A. (ex Iupiter S.r.l.)	IRPEG	2004	28/04/2015	825	208	1,033
Payables for taxes payable in instalments				**854**	**221**	**1,075**
Other taxes				**307**	**0**	**307**
Total				**1,161**	**221**	**1,382**

The merger intake by incorporation of the subsidiary Pragatre SIINQ S.p.A. amounted to Euro 42 thousand.
The balance consists mainly of payables due to the Tax Authorities for the following “tax assessment settlements” relevant to:

- instalments for penalties and collection fees on the registration tax, mortgage and land due following a tax audit conducted on the transferor (Universaltecnica) both for the property located in Trieste at number 15 C.so Saba and for its business licence. The Company, on 28th December 2016, by signing the declaration of accession to the facilitated resolution (art. 6 of the Decree Law no. 193/2016 converted with amendments by Law no. 225/2016), agreed to abandon Euro 542 thousand, net of accessory costs; at 31st December 2016, the residual debt relating to the collection fees, which is not subject to preferential definition, amounts to Euro 42 thousand (of which Euro 29 thousand maturing in 2017);
- judicial settlement agreement for a notice of assessment issued for Ires for 2004, received by Aedes (acquiring company of Iupiter S.r.l., in turn acquiring company of Piemongest S.p.A.). The Company has agreed to the payment of twelve quarterly instalments, maturing from 30th April 2015 to 30th January 2018; at 31st December 2016 the residual payable amounts to Euro 1,033 thousand (of which Euro 825 thousand due within 31st December 2017).

During the year, with the payment of the installment due on 3rd December 2016, definitive settlement was achieved of the debt relating to the tax audit in the former Actea S.r.l. (merged through incorporation into Aedes SIIQ S.p.A.) - with reference to tax years from 2008 to 2010 for Ires, Irap and Vat taxes.

The item “Payables to current tax liability” also includes the withholding tax on employee revenue for Euro 238 thousand and the withholding tax on self-employed revenue and assimilated for Euro 69 thousand.

INCOME STATEMENT

Note 18. Revenues from goods and services

(Euro/000)	31/12/2016	31/12/2015
Property leases and reallocated to tenants	8,483	4,868
Sales of properties held as current assets	2,530	16,187
Gains on disposal of fixed investments	0	1,300
Services rendered	599	1,129
Total	**11,612**	**23,484**

The item “Property leases” has increased compared to the previous year, to Euro 3,615 thousand, due to the increase in revenue portfolio, consistent with the SIIQ strategy. Includes charged to Group companies domiciled in via Morimondo costs for equipped spaces for Euro 346 thousand (Euro 170 thousand in 2015) and for rental revenues and reimbursements of the Company’s real estate properties for Euro 8,137 thousand (Euro 4,698 thousand in 2015). In 2016 revenues for different location from the spaces equipped equal to Euro 7,739 thousand increased by Euro 3,076 thousand compared to the previous year, following the acquisition, as well as by the contribution from the merger, of commercial real estate carried out during the year. Revenues from returns amounting to Euro 398 thousand increased by Euro 363 thousand compared to the previous year mainly due to the acquisition of commercial real estate carried out during the year.

The item “Sales of properties classified as current assets” relates to the consideration received from the sale to Pragaotto S.r.l. Land related to “Roero Retail Park Phase D”, which is currently not included among the projects of development and construction of real estate for investment, recorded at net book value of Euro 2,293 thousand.

The item “Services” includes considerations for the performance of real estate services in the areas of asset management and financial and administrative services, general services, EDP and human resources amounting to Euro 571 thousand against Group companies and Euro 28 thousand from third parties.

Note 19. Other revenue

(Euro/000)	31/12/2016	31/12/2015
Capital gains from sale of investments	0	3,798
Other revenue	2,046	1,353
Total	**2,046**	**5,151**

Other revenue mainly relates to the release of allowances for doubtful accounts in excess, to the recharging of costs to third parties and to Group companies and to various assets.

Note 20. Change in inventories

(Euro/000)	31/12/2016	31/12/2015
Cost of assets sold	(2,293)	(15,674)
(Devaluation)/Recovery of inventory value	0	0
Total	**(2,293)**	**(15,674)**

The entry contains the cost of sales of land related to “Roero Retail Park Phase D” sold to Pragaotto S.r.l., included in current assets, which corresponds to the proceeds of Euro 2,530 thousand.

Note 21. Costs for raw materials and services

(Euro/000)	31/12/2016	31/12/2015
Costs to purchase raw materials and other goods	181	49
Costs for services connected with immovable property	437	322
Costs for services	7,464	8,107
Total	**8,082**	**8,478**

There follows a breakdown of the costs for raw materials and services, distinguished by type of expense:

(Euro/000)	31/12/2016	31/12/2015
Other general costs	56	47
Property management costs	125	2
Sub total a) Costs for raw materials	**181**	**49**
Building cleaning	23	0
Maintenance	24	56
Insurance	24	11
Condominium fees	0	150
Others	366	105
Sub total b) Services connected with property asset	**437**	**322**
Commissions (c)	**0**	**95**
Administrators emoluments	2,154	1,381
Board of Auditors emoluments	160	165
Professional services	2,751	4,505
Commissions and bank charges	35	71
Travel expenses	139	137
Maintenance of offices, cleaning and telephone	402	504
Power	130	155
Advertising expenses	21	8
Different	438	508
Sub total d) General expenses	**6,230**	**7,434**
Rental charges	965	429
Leasing charges	269	149
Sub total e) Costs for the use of third-party assets	**1,234**	**578**
Total	**8,082**	**8,478**

COSTS RELEVANT TO OWNED PROPERTIES

Mainly regard costs for utilities, water, electricity and gas for heating for Euro 125 thousand classified in the costs for raw materials and costs for services relevant to properties owned for Euro 437 thousand. The increase of Euro 238 thousand compared to the previous year is mainly attributable to the acquisition of commercial real estate carried out during the year, consistent with the SIIQ strategy.
“Other” includes the costs for the Facility Management service to Euro 183 thousand, contract registration fees for Euro 87 thousand, Tasi for Euro 47 thousand and supervisory and surveillance costs for Euro 35 thousand.

GENERAL EXPENSES

Overheads have ramped down from the previous year to Euro 1,204 thousand, except regarding the remuneration of the Directors, the cost of which contains the bonus in their favour.
Specifically, the fall is mainly due to consulting services, which have decreased by Euro 1,754 thousand primarily due to costs incurred in the previous year brokerage consulting for purchase/sale of holdings, consulting for company restructuring, tax assistance for the recovery of amounts due to the Treasury, consultations to support the preparation of procedures and temporary outsourcing of internal audit, tax assistance on the adoption of the SIIQ/SIINQ system running the business plan, totalling Euro 1,671 thousand.

The item “Head office maintenance, cleaning and telephone” has decreased by Euro 102 thousand; including in particular the telephone costs for Euro 69 thousand (unchanged from 2015), maintenance, that do not qualify for capitalization, on the property in Via Morimondo Milan, registered office, Euro 49 thousand (Euro - 39 thousand compared to 2015), as well as fees related to servicing of computer and telephone equipment for Euro 182 thousand (Euro - 3 thousand compared to 2015), and the cleaning of the head office by Euro 77 thousand (Euro - 39 thousand compared to 2015).

The item “Other”, which has decreased by Euro 70 thousand compared to the previous year, mainly includes costs for various insurance for Euro 229 thousand (Euro - 58 thousand compared to 2015), the costs for supervision and reception for Euro 100 thousand (Euro - 33 thousand compared to 2015), the costs for building expenses of the office for Euro 70 thousand (Euro - 12 thousand compared to 2015) the costs for the training of employees to Euro 36 thousand (Euro 34 thousand compared to 2015) and other minor matters.

RENTAL CHARGES

This item includes the cost of the rent of the headquarters of Via Morimondo, partially recharged to Group companies.

COSTS FOR THE USE OF THIRD-PARTY ASSETS

Lease payments have increased by Euro 120 thousand compared to the previous year and mainly relate to the rental of cars supplied to employees and/or operational directors for Euro 189 thousand (Euro 114 thousand compared to 2015) and fees for the provision of IT and telephone equipment for Euro 69 thousand (Euro 14 thousand compared to 2015).

Note 22. Employee benefit expenses

(Euro/000)	31/12/2016	31/12/2015
Wages and salaries	2,833	2,162
Social charges	797	786
Severance Indemnities	177	170
Other personnel costs	70	17
Total	**3,877**	**3,135**

The personnel costs have generally increased to Euro 742 thousand compared to the previous year, largely as a result of bonuses to employees (the average number of employees remained almost unchanged compared to the previous year).

Note 23. Other operating costs

(Euro/000)	31/12/2016	31/12/2015
Imu	901	540
General charges	211	292
Meetings, budgets, Consob requirements, Stock exchange	157	77
Other minor charges	71	209
Total	**1,340**	**1,118**

The item “Imu” shows an increase of Euro 361 thousand over the previous year, mainly due to the acquisition of commercial real estate during the year.
The item “General expenses” shows a fall of Euro 81 thousand compared to the previous year and is mainly comprised of: sponsorship costs and representation expenses of Euro 95 thousand (Euro 70 thousand in 2015); Associative contributions and subscriptions and participations at conferences for Euro 77 thousand (Euro 53 thousand in 2015); tari for the company’s registered office for Euro 26 thousand (Euro 20 thousand in 2015); No trade loss losses were recognised in the year (Euro 134 thousand in 2015).
“Other minor charges”, which has decreased a total of Euro 113 thousand, mainly as a result of the costs of moving the head office to Euro 119 thousand incurred in 2015, consists primarily of:

- Euro 32 thousand due to fines, fines and contractual penalties;
- Euro 14 thousand due to porterage costs;
- Euro 3 thousand due to donations.

Note 24. Amortisations/depreciations, adjustment to fair value, write-downs and provision

(Euro/000)	31/12/2016	31/12/2015
Amortisation of intangible assets	26	9
Amortisation of tangible fixed assets:		
equipment	343	68
other assets	94	76
Amortisations/depreciations	**463**	**153**
Changes to fair value of fixed investments	**(32,637)**	**(679)**
Other devaluations of fixed assets	77	267
Devaluations of loans to clients in current assets	0	62
Devaluations of loans to subsidiaries in current assets	0	131
Devaluations of loans to associated in current assets	0	304
Provisions for risks	1,740	(903)
Write-downs and allocations	**1,817**	**(139)**
Total	**(30,357)**	**(665)**

Fixtures consist mostly of the decorations for the new registered office in Via Morimondo, the depreciation of which follows the term of the relevant lease.

The change in fair value of investment property to align them with market values resulting from valuations at 31st December 2016 required by the Directors, totalled Euro (32,637) thousand.

The revaluations are:

- 16 properties in partially assigned by the contribution shopping purpose of use Redwood Fund (uprated to Euro 16,914 thousand);
- the property in Via Veneziani, 56 in Rome (revalued Euro 15,757 thousand);
- the property “Roero Retail Park Phase B” (revalued by Euro 300 thousand);
- the property in Via Agnello 12 Milan (revalued by Euro 275 thousand).

They were, however, subject to downward adjustments:

- the property of Via S. Vigilio, 1 in Milan (MI) (depreciated by Euro 559 thousand);
- sites and their business licences within the development project for fixed investments called “Roero Retail Park Phase C” (written down by Euro 50 thousand).

The item “Other write-downs of fixed assets” includes write-downs of works of art of Euro 77 thousand, carried out to align the value of the assets at their estimated realizable value.

The item “Provisions for risks” relates to the provision and/or release of the overflow set aside for charges, as further described in Note 15, against:

- the further provision of Euro 1,817 thousand to cover future charges mainly related to litigation with Fih SA;
- the release of tax disputes Euro 212 thousand;
- the further provision for Euro 124 thousand of contractual charges related to commitments arising from the disposal of investments;
- the further provision of contractual risks for Euro 11 thousand related to some disputes.

Note 25. Income/(Charges) from investments

(Euro/000)	31/12/2016	31/12/2015
Subsidiaries		
Writeback	44	4,633
Write-downs	(11,464)	(8,048)
	(11,420)	**(3,415)**
Associated companies		
Writeback	2,555	1,577
Write-downs	(2,694)	(3,755)
	(139)	**(2,178)**
Dividends	**1,217**	**633**
Other charges	**(750)**	**0**
	(11,092)	**(4,960)**

The item includes the write-downs and adjustment of values relative the investments held in subsidiaries and affiliates, respectively equal to Euro (11,420) thousand and Euro (139) thousand carried out to align the value of the same to their recoverable value; for further details reference is made to Notes 4 and 5.

The dividends relate to profits distributed by Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A.. This item has been reclassified to 31st December 2016 from “Other revenue” item “Revenue/(Expense) from holdings”; for comparative purposes, it was reclassified also the corresponding values at 31st December 2015 to Euro 633 thousand, as better specified above.

Other expenses include:

- losses on disposals of investments for Euro 572 thousand, related to the sale of 100% of the shares held in the share capital of Aedes Real Estate SGR S.p.A. to Sator Immobiliare SGR S.p.A..;
- the write-down of non-current financial receivables from the affiliates Via Calzoni S.r.l. in liquidation for Euro 162 thousand, Roma Development S.r.l. for Euro 11 thousand, Golf Tolcinasco S.r.l. for Euro 4 thousand and Alpe Adria S.r.l. for Euro 1 thousand. This write-down of financial receivables, which totalled Euro 178 thousand was recognised to adjust the value of receivables to their estimated realizable value.

Note 26. Restructuring revenue/(costs)

The following is a breakdown of the item “Restructuring revenue/costs Charges”, unchanged in the current financial year:

(Euro/000)	31/12/2016	31/12/2015
Proceeds		
Proceeds from full and final settlement	0	1,350
Total proceeds	0	1,350
Charges		
Allocation to Company reorganisation fund	0	(1,069)
Various restructuring charges	0	589
Total charges	0	(480)
Total proceeds/(charges) for restructuring	**0**	**1,830**

Note 27. Net financial income/(expenses)

(Euro/000)	31/12/2016	31/12/2015
Proceeds		
Interest on bank accounts	92	279
Interest on loans to affiliates	839	526
Assessment of derivatives on the market	0	198
Interest on loans to subsidiaries	1,520	1,762
Other active interest	6	37
	2,457	**2,802**
Charges		
Interest on bank accounts	175	200
Interest on bank loans	990	1,712
Interest on non-bank loans	267	333
Interest on loans from subsidiaries	67	16
Change in fair value of derivatives	507	66
Passive interest on other debts	146	93
	2,152	**2,420**
Total	**305**	**382**

Interests receivable/payable from/to affiliates and subsidiaries accrue on loans granted/received and are calculated on the basis of normal market conditions.
The negative net effect of the valuation at fair value of derivatives was Euro 507 thousand.
"Other interest revenue" relates to interest accrued on the deferred payment terms granted to Tourist Ferry Boat S.p.A. for the purchase of holding Neptunia S.p.A. in 2015.

The amount of interest payable on current accounts and on bank loans has decreased during the year of Euro 747 thousand; this is due in particular to the reduction in bank debt as well as interest rates.
Interests payable on non-bank loans relate to the financial leasing contract executed with Unicredit Leasing relevant to the property on via Agnello, 12 a Milan (MI) for Euro 267 thousand (Euro 333 thousand in 2015).

Interest expense on other debt mainly relate to Euro 121 thousand to the differential on derivatives, for Euro 12 thousand (Euro 78 thousand in 2015) to interest expense for tax disputes in instalments, subject to a tax complex with the tax authorities revenue and Euro 10 thousand (unchanged from 2015) the interest cost related to severance pay.

Note 28. Income taxes

(Euro/000)	31/12/2016	31/12/2015
Current taxes	(317)	12,462
Deferred tax assets/(liabilities)	(6)	(10,043)
Total	**(323)**	**2,419**

(Euro/000)	31/12/2016	31/12/2015
Current taxes		
Income/(charges) from tax consolidation	(253)	12,483
Tax of previous financial years	(64)	(21)
Deferred tax assets/(liabilities)	(6)	(10,043)
Total	**(323)**	**2,419**

In 2016 financial year, due to a negative result of taxable revenue of Euro 2,776 thousand, tax losses amounted to Euro 9,121 thousand, mainly due to (i) the release/utilization of taxed funds and (ii) the receipt of 95% exempt dividends. These losses have contributed to increase the losses of the Aedes tax consolidation.
Charges were detected from Group for further Euro 253 thousand, mainly due to the compensation of losses of Pragasei S.r.l..

Note 29. Commitments

SECURITIES ISSUED BY AEDES IN THE INTEREST OF GROUP COMPANIES

Mainly, the item includes:

- Euro 12,000 thousand relating to the letter of Patronage given on behalf of subsidiary Pragaotto S.r.l. in favour of Banca Popolare di Milan as guarantee for the loan;
- Euro 8,000 thousand relating to the Patronage Letter issued in the interest of the subsidiary Satac SIINQ S.p.A. in favour of Cassa di Risparmio di Asti to guarantee a loan;
- Euro 6,866 thousand relating to coobbliga Aedes behalf of the subsidiary Pragaotto S.r.l. in relation to the loan granted by Carige Italy S.p.A.;
- Euro 1,518 thousand relating to the letter of Patronage given on behalf of subsidiary Satac SIINQ S.p.A. in favour of Cassa di Risparmio di Parma e Piacenza to guarantee a loan;
- Euro 2,457 thousand relating to the letter of Patronage given on behalf of subsidiary Pragaquattro Centre SIINQ S.p.A. in favour of Cassa di Risparmio di Parma e Piacenza to guarantee a loan;
- Euro 1,036 thousand relating to the letter of Patronage given on behalf of subsidiary Pragaotto S.r.l. to Banca d'Alba to guarantee a loan;
- Euro 1,650 thousand relating to the letter of Patronage given on behalf of subsidiary Praga France S.a.r.l. in favour of Banca Regionale Europea to guarantee a loan;
- Euro 1,850 thousand relating to the letter of Patronage given on behalf of subsidiary Pragaundici SIINQ S.p.A. in favour of Banca Intesa San Paolo to guarantee a loan;
- Euro 1,500 thousand relevant to the surety granted in the interest of the subsidiary Cascina Praga Siinq S.p.A. in favour of Intesa San Paolo as guarantee for the loan granted;
- Euro 838 thousand relating to the letter of Patronage given on behalf of subsidiary Società Agricola La Bollina S.r.l. in favour of the Savings Bank of Parma and Piacenza to guarantee the credit line granted;
- Euro 200 thousand relating to the letter of Patronage given on behalf of subsidiary Pragaotto S.r.l. in favour of the Savings Bank of Parma and Piacenza to guarantee the credit line granted;
- Euro 889 thousand relating to the letter of Patronage given on behalf of subsidiary Praga France S.a.r.l. in favour of Banca Regionale Europea to guarantee a loan;
- Euro 750 thousand relating to the letter of patronage given on behalf of subsidiary Praga France S.a.r.l. in favour of Banca Regionale Europea to guarantee a loan;
- Euro 400 thousand to the letter Patronage given on behalf of subsidiary Praga Construction S.r.l. in favour of the Savings Bank of Parma and Piacenza to guarantee the credit line granted;
- Euro 250 thousand to the letter of Patronage in the interest of the subsidiary Praga Construction S.r.l. In favour of Unicredit S.p.A.. To guarantee the credit line granted;
- Euro 200 thousand to the letter given on behalf of subsidiary Praga Patronage Service Real Estate S.r.l. to Unicredit S.p.A. to guarantee the credit line granted;
- Euro 200 thousand relating to the letter of Patronage given on behalf of subsidiary Società Agricola La Bollina S.r.l. in favour of Savings Bank of Parma and Piacenza to guarantee the agrarian bill granted;
- Euro 172 thousand relating to the letter of Patronage given on behalf of subsidiary Società Agricola La Bollina S.r.l. in favour of Parma and Piacenza Savings Bank as collateral for credit lines.

GUARANTEES ISSUED BY THIRD PARTIES ON BEHALF OF GROUP COMPANIES FOR WHICH THE COMPANY IS JOINT GUARANTOR

Mainly, the item includes:

- Euro 466 thousand relating to an insurance surety issued by Elba Assicurazioni S.p.A. In favour of the City of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaotto S.r.l.. As a guarantee for OO.UU. PEC Road Services;
- Euro 422 thousand relating to insurance coverage issued by AmTrust Europe for the Office of the Revenue in the interest of P9 S.r.l. merged into Aedes SIIQ S.p.A., for the Vat refund request from the same advanced;
- Euro 356 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. for the Office of the Revenue behalf of the subsidiary Satac SIINQ S.p.A. in relation to tax credits arising during 2013 and transferred to the parent Vat Praga Holding Real Estate S.p.A., now Aedes SIIQ S.p.A., and the latter completely offset the Vat liquidation procedure Group (D.M. 13th December 1979);
- Euro 266 thousand relating to insurance surety issued by Astradius Credit Insurance N.V. In favour of the Municipality of Novi Ligure (AL) in the interest of the subsidiary Novipraga SIINQ S.p.A.. To guarantee the provisions of the urban planning agreement signed on 24th September 2015 and registered in Alessandria on 9th October 2015 at No. 9949 - Series 1 T;

- Euro 207 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaotto S.r.l. to guarantee the OO.UU. Standard PV1;
- Euro 172 thousand related to a bank surety issued by Veneto Banca S.p.A. In favour of C4 Investment Fund in the interest of Aedes SIIQ S.p.A. to guarantee the provisions of the lease signed on 25th July 2015 and subsequent amendments;
- Euro 170 thousand relating to insurance coverage issued by Lloyd Italico S.p.A. to the Municipality of Caselle Torinese (a) in the interest of the subsidiary Satac SIINQ S.p.A. to guarantee the provisions of article 1.2 of the addendum Procedural Agreement signed on 8th August 2014;
- Euro 134 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaotto S.r.l. to guarantee the OO.UU. roundabout;
- Euro 130 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaotto S.r.l. to guarantee the OO.UU. Internal road services;
- Euro 124 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaotto S.r.l. to guarantee the OO.UU. Strada Gorreto;
- Euro 110 thousand relating to insurance coverage issued by Elba Assicurazioni S.p.A. in favour of the City of Santa Vittoria d'Alba (CN) in the interest of the subsidiary Pragaotto S.r.l. to guarantee the OO.UU. Standard PV2;
- Euro 21 thousand for the guarantee issued in the interest of the subsidiary Società Agricola La Bollina S.r.l. in favour of CNH Capital Europe to guarantee granted agricultural financing.

It is also noted that Aedes has released:

- Euro 30,951 thousand relating to the autonomous guarantee on first demand issued in favour of Crédit Agricole Company and Investment Bank in the interest of the associated Pragasei S.r.l. to guarantee the loan granted to it. It is also noted that Serravalle Outlet Mall Investment Sarl, partner at 49.9%, has released the same collateral;
- Euro 718 thousand relating to suretyship granted to the Revenue Office in the interest of the affiliated Pival S.r.l. In relation to Vat receivables required for repayment;
- Euro 131 thousand relating to insurance guarantee issued in favour of the tax office on behalf of Aedificandi S.r.l. (discontinued company), in relation to 50% of claims for Vat refunds.

It is also reported that in the context of broader budget package, as well as in relation to the agreements signed on 23rd December 2014 Aedes SIIQ S.p.A. and Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A., the latter in the name and on behalf of Leopardi Fund is committed, in relation to certain counterguarantees issued by Aedes SIIQ S.p.A. in the interest of Rubattino 87 S.r.l. and Galileo Ferraris 160 S.r.l. to guarantee the recourse credit of, respectively, Generali S.p.A., Atradius Credit Insurance N.V., Reale Mutua Assicurazioni S.p.A., Meliorbanca S.p.A. and Unicredit S.p.A. relatively to guarantees made by the latter issued on behalf of Rubattino 87 S.r.l. and Galileo Ferraris 160 S.r.l., to indemnify Aedes SIIQ S.p.A. from any and all liability arising from, or otherwise related to, the above commitments.

GUARANTEES ON ASSETS OWNED BY THE COMPANY

A grant has been made in pledge to the lenders of shares held in Novipraga SIINQ S.p.A. and Pragasei S.r.l..

COMMITMENTS TO THIRD PARTIES

- Euro 6,688 thousand commitment Aedes SIIQ S.p.A. in relation to any extra costs for the implementation of the shopping centre called "Serravalle Luxury Outlet (STEP 6)" of Pragasei S.r.l. properties. It is also noted that Serravalle Outlet Mall Investment Sarl, shareholder at 49.9% of Pragasei S.r.l., has released the same commitment.

It is noted that in respect of the sum of all the undertakings set out in this Note 29, the Company made provisions for risks where deemed necessary.

Note 30. IFRS 13

IFRS 13 “Fair value measurement” was published by the IASB on 12th May 2011 and approved by the European Union on 11th December 2012 with Reg. 1255/2012.

This principle governs the arrangements for evaluating and measuring the fair value of accounting items. IFRS 13 defines fair value as the closing price (exit-price) that “the price you would receive to sell an asset or that would be paid to transfer a liability in an orderly transaction between being market participants at the transaction date.”

The fair value measurement process takes into account the characteristics of the asset or liability to be measured making reference to the conditions, location, constraints/restrictions relevant to the sale or use of the items in question. It is also necessary to identify a main market, where the same exists, should it not be possible to identify the aforementioned, it is imperative to relate to the most advantageous market. The main market is the market with the higher volume of exchanges relevant to the assets or liabilities considered.

The most advantageous market is that which maximises the proceeds from the sale of the asset or minimises the financial amount payable to extinguish a liability net of transport and accessory costs. Contrary to transport costs, ancillary costs must be considered in identifying the most advantageous market and not for the measurement of fair value.

IFRS 13 provides that:

- non-financial assets should be measured according to the “Highest and best use” method i.e. taking into account the best use of the assets from the perspective of market participants;
- liabilities (financial and non-financial) and equity instruments (i.e. shares issued as consideration in a business combination) must be transferred to a market participant as at the measurement date. In the process of measuring the fair value of a liability it is necessary to identify the risk of default of the counterparty, which also includes credit risk.

The general rules for the preparation of the fair value assessment technologies should be appropriate depending on the circumstances, imposed in such a way as to maximize the observable inputs and determined in accordance with the method used for the assessment (multiples method, the income method and the cost method):

1. Appropriate under the circumstances: the valuation technologies must be applied consistently over time unless there are more representative alternative technologies for the assessment of fair value.
2. Maximising observable inputs: inputs are distinguishable in observable and unobservable, providing some examples of markets from which fair values can be calculated.
3. Measurement technologies of fair value are classified in three hierarchical levels according to the type of input used:
   - Level 1: inputs are quoted prices in active markets for identical assets or liabilities. In this case the prices are used without any adjustments.
   - Level 2: inputs are quoted prices or other information (interest rates, observable yield curves, credit spreads) for similar assets and liabilities in active and inactive markets. For this case price adjustments can be made based on specific factors of the assets and liabilities.
   - Level 3: in this case inputs are not observable. The standard provides that it is possible to use the latter technique only in this case. The inputs of this level include, for example swaps on long-term currency, interest rate swaps, decommissioning liabilities assumed in a business combination, etc.

The arrangement of these levels follows a priority hierarchy: attributing the maximum importance to Level 1 and minimum for Level 3.

IFRS 13 provides that three different measurement methods can be used for the measurement of fair value:

- the market approach method is based on prices and other important information for market transactions involving identical or comparable assets and liabilities. The models used are the multiples method and the matrix price method;
- the income method is obtained from the discounted sum of future amounts that will be generated by the asset. This method makes it possible to obtain a fair value that reflects the current market expectation of such future amounts;
- the cost method reflects the amount that would be required as at the measurement date to substitute the capability of the service of the asset subject to measurement. Fair value will be equal to the cost that a market participant would incur to acquire or build an asset of adjusted comparable use (taking into consideration the level of obsolescence of the asset in question). This method can be used only when the other methods cannot be used.

Measurement technologies are applied consistently over time unless there are alternative technologies that allow a more representative measurement of fair value. In the selection of measurement technologies, the assumptions used for the determination of the assets or liabilities are particularly important.

With the exception of derivatives classified in the 2nd level, the Aedes assets have been classified in the third hierarchical level; all properties belonging to the company have been grouped in the following categories, depending on the specific intended use:

- *Retail;*
- *Office*.

The table below shows the book value and fair value of the properties owned by Aedes, classified according to the assessment methodology and the intended use:

(Euro/000)	Discounted Cash Flow		Residual method		Comparative method		Total	
Use	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Retail	69.710.000	69.710.000	1.750.000	1.750.000	-	-	71.460.000	71.460.000
Office	92.500.000	92.500.000	-	-	-	-	92.500.000	92.500.000
Total	**162.210.000**	**162.210.000**	**1.750.000**	**1.750.000**	**-**	**-**	**163.960.000**	**163.960.000**

The amounts stated above do not include inventories that are valued in accordance with IAS 2 'Inventories'.

The valuation methods used are the DCF and the Residual Method. There follows a breakdown of the applied valuation methodologies:

- **Discounted Cash Flow** (or 'DCF'): taking into account the investment yield and the yield profile in the early years of the investment, a Discounted Cash Flow is constructed over a defined period of time. This approach depends on many variables, inter alia the market rental charge, assumptions regarding market growth, output yield rate, discount rate. A comparison is also made between the investment yield and the evolution of the yield with recent transactions in the market, using the DCF as a support for the projection of costs and revenues.
- **Residual Method**: it is standardly used for properties vacant/to be restored before being re-leased or sold and for development projects; the market value is the result of the difference between the value of the transformed well and the sum of all costs required to perform the conversion, not including the profit that an entity purchasing the property today would want as compensation of the double risk assumed for processing and subsequent sale.

With reference to the measurements of the individual properties, based on the method applied and the intended use identified, it is specified that:

- DCF method (99% of the total fair value):
  - *Retail*: the discount period ranges between 2 and 11 years; A steady inflation rate of 1.5% for the entire time horizon was used; the market growth rate was valued at the rate of inflation. The discount rate used, however, varies between 7.00% and 9.00%; the net capitalization rate between 5.80% and 8.20%;
  - *Office*: the discount period is between 3 and 12 years; it is essentially based on a constant inflation rate of 1.50% for the whole time horizon. The discount rate used, however, varies between 6.35% to 8.20%; the net capitalization rate between 4.00% and 6.00%;
- Residual Method (approximately 1% of the overall fair value):
  This assessment method was used for a development project; the profit of the developer was assessed at 19.00% of the development costs and the net capitalization rate used to determine the final value is equal to 7.50%.

Note 31. Non-recurring important events and transactions

Under Consob Communication of 28th July 2006, we report that Aedes has not conducted significant non-recurring transactions during the year.

Note 32. Settlements from atypical and/or unusual transactions

During FY 2016, Aedes did not execute atypical and/or unusual transactions[1].

Note 33: Information on financial risks

CLASSES OF FINANCIAL INSTRUMENTS

The there follows a breakdown of the financial assets and liabilities required by IFRS 7 in the scope of the categories of IAS 39.

Amounts at 31st December 2016

(Euro/000)	Assets at fair value	Investments held to maturity	Loans and receivables	Assets at amortised cost	Assets available for sale	Book value at 31 December 2016	Notes
Financial Instruments - Assets at 31st December 2016							
Non-current financial activities	230	0	66,885	0	0	67,115	7-8
Trade receivables	0	0	6,543	0	0	6,543	10
Current financial activities	0	0	304	0	0	304	8
Liquid assets	0	0	3,849	0	0	3,849	11
Total	**230**	**0**	**77,581**	**0**	**0**	**77,811**	

(Euro/000)	Liabilities at fair value	Liabilities at amortised cost	Book value at 31 December 2016	Notes
Financial instruments - liabilities at 31st December 2016				
Non-current payables to banks and other financial institutions	0	40,203	40,203	13
Other non-current financial liabilities	605	355	960	7-16
Current payables to banks and other non-current financial institutions	0	27,243	27,243	13
Payables to suppliers/client deposits	0	9,525	9,525	16
Other current financial liabilities	0	1,992	1,992	16
Total	**605**	**79,318**	**79,923**	

Amounts at 31st December 2015

(Euro/000)	Assets at fair value	Investments held to maturity	Loans and receivables	Assets at amortised cost	Assets available for sale	Book value at 31 December 2015	Notes
Financial Instruments - Assets at 31st December 2015							
Non-current financial activities	638	0	43,877	0	0	44,515	7-8
Trade receivables	0	0	7,605	0	0	7,605	10
Liquid assets	0	0	55,555	0	0	55,555	11
Total	**638**	**0**	**107,037**	**0**	**0**	**107,675**	

(Euro/000)	Liabilities at fair value	Liabilities at amortised cost	Book value at 31 December 2015	Notes
Financial instruments - liabilities at 31st December 2015				
Non-current payables to banks and other financial institutions	0	39,826	39,826	13
Other non-current financial liabilities	506	555	1,061	7-16
Current payables to banks and other non-current financial institutions	0	9,208	9,208	13
Payables to suppliers/client deposits	0	9,629	9,629	16
Other current financial liabilities	0	1,346	1,346	16
Total	**506**	**60,564**	**61,070**	

[1] Under the Consob Communication of 28th July 2006, which defines atypical and/or unusual transactions are those which because of their significance/relevance, nature of the counterparties, subject of the transaction, method of determining the transfer price or timing could give rise to doubts regarding the accuracy/completeness of the information in the financial statements, conflicts of interest, safeguarding of company assets, protection of minority Shareholders.

FINANCIAL REVENUE AND EXPENSES RECORDED IN THE FINANCIAL STATEMENTS

We set out below the revenue and financial expenses recorded in the financial statements.

Amounts at 31st December 2016

(Euro/000)	From interest	From changes in fair value	From equity reserve	Profits and losses on foreign exchange	Book value at 31st December 2016	Notes
Proceeds and charges generated by financial instruments - financial year 2016						
Loans and receivables	2,457	0	0	0	2,457	26
Fair value assets	0	0	0	0	0	26
Assets available for sale	0	0	0	0	0	26
Liabilities at fair value	0	(507)	0	0	(507)	26
Liabilities at amortised cost	(1,645)	0	0	0	(1,645)	26
Total	**812**	**(507)**	**0**	**0**	**305**	

Amounts at 31st December 2015

(Euro/000)	From interest	From changes in fair value	From equity reserve	Profits and losses on foreign exchange	Book value at 31st December 2015	Notes
Proceeds and charges generated by financial instruments - financial year 2015						
Loans and receivables	2,604	0	0	0	2,604	26
Fair value assets	0	198	0	0	198	26
Assets available for sale	0	0	0	0	0	26
Liabilities at fair value	0	(66)	0	0	(66)	26
Liabilities at amortised cost	(2,354)	0	0	0	(2,354)	26
Total	**250**	**132**	**0**	**0**	**382**	

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the assets and trading liabilities and other financial receivables and payables corresponds to the nominal value recorded in the financial statements.

The fair value of the receivables and payables due to/from banks is identified in detail within the relevant notes of reference.

IFRS 7 requires that derivative financial instruments recorded at fair value are classified on the basis of a hierarchy of levels that reflect the significance of the inputs used for the calculation of fair value. This hierarchy has the following levels:

Level 1 - quoted prices in active markets for assets or liabilities subject to measurement;
Level 2 - inputs other than the quoted prices mentioned above, which are observable directly (prices) or indirectly (derived from prices) on the market;
Level 3 - that are not based on observable market data.

The following table points out the assets and liabilities (derivative instruments commented in Note 7) that are measured at fair value at 31st December 2016, by hierarchical level of fair value measurement:

(Euro/000)	Level 1	Level 2	Level 3	Level 4
Derivative financial instruments	0	230	0	230
Total assets	**0**	**230**	**0**	**230**
Derivative financial instruments	0	(605)	0	(605)
Total liabilities	**0**	**(605)**	**0**	**(605)**
Total	**0**	**(375)**	**0**	**(375)**

Derivative financial instruments are measured using the Discounted Cash Flow Method. Future cash flows are discounted based on the forward rate curves obtained at the end of the observation period and contractual fixing, also considering the credit risk of the counterparty in compliance with the accounting standard IFRS 13.

The Company is exposed to financial risks:

- interest rate risk;
- exchange rate risk;
- liquidity risk;
- credit risk.

Risk management policies are stated in section 3.9. The following section provides qualitative and quantitative disclosures on the effect of these risks on the Company and the Group.

INTEREST RATE RISK

Financial instruments that expose the Company to an interest rate risk are variable rate loans.
Fixed rate loans do not configure exposure to the interest rate risk, given that the changes of fair value are not booked in the income statement and do not result in variable cash flows in function of the market conditions.

Sensitivity Analysis
The financial instruments exposed to interest rate were subjected to a sensitivity analysis at the balance sheet date. A symmetric variation of 50 bps was applied on debt at the reporting date.

The following table shows the variation of the operating result for the year and of the Shareholders' Equity subsequent to the sensitivity analysis performed net of the consequent tax effects calculated based on the rate in force.

Years	Economic result		Total net assets	
	50 bps	-50 bps	50 bps	-50 bps
2016	337	(337)	337	(337)
2015	245	(245)	245	(245)

VARIABLE RATE LOANS

Given the very favourable rates and to reduce the overall exposure of the Company and of the Group to interest rate risk, the Company had concluded on 4th November 2015 a derivative with the following characteristics:

Type	nil cost Collar
Effective date	31st December 2015
Maturity	31st December 2020
Notional	Euro 50 million Euro, Bullet
Variable Rate Euribor	3 months, act/360, quarterly
Cap strike	1.00%
Floor strike	0.00%

It is specified that the tool is not linked to a specific loans but is aimed at limiting the risk of increase in overall exposure to interest rates of the Company and the Group. Accordingly, any changes in the period are recorded in the income statement as period adjustments to the mark-to-market.

EXCHANGE RATE RISK

The Group, at 31st December 2016, does not have an exchange rate risk given that it does not have exposures in currencies other than Euro.

LIQUIDITY RISK

The analysis of liquidity risk set out below quantifies, for each contractual maturity, cash flows arising from financial liabilities held by the Company on 31st December 2016.
In reference to the maturities of cash flows, given the nature of the Company's monetary cycle it was considered appropriate to aggregate payments into time periods of variable length, illustrating further detail for short-term positions. The cash flows of floating-rate liabilities were valued on the basis of the forward interest rates at the closing dates of the financial statements.

Here below are the summary tables of the analysis performed comparing the situations at 31st December 2016 and 31st December 2015.

(Euro/000)	Accounting value	Contractual cash flows	Within 1 month	2-3 months	3-6 months	6-12 months	1-2 years	2-5 years	over 5 years
31/12/2016									
Non-derivative liabilities									
Mortgage loans	(42,612)	(43,349)	(148)	(16,310)	(933)	(2,066)	(3,449)	(12,895)	(7,548)
Payables due to leasing companies	(16,727)	(16,862)	0	(344)	(373)	(756)	(1,530)	(13,859)	0
Financing in current account	(8,107)	(8,244)	(922)	(491)	(3,366)	(2,658)	(807)	0	0
Other financing institutions	0	0	0	0	0	0	0	0	0
Derivative financial instruments									
Hedging derivatives	0	0	0	0	0	0	0	0	0
Non-hedging derivatives	(375)	(375)	0	0	0	0	0	(375)	0
Cap purchased	230	230	0	0	0	0	0	230	0
Floor sold	(605)	(605)	0	0	0	0	0	(605)	0
Total	**(67,821)**	**(68,830)**	**(1,070)**	**(17,145)**	**(4,672)**	**(5,480)**	**(5,786)**	**(27,129)**	**(7,548)**

(Euro/000)	Accounting value	Contractual cash flows	Within 1 month	2-3 months	3-6 months	6-12 months	1-2 years	2-5 years	over 5 years
31/12/2015									
Non-derivative liabilities									
Mortgage loans	(23,644)	(23,899)	(134)	(113)	(398)	(557)	(17,964)	(1,601)	(3,132)
Payables due to leasing companies	(18,025)	(18,171)	0	(347)	(362)	(734)	(1,486)	(4,646)	(10,596)
Financing in current account	(7,365)	(7,799)	(6,881)	(111)	(339)	(468)	0	0	0
Other financing institutions	0	0	0	0	0	0	0	0	0
Derivative financial instruments									
Hedging derivatives	0	0	0	0	0	0	0	0	0
Non-hedging derivatives	132	132	0	0	0	0	0	132	0
Cap purchased	638	638	0	0	0	0	0	638	0
Floor sold	(506)	(506)	0	0	0	0	0	(506)	0
Total	**(48,902)**	**(49,737)**	**(7,015)**	**(571)**	**(1,099)**	**(1,759)**	**(19,450)**	**(6,115)**	**(13,728)**

The Company, through the Finance Department and continuous supervision by the executive bodies of the parent company, maintains careful monitoring of liquidity and short-term financial commitments. For this purpose, the Company and the Group monitor liquidity risk through the preparation of a detailed economic and financial budget over a period of not less than one year and consistent management of real estate sales and financial commitments.

Analysis of liabilities by maturity

To complete the disclosures contained in the specific notes to the financial position, here below are the accounting balances for the years ended at 31st December 2016 and 31st December 2015.

(Euro/000)	Accounting value	withdrawal	within 1 year	from 1 to 5 years	over 5 years
Analysis of liabilities by maturity - year 2016					
Non-current payables to banks and other financial institutions	40,203	0	0	31,943	8,260
Other non-current financial liabilities	960	0	0	960	0
Current payables to banks and other non-current financial institutions	27,243	0	27,243	0	0
Payables to suppliers/client deposits	9,505	0	7,279	2,226	0
Other current financial liabilities	2,012	0	2,012	0	0
Total	**79,923**	**0**	**36,534**	**35,129**	**8,260**

(Euro/000)	Accounting value	withdrawal	within 1 year	from 1 to 5 years	over 5 years
Analysis of liabilities by maturity - year 2015					
Non-current payables to banks and other financial institutions	39,826	0	0	24,948	14,878
Other non-current financial liabilities	1,061	0	0	555	506
Current payables to banks and other non-current financial institutions	9,208	0	9,208	0	0
Payables to suppliers/client deposits	9,629	0	7,912	1,717	0
Other current financial liabilities	1,346	0	1,346	0	0
Total	**61,070**	**0**	**18,466**	**27,220**	**15,384**

CREDIT RISK

The Company's credit risk is mainly related to trade receivables for the sale of properties or shares or services. For the latter refer to the specific sections of the commentary notes.

5.10 Annex 1 - Related party transactions

(Euro/000)	Non-current receivables	Current financial receivables	Trade receivables and other receivables	Non-current payables	Current payables	Revenues from sales and services	Other revenue	Dividends	Interest income	Costs for raw materials and services	Other operating costs	Interest expenses
Counterpart												
Aedes Real Estate SGR S.p.A. now Sator Immobiliare SGR S.p.A.	0	0	0	0	0	230	0	1,217	0	0	0	(67)
Aedes Project S.r.l. in liquidation(*)	797	0	127	0	550	10	0	0	165	0	0	0
Aedilia Nord Est S.r.l.	1,936	0	9	0	0	10	1	0	85	0	0	0
Alpe Adria S.r.l.	74	0	59	0	0	5	2	0	2	0	0	0
Augusto S.p.A.	0	0	32	0	0	18	0	0	0	0	0	0
Bollina S.r.l.(*)	0	0	2	0	1	5	0	0	2	0	(1)	0
Cascina Praga SIINQ S.p.A.(*)	1,335	0	87	96	300	25	0	0	24	(25)	(146)	0
Leopardi Fund	38	0	5	0	8	0	0	0	0	0	0	0
Redwood Fund(*)	0	0	356	0	0	268	0	0	0	(5)	(24)	88
Galileo Ferraris 160 S.r.l. (previously Aedilia Sviluppo 1 S.r.l.)	0	0	12	0	0	0	0	0	0	0	0	0
Golf Club Castello di Tolcinasco SSD S.r.l.(*)	0	0	0	0	0	25	0	0	0	0	0	0
Golf Tolcinasco S.r.l.	525	0	0	0	3	0	23	0	15	0	0	0
Mercurio S.r.l. in liquidation	0	0	0	0	1	0	0	0	0	0	0	0
Novipraga SIINQ S.p.A.(*)	3,916	0	104	65	0	44	0	0	61	0	0	0
Pival S.r.l.	0	0	10	0	0	10	0	0	0	0	0	0
Praga Construction S.r.l.(*)	1,178	0	443	445	1,855	87	119	0	26	(152)	0	0
Praga Service Real Estate S.r.l.(*)	4,737	0	602	90	241	205	223	0	114	(110)	0	0
Pragafrance S.ar.l.(*)	4,294	0	90	0	0	28	0	0	166	0	0	0
Pragaotto S.r.l.(*)	19,339	0	55	7	0	2,559	0	0	568	0	0	0
Pragaquattro Center SIINQ S.p.A.(*)	6,009	0	41	3	0	25	0	0	151	0	0	0
Pragasei S.r.l.	9,969	0	35	221	0	57	0	0	564	0	0	0
Pragasette S.r.l. in liquidation(*)	0	304	0	2	0	10	0	0	6	0	0	0
Pragaundici SIINQ S.p.A.(*)	1,019	0	41	3	158	20	0	0	20	0	(104)	0
Redwood S.r.l.(*)	0	0	0	0	28	0	0	0	0	0	0	0
Rubattino 87 S.r.l.	0	0	1,038	0	0	0	0	0	0	0	0	0
Rubattino Ovest S.p.A.	0	0	89	0	0	0	0	0	0	0	0	0
Satac SIINQ S.p.A.(*)	11,022	0	202	43	0	60	1	0	205	0	0	0
Società Agricola La Bollina S.r.l.(*)	642	0	23	0	25	5	0	0	12	0	(25)	0
Trieste S.r.l. liquidated	0	0	0	0	0	0	0	0	1	0	0	0
Trixia S.r.l.	0	0	12	1,251	0	0	0	0	0	0	0	0
Via Calzoni S.r.l. in liquidation	0	0	0	0	0	0	0	0	162	0	0	0
Total of parent companies, subsidiaries and affiliates	**66,830**	**304**	**3,474**	**2,226**	**3,170**	**3,706**	**369**	**1,217**	**2,349**	**(292)**	**(300)**	**21**
Other associated parties												
R & P S.r.l.	0	0	0	0	0	0	0	0	0	(354)	0	0
Law Firm and Tax Consultancy	0	0	0	0	0	0	0	0	0	(6)	0	0
Agarp S.r.l.	0	0	1	0	0	0	1	0	0	0	0	0
Arepo Ad S.ar.l.	0	0	2	0	2	0	2	0	0	0	(1)	(2)
Prarosa S.r.l.	0	0	1	0	2	0	1	0	0	0	0	(2)
Tiepolo S.r.l.	0	0	1	0	2	0	1	0	0	0	0	(2)
Sator Immobiliare SGR S.p.A.	0	0	505	0	20	34	0	0	0	0	(55)	0
Total other associated parties	**0**	**0**	**510**	**0**	**26**	**34**	**5**	**0**	**0**	**(360)**	**(56)**	**(6)**
Total associated parties	**66,830**	**304**	**3,984**	**2,226**	**3,196**	**3,740**	**374**	**1,217**	**2,349**	**(652)**	**(356)**	**15**

(*) Companies subject to the direction and coordination of Augusto S.p.A..

Transactions with related parties were conducted at market value.

The overall fees resolved for the Directors of the Board of Directors, including Directors with proxies, Auditors and Managers with strategic responsibilities are listed in the table below:

(Euro/000)	Aedes SIIQ S.p.A.	Subsidiaries and affiliates	Total
Directors and Auditors fees			
Members of the Board of Directors fees	2,150	0	2,150
of which used	0	0	0
Members of the Board of Auditors fees	88	69	157
Remuneration of Directors and Board of Statutory Auditor Members for positions held in the Supervisory Body	45	0	45
of which directors of Aedes SIIQ S.p.A.	0	0	0
of which Board of Statutory Auditor Members of Aedes SIIQ S.p.A.	45	0	45
Total	**2,283**	**69**	**2,352**

For further details see the remuneration report prepared by the appointed Company pursuant to art. 123-*ter* of the TUF, which will be published pursuant to the law on the Company website.

Augusto S.p.A. carries out the management and coordination of the Aedes Group in accordance with art. 2497 and following of the Civil Code.

We give below the figures of the last financial statements approved by Augusto S.p.A.:

(Euro/000)	31/12/2015
Assets	
B) Fixed assets	
1) Start-up costs	46,567
- Accumulated depreciation	(9,313)
Total intangible assets	37,254
III. Financial fixed assets	
1) Investments in:	
a) subsidiaries	101,820,711
Total financial assets	101,820,711
Total assets (B)	**101,857,965**
C) Current assets	
II. Receivables	
4-bis) Taxes receivable	
within financial year	43
Total credits	43
IV. Cash and cash equivalents	
1) Deposit accounts	70,064
2) Cash on hand	72
Total cash and cash equivalents	70,136
Total current assets (C)	**70,179**
D) Accrued expenses and prepayment	**20**
Total assets	**101,928,164**

(Euro/000)	31/12/2015
Net equity and liabilities	
A) Net equity	
I. Share capital	44,479,728
II. Share premium reserve	57,490,984
IX. Profit/(Loss) for the year	(414,269)
Total equity (A)	**101,556,443**
D) Payables	
3) Shareholders financing	
within financial year	252,248
7) Trade payables	30,738
9) Payables to subsidiaries	
within financial year	10,731
12) Taxes payable	
within financial year	6,465
13) Payables to social security and welfare institutions	
within financial year	2,215
14) Other liabilities	
within financial year	69,324
Total payables (D)	**371,721**
Total liabilities	**371,721**
Total equity and liabilities	**101,928,164**

(Euro/000)	31/12/2015
Income statement	
A) Output value	
5) Other revenues and income	1
Total production value (A)	**1**
B) Production costs	
6) Cost of raw materials, consumables and goods	(33)
7) Cost for services	(400,971)
10) Amortisation and write-downs:	
A) Amortisation of intangible assets	(9,313)
14) Other operating costs	(1,829)
Total Production Costs (B)	**(412,146)**
Difference between value and cost of production (A+B)	**(412,145)**
C) Financial income/(expenses)	
16) Other financial income:	
d) other revenue	
from third parties	167
17) Interest and other financial charges:	
from subsidiaries and controlling costs	(2,248)
third-party charges/(expenses)	(43)
Total financial income and (expenses) (C)	**(2,124)**
Net income before tax	**(414,269)**
22) Income taxes	0
Profit/(Loss) for the year	**(414,269)**

5.11 Annex 2 - Auditors’ fees

The following table provides the fees charged for services provided by the Deloitte & Touche S.p.A. and other entities belonging to its network:

(Euro/000)	
To the Parent Company:	
a) by the audit firm, for the provision of audit services	204
b) by the audit firm:	
for auditing services for the purposes of certification	
for the provision of other services	
c) by entities belonging to the audit firm, for the provision of other services	
To the subsidiaries:	
a) by the audit firm, for the provision of audit services	222
b) by the audit firm:	
for auditing services for the purposes of certification	
for the provision of other services	
c) by entities belonging to the network of the auditors:	
for auditing services for the purposes of certification	
for the provision of other services	
Total	**426**

5.12 Certification of the Financial Statements[1]

The undersigned Giuseppe Roveda, as Chief Executive Officer, and Gabriele Cerminara, as Manager in Charge of the preparation of the company accounting documents of Aedes SIIQ S.p.A., certify, also bearing in mind the provisions of art. 154-*bis*, subsections 3 and 4 of Italian Legislative Decree 58 of 24th February 1998:

- the adequacy relevant to the characteristics of the business, and
- the effective application of the administration and accounting procedures for the preparation of the financial statements over FY 2016.

It is also certified that

1. the financial statements:
   a. are prepared in compliance with the applicable international accounting standards recognised within the European European pursuant to the EC regulation 1606/2002 of the EU Parliament and Committee on 19th July 2002;
   b. correspond to the accounting results and bookkeeping entries;
   c. is suitable to supply a true and correct representation of the equity, economic and financial situation of the Company.

2. The Management Report includes a fair review of the performance and operating result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Milan, 21st March 2017

The Chief Executive Officer

Giuseppe Roveda

The Manager Charged for the preparation of the company accounting documents

Gabriele Cerminara

[1] Under art. 81-*ter* of Consob Regulation no. 11971 of 14th May 1999 and subsequent amendments and additions.

5.13 Independent Auditor's Report

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

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Fax: +39 02 83322112
www.deloitte.it

**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
Aedes SIIQ S.p.A.**

Report on the Financial Statements

We have audited the accompanying financial statements of Aedes SIIQ S.p.A., which comprise the statement of financial position as at December 31, 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Aedes SIIQ S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Aedes SIIQ S.p.A., with the financial statements of Aedes SIIQ S.p.A. as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Aedes SIIQ S.p.A. as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
April 6, 2017

This report has been translated into the English language solely for the convenience of international readers.

5.14 Board of Statutory Auditors' Report

Board of Statutory Auditors

AEDES SIIQ S.P.A.
Via Morimondo 26 - building 18, 20143 Milan
Subject to management and coordination by Augusto S.p.A.
Fiscal code and registration in the Registry of Companies of Milan no. 00824960157
Economic & Administrative Index of Milan no. 112395-Vat no. 13283620154
Share capital subscribed and fully paid Euros 212,945,601.41

BOARD OF STATUTORY AUDITORS' REPORT AT SHAREHOLDERS' MEETING OF AEDES SIIQ SPA (*hereinafter* "Aedes" and/or the "Company") ON FINANCIAL STATEMENTS FOR YEAR ENDING 31ST DECEMBER 2016 PURSUANT TO SECTION 153 OF LEGISLATIVE DECREE NO. 58/1998 AND SECTION 2429 OF THE CIVIL CODE (*hereinafter* the "Report").

Dear Shareholders,
in accordance with the combined provisions of law of section 153 of Legislative Decree no. 58/1998 (hereinafter "TUF") and section 2429 of the Civil Code, the Statutory Board of Auditors is called upon at the Shareholders' Meeting to report on auditing activities performed during the financial year and on any omissions and censurable facts eventually revealed. The Board of Statutory Auditors is also called upon to make proposals at the Meeting in regards to the financial statements and their approval, as well as other matters within its scope of responsibility.
The Statutory Board of Directors in charge was nominated for the three year period 2015 - 2017 at the Shareholders' Meeting held on 10th June 2015 in compliance with the provisions of the articles of association and applicable regulations.
During the course of the 2016 financial year, the Statutory Board of Directors performed its auditing tasks in compliance with the provisions of current regulations and taking into account the standards of conduct recommended by the National Board of Chartered Accountants and Accounting Consultants, as well as Consob recommendations on the matter of corporate auditing and activities of the Statutory Board of Auditors.

***

As already known at the end of the year 2015 the Aedes Group reorganized its ownership and corporate structure to meet the requirements for the exercise of the SIIQ and SIINQ options. The option was exercised in December 2015, and as of 1st January 2016 Aedes and some of its subsidiaries acquired the status of SIIQ and SIINQ.

Consistent with the new model as a *property company*, the year 2016 was characterised by both the advancement of major development projects and the purchase of real estate assets to further stock the portfolio.
As stated in the financial statements, in 2016 Aedes SIIQ also: (i) joined the EPRA - *European Public Real Estate Association* - bringing itself into line with the main international REITs in terms of financial and financial information and (ii) started a direct transition to so-called "Corporate Social Responsibility".

***

The Statutory Board of Auditors that is the author of this report provides the following information recalled in the Consob letter of communication no. 1025664 dated 6th April 2001 and subsequently amended.

1. INDICATION OF THE MOST SIGNIFICANT ECONOMIC AND FINANCIAL TRANSACTIONS MADE BY THE COMPANY

During the course of the 2016 financial year, the Statutory Board of Auditors participated in meetings with the Board of Directors, with the Committee for the Control of Risks and Transactions with Related Parties and in meetings with the Remuneration and Nominations Committee, and regularly received information from Board Members regarding the general progress of management, foreseeable evolution and the most, significant economic and financial transactions approved and implemented by Aedes, also through the Group's companies, in compliance with section 150, paragraph I of the TUF.
The Statutory Board of Auditors can reasonably state that the transactions that were approved and implemented comply with the law and articles of association, and that they are not imprudent, rash, potentially in conflict with interests (save for a declaration and conduct as per section 2391 of the Civil Code), in conflict with resolutions assumed by corporate bodies, or in any case, such that would compromise the integrity of the Company's assets.
For the purposes of completeness, following is a summary of the main transactions performed in 2015; in this regard, it is noted that the Management Report drawn up by the Board Members, the content of which is referred to, provides an exhaustive description of said transactions and the reasons leading the Board of Directors to take said action.
1st January 2016: Aedes by adhering to the tax regime for property companies becomes a SIIQ, changing the Company name to Aedes SIIQ S.p.A.;
15th March 2016: Aedes acquires 70% of the "Redwood" Real Estate Fund, holding 18 properties for commercial purposes, for Euro 16.4 million and signs the preliminary contract for the purchase of pledged financial receivables on the remaining 30% of the fund for Euro 13.6 million;
23rd March 2016: Aedes completes the purchase of pledged financial receivables from a

primary lender of 30% of the Redwood Real Estate Fund. At the same time, ahead of the deadlines, Aedes purchases from Kyra Sarl the ownership of the above fund units;

27th April 2016: the Extraordinary Shareholders' Meeting of Aedes approves by majority vote the amendment to art. 21 of the Article of Association, for the creation of a statutory reserve funded with annual provisions proportional to the net profit for the year, to support the Group's development and growth. This amendment entails the right of withdrawal in favour of shareholders who have not participated in the adoption of the resolution and is subject to the proviso that the right of withdrawal does not involve a release of more than Euro 2 million - 4,360,148 shares - for the Company;

11th May 2016: Aedes signs a contract for sale to Sator Immobiliare SGR S.p.A. of all shares held in the share capital of Aedes Real Estate SGR S.p.A., equal to 95% thereof.

27th June 2016: Aedes signs with GE Capital Corporation a definitive contract for the purchase of a property located in Rome for Euro 12.5 million, with annual rentals of Euro 3.6 million. The property is located in Via Veneziani 56, about 10 km south-west of the centre of Rome, in the administrative area called Parco de' Medici;

30th June 2016: the amendment to art. 21 of the Articles of Association on the constitution of a statutory reserve, approved by the Shareholders' Meeting on 27 April 2016, has become ineffective as a result of the exercise of the right of withdrawal for 13,658,544 shares, exceeding the limit set by the Shareholders' Meeting resolution;

1st August 2016: Aedes acquires the remaining 5% of the share capital of Aedes Real Estate SGR S.p.A., thus holding the total share capital that it was contractually bound to sell to Sator Immobiliare SGR S.p.A.;

28th September 2016: the Board of Directors approves the Strategic Guidelines 2017-2021;

3rd/10th November 2016: the new expansion of the Serravalle Designer Outlet called Phase 6 is opened to the public and inaugurated. This new structure connects the Serravalle Designer Outlet to the existing Commercial Park by creating a single Serravalle site sales offer. In addition, also at the Serravalle site, initial works are being carried out to develop Phase C of the Serravalle Retail Park, which is scheduled to open in the spring of 2018;

9th November 2016: the merger by incorporation into Aedes of Pragatre SIINQ SpA - approved by the Board of Directors of Aedes SIIQ on 1st September 2016 - as a wholly owned subsidiary is concluded, in order to consolidate in the Parent Company the portfolio of revenue properties consistent with the SIIQ model and at the same time ensure greater efficiency of the Group's business structure, from the economic, managerial and financial perspective;

14th November 2016: Aedes announces that it has completed its sale to Sator Immobiliare SGR S.p.A. of 100% of the shares held in the share capital of Aedes Real Estate SGR S.p.A. following the satisfaction of all the suspensive conditions provided for in the preliminary contract;

29th December 2016: Aedes acquires the direct ownership of 16 properties, with simultaneous settlement of the debt on them, previously held by the Redwood Real Estate Fund.

2. ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INTRAGROUP TRANSACTIONS OR TRANSACTIONS WITH RELATED PARTIES

During the course of the 2016 financial year and until the date of the Report, the Statutory Board of Auditors did not encounter any atypical and/or unusual transactions executed by the Company or through any of its subsidiaries.

In regards to the transactions made with the Group's companies, these were of an ordinary nature and predominantly consisted in the provision of administrative, real estate and technical services regulated in normal market conditions, in addition to loans regulated in normal market conditions and which responded to the needs of the Company.

In regards to transactions with related parties, it is noted that these were made and are made in market conditions and in the interest of the Company, in conformity with the provisions of the dedicated procedure approved by the Board of Directors on 19th October 2016.

In any case, it is noted that said transactions were made further to specific close examination and/or approval by the Board of Directors and the Committee for the Control of Risks and Transactions with Related Parties,- in whose meetings the Statutory Board of Auditors have always participated.

In particular, it is highlighted that during the 2016 financial year, in compliance with applicable regulations and in accordance with the procedures adopted by Aedes relative to transactions with related parties, the Company approved the following transactions with related parties:

- the proposed framework agreement with Sator Immobiliare SGR S.p.A. (formerly Aedes Real Estate SGR S.p.A.), on behalf of the Leopardi Fund, relating to commercial and financial receivables vested in Aedes SIIQ S.p.A.; and
- the sale of shares held in Sator Immobiliare SGR S.p.A. (formerly Aedes Real Estate SGR S.p.A.).

For more details regarding atypical and/or unusual transactions, intragroup transactions or transactions with related parties, see the relative section in the Management Report drawn up by the Board Members and in Attachment 2 of the Account Schedules and Illustrative Notes of the Aedes Group.

3. EVALUATION OF SUITABILITY OF INFORMATION PROVIDED BY BOARD MEMBERS IN REGARDS TO ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRAGROUP TRANSACTIONS AND TRANSACTIONS WITH RELATED PARTIES

The Statutory Board of Auditors believes the information provided by the Board Members in regards to the above-described transactions to be sufficiently suitable, including therein the information provided in the financial statements and consolidated financial statements for the year ending 31st December 2016.

4. OBSERVATIONS & PROPOSALS ON REMARKS OR REQUESTS FOR INFORMATION CONTAINED IN THE INDEPENDENT AUDITOR'S REPORT

The Shareholders' Meeting held on 10th June 2015 resolved to assign the role of statutory financial auditing for the 2015-2023 year to the company Deloitte & Touche S.p.A., following the expiry of the mandate previously assigned to the auditing company Reconta Ernst & Young S.p.A., without possibility for renewal by law.

The financial statements and consolidated financial statement for the year ending 31st December 2016 were drawn up in compliance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB"), approved by the European Union and entered into force on 1st January 2008, as well as provisions issued through the implementation of section 9, Legislative Decree no. 38/2005.

On 6th April 2016, pursuant to sections 14 and 16 of Legislative Decree no. 39/2010, the auditing company Deloitte & Touche S.p.A. issued its report on the financial statements for the year ending 31st December 2016, including its opinion on the requirement for consistency as per section 14 of Legislative Decree no. 39/2010 and section 123-bis paragraph 4 of Legislative Decree no. 58/1998, without remarks or requests for information.

5. INDICATION OF ANY CHARGES EVENTUALLY PRESENTED AS PER SECTION 2408 OFTHE CIVILCODE, AND INITIATIVES TAKEN

During the course of the 2016 financial year and until the date of the Report, no charges had been presented as per section 2408 of the Civil Code. Therefore, no initiative was taken by the Statutory Board of Auditors in this sense.

6. INDICATION OF ANY COMPLAINTS EVENTUALLY LODGED IN RELATION TO UNDERTAKEN INITIATIVES AND RELATIVE COSTS

During the course of the 2016 financial year and until the date of the Report, no complaints had been lodged by Shareholders and/or third parties. Therefore, no initiative was taken by the Statutory Board of Auditors in this sense.

7. INDICATION OF ANY ADDITIONAL SUPPLEMENTARY MANDATES ASSIGNED TO THE AUDITING COMPANY AND RELATIVE COSTS

In regards to the activity of supervising the independence of the company appointed to perform the statutory financial audit, pursuant to section 19, paragraph 1, let. d) of Legislative Decree no. 39/2010, the Statutory Board of Auditors (also in the capacity of Committee for internal control and financial auditing), notes that by way of the letter dated 6th April 2016, Deloitte & Touche S.p.A. confirmed their independence and communicated the auditing services provided by the same in favour of the Group and its subsidiary companies.

It should be noted that on 16th December 2016 Aedes conferred on Deloitte & Touche S.p.A. a mandate for the methodological support for the preparation of the sustainability budget for the year 2016.
Payment for services for the 2016 financial year paid by Aedes and its subsidiary companies to Deloitte & Touche S.p.A. for statutory financial auditing services are reported in detail by the Board Members in the statement drawn up as per section 149-*duodecies* of Consob Regulation no. 11971/1999 and subsequent amendments, in the implementation of the mandate contained in section 160 paragraph 1-*bis* of the TUF and contained in Attachment 2 of the Account Schedules and Illustrative Notes of the financial statements.
Taking into account the declaration of independence issued by the auditing company Deloitte & Touche S.p.A. and the roles appointed to the same by Aedes and the Group's subsidiary companies, the Statutory Board of Auditors believes there to be no reason to exclude the independence of the auditing company.

8. INDICATION OF ANY ADDITIONAL MANDATES ASSIGNED TO PARTIES HAVING A CONTINUOUS RELATIONSHIP WITH THE COMPANY APPOINTED TO PERFORM THE AUDIT, AND RELATIVE COSTS

According to that reported by the Board Members in the statement drawn up as per section 149-*duodecies* of Consob Regulation no. 11971/1999 and subsequent amendments and referred to in the previous point, and according to that referred by Deloitte & Touche S.p.A., the Statutory Board of Auditors is not aware of any mandates of any nature having been assigned by Aedes or any of the Group's subsidiaries to parties having a continuous relationship with the financial auditing company.

9. INDICATION OF EXISTENCE OF OPINIONS ISSUED AS PER THE LAW DURING THE COURSE OF THE 2016 FINANCIAL YEAR BY THE STATUTORY BOARD OF AUDITORS

During the course of the 2016 financial year, the Statutory Board of Auditors issued its opinions in accordance with the provisions of the Law, the articles of association and applicable regulatory standards. In this regard, in the 2016 financial year, the following opinions are noted, (i) positive opinion in regards to remuneration in favour of the Board Members vested with special roles; (ii) opinion on the Work Plan of the *Internal Audit* 2016; (iii) opinion on the proposed framework agreement with Sator Immobiliare SGR S.p.A. (formerly Aedes Real Estate SGR S.p.A.), on behalf of the Leopardi Fund, relating to commercial and financial receivables vested in Aedes SIIQ S.p.A. and (iv) favourable opinion on the sale of shares held in Sator Immobiliare SGR S.p.A. (formerly Aedes Real Estate SGR S.p.A.).
It should be noted that at the date of the Report, the Board also issued (i) an opinion on the Work Plan of the *Internal Audit* 2017; (ii) opinion on outsourcing the function of Internal Audit and the appointment of PricewaterhouseCoopers Advisory S.r.l. as the party responsible for it and (iii) opinion on the assignment to Deloitte Financial Advisory S.p.A.

of a service other than the statutory audit of the accounts for the financial reporting of companies affiliated to the EPRA.

10. INDICATION ON THE FREQUENCY AND NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND STATUTORY BOARD OF AUDITORS

As highlighted by the Board Members in the annual report on Corporate Governance and Ownership Structure for the 2016 financial year, drawn up in accordance with section 123-*bis* of the TUF and approved by the Board of Directors of the Company on 23rd March 2016, during the course of 2016:
(i) the Board of Directors of the Company met 18 times;
(ii) the Control and Risk and Transactions with Related Parties Committee met 16 times;
(iii) the Committee for Remuneration and Nominations met 7 times.
The Statutory Board of Auditors met 8 times over the course of 2015.
Moreover, the Statutory Board of Auditors also attended all meetings held by the Board of Directors, the Control and Risk and Transactions with Related Parties Committee and the Committee for Remuneration and Nominations, in the presence of the Chairman of the Statutory Board of Auditors and/or at least one member of the Statutory Board of Auditors.
During the course of the 2016 financial year, it is noted that a Finance and Investments Committee was also established with a proactive and consultative role in terms of investments, finance and management control.

11. OBSERVATIONS ON COMPLIANCE WITH CORRECT ADMINISTRATION PRINCIPLES

Within its scope of responsibilities, the Statutory Board of Auditors supervised compliance with correct administration principles. In the opinion of the Statutory Board of Auditors, the company is directed in compliance with legal standards and the Articles of Association.
The division of powers - in their current allocation - appear to be suitable to the size and operations of the Company In particular, also in regards to the decision-making processes of the executive body, the Statutory Board of Auditors has ascertained (also through its direct participation in meetings) the compliance of managerial decisions made by Board Members with the Law and Articles of Association. The Statutory Board of Auditors has also checked that the relative decisions were characterised by specific analyses and opinions drawn up - if necessary - also by consultants, with particular reference to the economic and financial adequacy of transactions and their alignment with the corporate purpose.

12. OBSERVATIONS ON ORGANISATIONAL STRUCTURE

Within its scope of responsibilities, the Board of Statutory Auditors supervised the suitability of the Company's organisational structure and its relative functions.
The organisational structure is appropriate to the size and operational needs of the Company.

Within the scope of its responsibilities, the Board has not found any particular vulnerabilities or situations to report on the actual functioning of organs, functions, systems and procedures, because of either the new organisation chart approved at the end of 2015 or the articulated process of the current business process review.
The organisation and services, both those structured within Aedes and those subject to *outsourcing*, are adequate and fulfil more than satisfactorily the necessary roles.
With particular reference to the committees of an organisational and procedural nature established in accordance with Legislative Decree no. 231/2001, the Board of Statutory Auditors notes that on 11th June 2015, the Board of Directors of the Company resolved to assign to the Board of Auditors of Aedes - in accordance with the provisions of Art. 6, paragraph 4-*bis*, Legislative Decree no. 231/2001 - the functions of the Supervisory Body until the expiration of the mandate of that supervisory body.
On 4th April 2017, the Board of Directors appointed Luca Lucaroni CFO and Chief Operating Officer from 10th May 2017, replacing Gabriele Cerminara, appointed Chief Operating Officer (COO).
It should be noted that on 21st December 2016 Aedes has, among other things, approved the new management and control organisation model under Legislative Decree no. 231/2001.
The Board of Statutory Auditors did not detect particular vulnerabilities to be reported and/or significant considerations to formulate regarding the organisational structure.

13. OBSERVATIONS ON SUITABILITY OF INTERNAL CONTROL AND COMPANY ACCOUNTING SYSTEM AND RELIABILITY OF THE LATTER IN CORRECTLY REPRESENTING COMPANY AFFAIRS

The Statutory’ Board of Auditors supervised the suitability of the Company’s internal control system, and also, in the capacity of internal control and financial auditing Committee as per section 19, paragraph 1, lett. b), Legislative Decree 39/2010, the efficiency of internal control and internal auditing.
As the Statutory Board of Auditors constantly monitored the progress of the review of company procedures, the Statutory Board of Auditors nonetheless continued to perform its supervisory activities through: (i) exchange of information received on occasion of the periodic meetings with the Manager of the Internal Audit Department; (ii) regular exchange of information with the Control and Risk and Transactions with Related Parties Committee (and, in particular through an examination of the report on activities performed by the same, and continuous participation in meetings held by the same); (iii) regular exchange of information with the Board Member responsible for Internal Control (and, in particular, through an examination of the report on activities performed by the same); (iv) examination of company documentation and the results of work performed by the Company in charge of the statutory financial audit, Deloitte & Touche S.p.A.; (v) information acquired by the control bodies of the subsidiary companies in accordance with and for the intents and purposes of section 151, paragraph 1 and 2, of the TUF.

Under the above process, it should be noted that during the 2016 financial year, *inter alia*, we reviewed and/or approved the following procedures:
(i) Guidelines for the Aedes Group's Internal Control and Risk Management System;
(ii) Remuneration Policies and Implementation Procedures;
(iii) Regulation of the Chief Executive Officer;
(iv) Regulation of the function of *Internal Audit*;
(v) Procedure for Aedes Group Related Party Transactions;
(vii) Market Abuse Procedure - Code of Conduct on Internal Dealing and the keeping of the Register of Persons with Access to Privileged Information.
(viii) Procedure for coordinating the activities of independent real estate experts;
(ix) Selection procedure for independent real estate experts;
(x) Management of the Aedes financial statements and consolidated financial statements at Group level;
(xi) Monitoring and reporting of derivative instruments.
It is also recalled that on 21st December 2016, the Board of Directors approved the new Management and Control Organisation Model under Legislative Decree no. 231/2001 together with the Code of Ethics.
On 28th September 2016, the Board of Directors approved the Strategic Guidelines 2017-2021 on the basis of which the Company is preparing the Industrial Plan 2017-2021, which is expected to be approved by the date of presentation of the Half-Year Report on 30th December 2017. In addition to the finalisation of the Industrial Plan and the Budget, the Board of Directors defines the sources of funding to meet the current management and real estate needs of the Group with the support of the planning and control function.
The Board of Statutory Auditors states that the Company's operating in accordance with the provisions introduced by Law 262/2005, having appointed the Manager in charge of preparing the Company's financial reports and adopting the relevant operating guidelines.
It should be noted that, on the date of the Report, the Board of Directors resolved to renew the assignment for the outsourcing of the *Internal Audit* to PricewaterhouseCoopers Advisory S.p.A., subject to reconfirmation, with the relevant bodies, of its satisfaction of the independence requirements that are necessary for the proper performance of the assignment.

14. OBSERVATIONS ON THE SUITABILITY OF THE COMPANY ACCOUNTING SYSTEM AND THE RELIABILITY OF THE LATTER IN CORRECTLY REPRESENTING COMPANY AFFAIRS

The Board of Statutory Auditors has monitored the adequacy of the accounting system for its reliability to properly represent the management facts, by obtaining information from responsible corporate executives, examining corporate documents and analysing the results of the work carried out by the audit firm, as well as by the *Internal Audit* function.
It is recalled that, respectively, on 28th September 2016 and on 19th October 2016, the

Board of Directors of the Company adopted the so-called Aedes Management Accounting Procedure for the consolidated financial statements at the Group Level and the Regulations for the Chief Executive Officer.
The administrative-accounting function appears to be well-structured and suited to meet the business needs of the 2016 financial year, both in terms of resources employed and in terms of professionalism.
With reference to the accounting information contained in the financial statements and in the consolidated financial statements on 31st December 2016, it should be noted that the Chief Executive Officer and the Manager in charge of the preparation of the financial and accounting documents have issued non-disclosure attestations under art. 81-*ter* of Consob Regulation no. 11971/1999 as amended in relation to the adequacy and effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements, prepared in accordance with applicable international accounting standards, in accordance with the books and accounting records and capable of providing a true and fair view of the financial position of the Company and of the companies included in the consolidation and the contents of the Management Report, including a reliable analysis of the performance and results of the Management as well as a description of the risks and uncertainties to which the companies of the Aedes Group are exposed.

15. OBSERVATIONS ON THE RELIABILITY OF PROVISIONS IMPARTED ON SUBSIDIARY COMPANIES AS PER SECTION 114 OF LEGISLATIVE DECREE NO. 58/98

The Board of Statutory Auditors has monitored the adequacy of the provisions given by the Company to its subsidiaries under art. 114 of Legislative Decree no. 58/98 and found it appropriate to comply with the legal obligations of communication.
In relation to the strict operational and functional ties, including on the presence of Aedes reference persons in the subsidiaries, the correct, consistent and adequate flow of information is guaranteed. It is recalled that Aedes and the subsidiaries have been subject to the direction and coordination of Augusto S.p.A. from 31st March 2015 and that the administrative bodies of those companies have adopted the so-called “Regulation for the exercise of direction and coordination by Augusto S.p.A. on the Aedes Group”.

16. OBSERVATIONS IN REGARDS TO MEETINGS HELD WITH AUDITORS

During the year 2016 and until the date of the Report, the Board of Statutory Auditors has held frequent meetings with representatives of the audit firm Deloitte & Touche S.p.A. in order to comply with the disclosure requirements of art. 150 of the TUF. At these meetings, in particular the application of the accounting principles and the best allocation and representation in the financial statements of significant economic, financial and equity aspects have been examined.
The Audit Firm has shared with the Board of Statutory Auditors the planning and feedback

of its activities. During the course of these meetings, no significant aspects have emerged that need to be highlighted in the Report.

17. ADHESION OF COMPANY TO SELF-DISCIPLINE CODE OF CORPORATE GOVERNANCE COMMITTEE

The Company adheres to the Self-discipline Code (July 2014 edition) promoted by Borsa Italiana S.p.A..

It should be noted that on 11th June 2015, the Board of Directors resolved to take the necessary decisions to adapt the recommendations contained in the Code of Conduct through the adoption of a specific "Framework Decision" for the formalization of the adherence by Aedes to the principles of self-discipline and to maintain at the same time adequate flexibility in the event that some of the provisions adopted need to be amended. This Framework Decision was most recently supplemented at the Board meeting of 21st December 2016 in order to translate the recommendations introduced in the Corporate Governance Code in the most recent version of July 2015. The Board of Statutory Auditors has monitored compliance with the corporate governance rules provided by the above Code under art. 149, paragraph 1, let. C-*bis*, TUF.

On 21st March 2016, the Company's Board of Directors approved the annual Report on corporate governance and ownership structure drawn up in compliance with section 123-*bis* of the TUF. The latter provides information about (i) corporate governance practices effectively applied by the Company; (ii) main characteristics of internal control and risk management that exist, also in relation to the financial and consolidated information process; (iii) the way the Shareholders' Meeting works and (iv) the composition and functions of members of the Board of Directors and control bodies, and of corporate governance committees.

In compliance with the recommendations cited in the Self-discipline Code, the Statutory Board of Auditors also acknowledges: (i) to have checked that all components meet the compulsory requirement of independence of Board Members; (ii) to have checked the correct application of criteria and procedures for ascertaining the fulfilment of the requirement for independence adopted by the Board of Directors in order to assess the independence of its components, and has no further observations to make in this regard and (iii) to have ascertained that the Board of Directors has fulfilled obligations relative to information contained in the Financial Statements regarding the Group's main risks and uncertaiAnties.

The Board notes that on 22nd June 2016, the Board of Directors of the Company approved the "Code of conduct on *internal dealing* and the keeping of the Registry of persons with access to privileged information", not least in order to adapt it to the entry into force of EU Regulation n. 596/2014 on the subject of *market abuse* (*"Market Abuse Regulation"*).

In light of the above, and based on the control activities performed over the course of the financial year, the Statutory Board of Auditors expresses a positive opinion in regards to the approval of the financial statements for the year ending 31st December 2016, and has no objections to make regarding the allocation of profits for the financial year proposed by the Board of Directors.

Milan, 5th April 2017

Yours sincerely,

The members of the Aedes SIIQ S.p.A. Board of Statutory Auditors

Dr. Cristiano Agogliati

Dr. Sabrina Navarra

Dr. Fabrizio Capponi

Aedes SIIQ S.p.A. - Company subject to direction
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