AEDES SiiQ
COMMERCIAL PROPERTIES

Half-Year Financial Report at 30 June 2017 112° financial year

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1. COMPANY PROFILE

1.1 Governance

Board of Directors

Giuseppe Roveda
Chief Executive Officer

Carlo A. Puri Negri
Chairman

Benedetto Ceglie
Vice-Chairman
(4)

Giacomo Garbuglia
Director
(1)

Adriano Guarneri
Director
(1)

Dario Latella
Independent Director
(2)(3)

Annapaola Negri-Clementi
Independent Director
(1)(2)(3)

Giorgio Robba
Independent Director

Serenella Rossano
Independent Director
(2)(3)

(1) Finance and Investment Committee
(2) Control, Risk and Related Party Transactions Committee
(3) Remuneration and Appointments Committee
(4) Director in charge of the internal control and risk management system

Board of Statutory Auditors

Fabrizio Capponi
Standing Auditor
(1)

Cristiano Agogliati
Chairman
(1)

Sabrina Navarra
Standing Auditor
(1)

Giorgio Pellati
Alternate Auditor

Roberta Moscaroli
Alternate Auditor

Luca Angelo Pandolfi
Alternate Auditor

(1) Supervisory Body

Independent Auditors

Deloitte & Touche S.p.A.

1.2 Shareholder structure

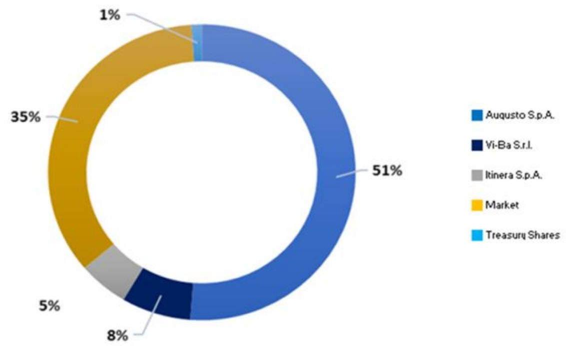
There were no changes in 1H17 in the amount of the share capital of Aedes SIIQ S.p.A. and in the number of shares issued.

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

The table below shows the list of shareholders who hold more than 5 (five) percent of the issued share capital[1] at 30 June 2017, based on Consob communications[2] and the updated Shareholders' Register, as well as on other information available to the Company at that date.

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%
Market	112,235,329	35.10%	35.48%
Total Shares	**316,303,191**	**98.91%**	**100%**
Treasury shares	3,500,000	1.09%	0%
Total Shares	**319,803,191**	**100%**	**100%**

Given the relevant shareholder structure, calculated on the basis of 319,803,191 ordinary shares outstanding at 30 June 2017, the shareholder base is composed as shown in the chart. Mention should be made that, out of a total of 86,956,536 warrants, 86,954,220 are still outstanding, entitling their holders to subscribe to 1 share of Aedes SIIQ S.p.A. at a price of € 0.69 each for every 3 warrants held.



TREASURY SHARES

At 30 June 2017, Aedes held 3,500,000 ordinary shares - at an average purchase price of € 0.4156 - representing 1.09% of the share capital.

[1] taking account of the SME status of the Company, pursuant to art. 1, par. 1, lett. w-quater. 1, of Legislative Decree no. 58/1998

[2] received under art. 120 of Legislative Decree no. 58/1998

2. Directors' Report on Operations

2.1 Performance Indicators

- Financial Highlights[3][4]

RENTAL REVENUE		NOI		EBITDA		EBIT		NET RESULT	
6.6	8.5	6.4	6.1	0.1	0.2	19.5	5.8	17.2	2.9
2016	2017	2016	2017	2016	2017	2016	2017	2016	2017

GAV[5]		GFP		LTV %[6]		PROPERTY NAV[7]	
398.6	448.8	(163.2)	(214.1)	40.9%	47.7%	243.8	261.0
2016	2017	2016	2017	2016	2017	2016	2017

EQUITY		NFP		GEARING RATIO		AVERAGE COST DBT%	
303.4	306.3	(150.6)	(195.6)	54%	70%	2.62%	2.94%
2016	2017	2016	2017	2016	2017	2016	2017

EPRA NAV		EPRA NAV/SHARE		EPRA NNNAV		EPRA NNNAV/SHARE	
299.8	302.8	0.95	0.96	306.6	311.4	0.97	0.98
2016	2017	2016	2017	2016	2017	2016	2017

- Market performance[8]

AEDES SHARE ON THE STOCK EXCHANGE

The trend of the Aedes share (AE.IM) in 1H17 was basically in line with the market index and its main competitors, despite maintaining a lower performance and then deviating sharply starting from the second half of April.

The following chart shows the trend of the Aedes share versus its main competitors[9] and the market index[10].

[3] Figures in euro millions.
[4] The income statement figures refer to the situation at 30 June 2016 and 2017; the balance sheet figures refer to the situation at 31 December 2016 and 30 June 2017.
[5] Consolidated figures.
[6] GFP / GAV. Taking account of the debt allocated on properties alone, the LTV ratio stands at 41.9%.
[7] Consolidated figures.
[8] Source Bloomberg
[9] Beni Stabili SIIQ and IGD SIIQ
[10] FTSEMIB Index

Key statistics and price trend of the Aedes share:

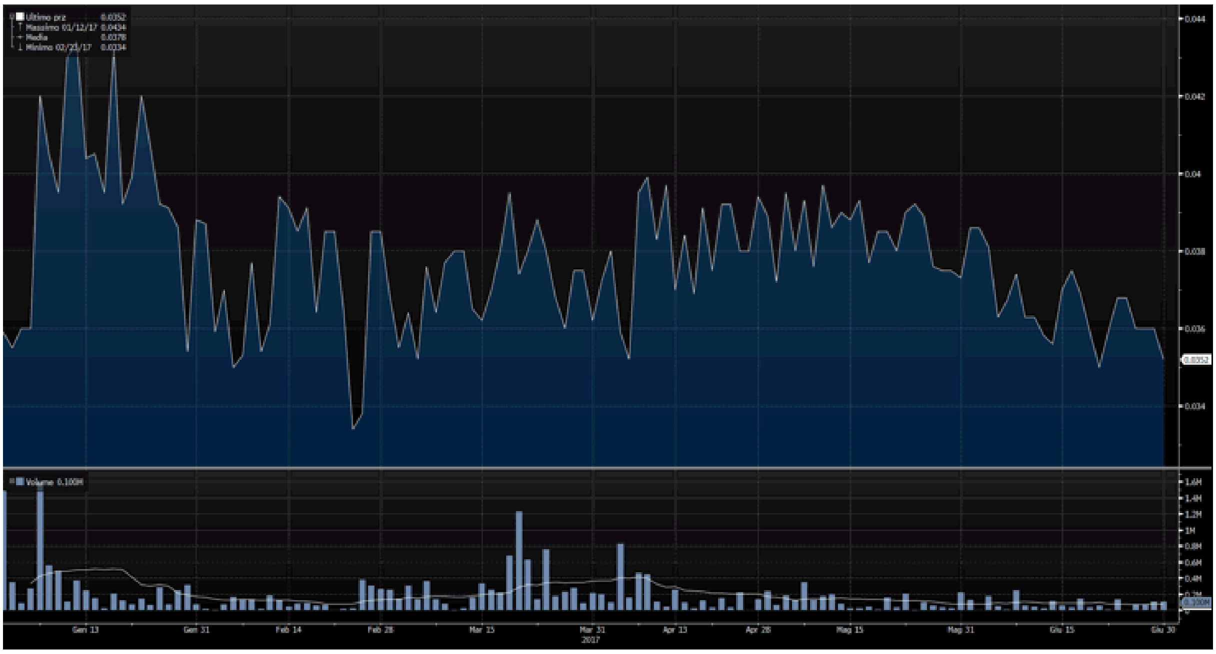
Price at 30 December 2016:	*€ 0.3860*	
Price at 30 June 2017:	*€ 0.3272*	
Change in the period:	*-15%*	
Maximum price:	*€ 0.4180*	*(20 March 2017)*
Minimum price:	*€ 0.3246*	*(28 June 2017)*
Average price:	*€ 0.37717*	

Market capitalization at 30 June 2017: € 104.64 million

WARRANT PERFORMANCE

Following the issue of shares arising from the capital increase with pre-emption rights, 86,956,536

2015-2020 Aedes warrants were allocated without charge. The capital increase with pre-emption rights of up to € 40,000,006.56 at a price of € 0.46 per share provided, in fact, for the issue of up to 86,956,536 Aedes ordinary shares, combined with as many free warrants, and for a concurrent capital increase of up to € 20,000,003.28, at a price of € 0.69 per share, including premium and, therefore, for a maximum of 28,985,512 Aedes ordinary shares to service the exercise of the warrants.
Trading of the 2015-2020 Aedes warrant began on 30 June 2015, with an initial price of € 0.0503. The chart below shows the 2015-2020 Aedes warrant in 1H17.



Out of a total of 86,956,536 warrants, 86,954,220 are still outstanding, entitling their holders to subscribe to 1 share of Aedes SIIQ S.p.A., at a price of € 0.69 each for every 3 warrants held.

2.2 Net Asset Value

At 30 June 2017, the EPRA NNNAV of the Aedes Group amounted to € 311.4 million, including the pro-rata share of equity held through joint ventures, real-estate funds and associates measured at equity, taking account of the market value of the properties owned by them.

The table below shows the NAV and NNNAV of the Aedes Group (in Euro thousands):

	30/06/2017	31/12/2016
Outstanding shares (*)	*316,303,191*	*316,303,191*
EPRA Net Asset Value		
Equity	299,624	296,408
Effect of exercise of 2015-2020 warrant		
NAV	**299,624**	**296,408**
Includes:		
Revaluation of Properties under Development	46	120
Revaluation of other investments (property investments)	1,516	1,525
Revaluation of inventories	1,406	1,415
Excludes:		
Fair value of derivative financial instruments	238	375
Goodwill as a result of deferred tax	**0**	**0**
EPRA NAV	**302,830**	**299,843**
EPRA NAV per share (Euro)	***0.96***	***0.95***
Fair value of derivative financial instruments	(238)	(375)
Fair value of financial debt	8,831	7,129
EPRA NNNAV	**311,423**	**306,597**
EPRA NNNAV per share (Euro)	***0.98***	***0.97***

(*) net of treasury shares

The diluted EPRA NAV and EPRA NNNAV are not meaningful since the outstanding warrants, being out of the money at the date of this Half-Year Financial Report, have a dilutive effect. Their calculation was, therefore, deemed unnecessary.

With a NNNAV per share of € 0.98, the average price of the Aedes share has offered a considerable discount so far (approximately -60%). The Company has already launched a series of plans, including a buy-back programme, the appointment of Intermonte SIM S.p.A. as Financial Intermediary for the purchase and sale of shares and as Liquidity Provider and Specialist of the Aedes share, as well as several investor relations initiatives, with the aim of increasing the visibility of the share and allowing the gradual approximation of its price to the NNNAV.

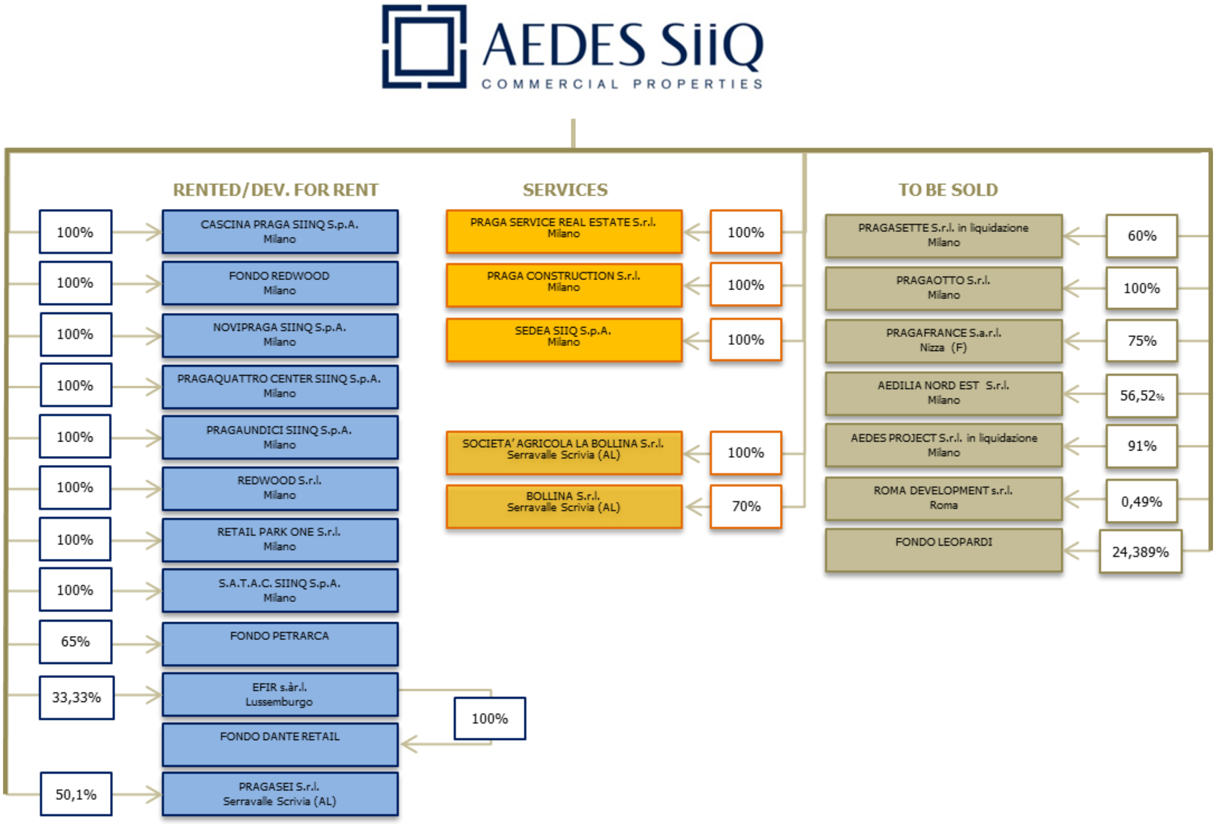
In relation also to CONSOB recommendation no. DIE/0061493 of 18 July 2013 on the preparation of the Condensed Consolidated Half-Year Financial Report at 30 June 2017, the Group, subject to certain exceptions specified below, made use of the services of CB Richard Ellis as primary independent expert in order to carry out appraisals on the property portfolio to support the Directors in their assessments.
It should be noted that, for the Group's property portfolio held through the Petrarca Fund, the Group appointed K2Real S.r.l. as independent expert, following the end of the three-year assignment by the Fund Management Company to CB Richard Ellis. The valuation assignments are awarded on the basis of fixed fees. The results of the appraisals on the entire property assets of the Group show no second-level impairment indicators.

2.3 Group Structure

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 the decision to join the statutory and tax regime typical of listed property investment companies (so-called SIIQ regime), Aedes switched to SIIQ status on 1 January 2016, adopting 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. A time-honoured tradition for the social well-being of present and future generations.

The Group structure at 30 June 2017 was as follows:

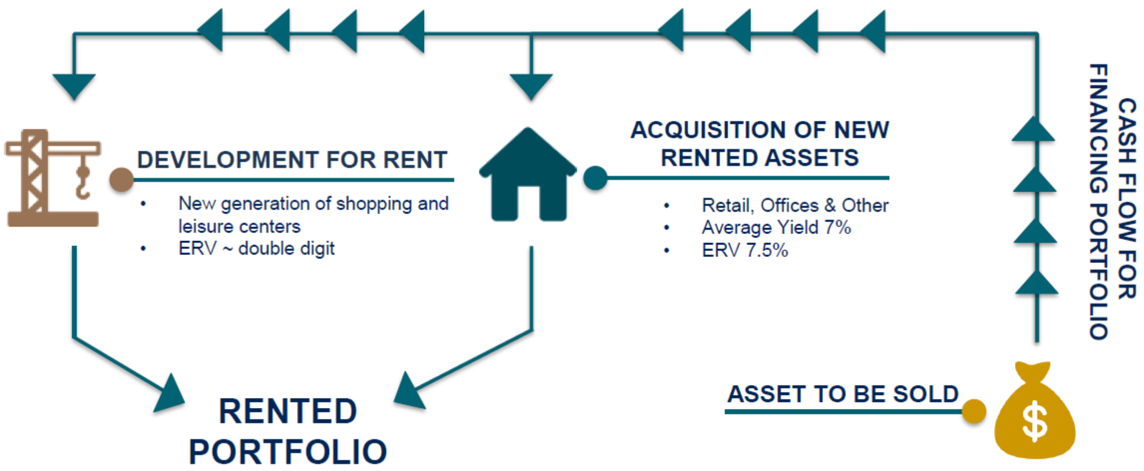


An annex to this Condensed Consolidated Half-Year Financial Report ("**Financial Report**" or "**Half-Year Report**") provides further information on investments held directly and indirectly by the Parent Company.

2.4 Strategy and business model

The Aedes strategy aims at creating and maintaining in the medium to long term a revenue property portfolio for commercial purposes of use, mainly retail purposes, with limited use of debt such as 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 property portfolio for commercial use that is sustainable and consistent with the SIIQ model, is the strategy of the Aedes Group, which strengthens its business mainly through the placement of financial resources in the "revenue" and "revenue development" 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 through its "circular" business model, i.e., by designing and developing the potential of building areas held in the portfolio, by constructing the building itself and shaping the surrounding areas, turning the property into an asset with added value for the territory and the local community, while also renewing infrastructure and delivering social well-being.



Aedes also provides asset management, administration and finance services exclusively to Group companies. 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 over investments.

2.5 Performance for the period

- Results

The table below shows the reclassification of operating results to provide a clearer picture of the result for the period:

Description (Euro/000)	30/06/2017	30/06/2016	Change
Gross rental revenue	8,493	6,558	1,935
Income from sale of properties	60	0	60
Income from sale of non-property inventories	465	339	126
Other revenue	299	1,822	(1,523)
Total Revenue	**9,317**	**8,719**	**598**
Net losses from vacancies	(305)	(237)	(68)
IMU, other tax and insurance on properties	(1,592)	(1,177)	(415)
Opex	(333)	(307)	(26)
Commissions and fees	(812)	(383)	(429)
Other non-rechargeable costs	(188)	(221)	33
Total Direct External Costs	**(3,230)**	**(2,325)**	**(905)**
Net Operating Income	**6,087**	**6,394**	**(307)**
Direct Personnel Expense	(1,251)	(921)	(330)
Internal direct capitalized costs on properties	597	437	160
Total Direct Costs	**(654)**	**(484)**	**(170)**
HQ Personnel Expense	(1,367)	(1,491)	124
Consultancy	(1,487)	(1,909)	422
G&A	(2,360)	(2,487)	127
Internal capitalized costs on non-property inventories	0	88	(88)
Total General Expenses	**(5,214)**	**(5,799)**	**585**
EBITDA	**219**	**111**	**108**
Fair value adjustment of investment property	7,881	23,063	(15,182)
(Write-down)/write-back of inventories	(961)	(289)	(672)
Amortization, depreciation, provisions and other impairment losses	(372)	(2,702)	2,330
Financial income/(charges) from associates	(982)	(652)	(330)
EBIT (Operating profit)	**5,785**	**19,531**	**(13,746)**
Financial income/(charges)	(2,425)	(2,411)	(14)
EBT (Pre-tax profit)	**3,360**	**17,120**	**(13,760)**
Tax/tax charges	(82)	8	(90)
Profit/(loss) from continuing operations	**3,278**	**17,128**	**(13,850)**
Gains/(losses) after tax from assets and liabilities held for sale	(421)	88	(509)
Profit/(loss)	**2,857**	**17,216**	**(14,359)**
Result - non-controlling interests	(340)	5	(345)
Result - Group	**3,197**	**17,211**	**(14,014)**

1H17 closed with a profit of € 2.9 million (€ 3.2 million attributable to the owners of the Parent) versus a profit of € 17.2 million in 1H16, almost entirely attributable to the owners of the Parent.

The result achieved in 1H17 stems from the actions taken by the Group to develop a strategy aimed at the consolidation of a property portfolio typical of a property company, a strategy pursued with determination in 2016 by expanding the property portfolio in order to generate rental revenue, and continued in 2017 by acquiring Retail Park One S.r.l., owner of a retail park covering 27,655 m² of GLA in Serravalle Scrivia (AL), with a 9% entry yield.

Additionally, in keeping with the strategy for the disposal of non-core assets and investments, on 16

June 2017, a deed was concluded for the disposal of the interests of the subsidiary Golf Club Castello Tolcinasco SSD S.r.l., previously classified as "discontinued operation" from 1Q17. The result of the company up to the disposal date and the effects of the disposal have been classified under "Gains/(losses) after tax from assets and liabilities held for sale". For comparative purposes, the corresponding result of the prior period has also been classified under the item.

The following income statement figures are analyzed by item.

TOTAL REVENUE

Total revenue in 1H17 amounted to € 9.3 million, up by 7% versus 1H16. Consistent with the property company model and the tax regime of SIIQs, rental revenue increased to 91% of total revenue versus 75% in 1H16.

Revenue (Euro/000)	30/06/2017	30/06/2016	Change
Gross rental revenue	8,493	6,558	1,935
Income from sale of properties	60	0	60
Income from sale of non-property inventories	465	339	126
Other revenue	299	1,822	(1,523)
Total	**9,317**	**8,719**	**598**

Income from sale of properties (Euro/000)	30/06/2017	30/06/2016	Change
Gross revenue from sale of property inventories	*780*	*0*	*780*
Costs of sales from property inventories	*(720)*	*0*	*(720)*
Income from sale of properties	***60***	***0***	***60***

Income from sale of non-property inventories (Euro/000)	30/06/2017	30/06/2016	Change
Gross revenue from sale of non-property inventories	*1,316*	*1,096*	*220*
Costs of sales from non-property inventories	*(851)*	*(757)*	*(94)*
Income from sale of non-property inventories	***465***	***339***	***126***

Other revenue (Euro/000)	30/06/2017	30/06/2016	Change
General Contractor revenue	*6,112*	*13,407*	*(7,295)*
General Contractor costs	*(6,277)*	*(12,281)*	*6,004*
Margin from provision of General Contractor services	**(165)**	**1,126**	**(1,291)**
Project Management revenue	*0*	*409*	*(409)*
Project Management costs	*(55)*	*(321)*	*266*
Margin from provision of Project Management services	**(55)**	**88**	**(143)**
Sundry revenue	**519**	**608**	**(89)**
Other revenue	***299***	***1,822***	***(1,523)***

Gross rental revenue amounted to € 8.5 million versus € 6.6 million at 30 June 2016. The 29% increase by € 1.9 million is the result of the acquisition of assets and revenue property portfolios made by the Group starting from 2H15 and continued in 2016 and 2017. Thanks to these acquisitions, the Group has reached an annual rent level of approximately € 18 million.
The margin from the sale of properties, amounting to € 0.1 million, includes income from the sale of property inventories of € 0.8 million, amounting to zero at 30 June 2016 net of the related sales cost of € 0.7 million.
The margin from the sale of non-property inventories, amounting to € 0.5 million versus € 0.3 million at 30 June 2016, includes the margin generated by the wine-growing business of Società Agricola la Bollina S.r.l. and Bollina S.r.l..
The margin from the provision of General Contractor services came to € -0.2 million at 30 June 2017 versus € +1.1 million at 30 June 2016, while the margin from the provision of Project Management services came to € -0.1 million at 30 June 2017 versus +0.1 million at 30 June 2016.
Lastly, sundry revenue amounted to € 0.5 million at 30 June 2017 versus € 0.6 million in 2016.

Direct External Costs

Direct external costs amounted to € 3.2 million at 30 June 2017 versus € 2.3 million at 30 June 2016.

Direct External Costs (Euro/000)	30/06/2017	30/06/2016	Change
Net losses from vacancies	(305)	(237)	(68)
IMU, other tax and insurance on properties	(1,592)	(1,177)	(415)
Opex	(333)	(307)	(26)
Commissions and fees	(812)	(383)	(429)
Other non-rechargeable costs	(188)	(221)	33
Total Direct External Costs	**(3,230)**	**(2,325)**	**(905)**

The increase of € 0.9 million is attributable mainly to higher property tax as a result of the growth in property assets, and to management fees of the Petrarca Fund as a result of the disposal of Aedes Real Estate SGR S.p.A. (now Sator Immobiliare SGR S.p.A.), deconsolidated from 4Q16.

Net Operating Income

(Euro/000)	Property assets	Non-property assets	30/06/2017	Property assets	Non-property assets	30/06/2016	Change
Net Operating Income	**5,727**	**360**	**6,087**	**6,143**	**251**	**6,394**	**(307)**

Net Operating Income, as a result of the above items, amounted to € 6.1 million versus € 6.4 million at 30 June 2016, down by € 0.3 million.

Direct Costs

Direct Costs (Euro/000)	30/06/2017	30/06/2016	Change
Direct Personnel Expense	(1,251)	(921)	(330)
Internal direct capitalized costs on properties	597	437	160
Total Direct Costs	**(654)**	**(484)**	**(170)**

The increase in direct personnel expense stems from the development of the organizational structure from 2H16, as a result of the expansion of the revenue portfolio and the pipeline for the development of revenue properties.

General Expenses

General expenses amounted to € 5.2 million, falling by € 0.6 million versus € 5.8 million at 30 June 2016.

General Expenses (Euro/000)	30/06/2017	30/06/2016	Change
HQ Personnel Expense	(1,367)	(1,491)	124
Consultancy	(1,487)	(1,909)	422
G&A	(2,360)	(2,487)	127
Internal capitalized costs on other fixed assets and non-property inventories	0	88	(88)
Total General Expenses	**(5,214)**	**(5,799)**	**585**

EBITDA

(Euro/000)	Property assets	Non-property assets	30/06/2017	Property assets	Non-property assets	30/06/2016	Change
EBITDA	**118**	**101**	**219**	**154**	**(43)**	**111**	**108**

As a result of the above items, EBITDA amounted to € 0.2 million, up by € 0.1 million versus the prior period.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTY

In 1H17, investment property recorded net adjustments of € 7.9 million versus € 23.1 million in the prior year (including the revaluation of € 16.1 million in the fair value of the Redwood portfolio). The fair value adjustments in 2017 refer mainly to the revaluation of the Retail Park of Serravalle (€ 4.6 million) and to the revaluation of the development area situated in the Municipality of Caselle, following the signing of the Town-Planning Agreement with the Municipality (€ 3.5 million).

(WRITE-DOWN)/WRITE-BACK OF INVENTORIES

In 1H17, the item ended at € -1.0 million (€ 0.3 million in 2016), down by € 0.7 million versus 1H16.

AMORTIZATION, DEPRECIATION, PROVISIONS AND OTHER IMPAIRMENT LOSSES

The item came to € 0.4 million at 30 June 2017 (€ 2.7 million in 1H16), down by € 2.3 million. The item is broken down as follows:

- amortization and depreciation of € 0.3 million, in line with 2016;
- write-downs basically null versus € 0.1 million in 2016;
- provisions for risks and charges of € 0.1 million (€ 2.3 million in 2016, which included the provision for the Fih S.a.g.l. arbitration award).

INCOME/(CHARGES) FROM ASSOCIATES AND JOINT VENTURES

The item came to € -1.0 million (€ 0.7 million at 30 June 2016), increasing by € 0.3 million, due mainly to adjustments to market values, in line with the policies adopted by the Group.

EBIT

EBIT amounted to € 5.8 million, as a result of the acquisition of Retail Park One S.r.l. and the revaluation arising from the signing of the Caselle agreement, versus € 19.5 million in 2016, driven by the positive deal from the acquisition of the Redwood portfolio.

FINANCIAL INCOME/(CHARGES)

Financial charges net of financial income, including the effects of the fair value adjustment of derivatives to hedge interest rate risk, amounted to € 2.4 million, in line with the prior period.
The item consists mainly of:

- Financial income: +€0.4 million, in line with 1H16;
- Financial charges: -€ 2.9 million (-€ 2.1 million in 1H16);
- Fair value adjustment of derivatives: € +0.1 million (€ -0.8 million in 1H16);

TAX/TAX CHARGES

Tax in 1H17 was basically null, in line with 1H16, and consisted of:

- € 0.1 million in current tax from the companies that have joined the SIIQ and SIINQ regime; and
- € -0.1 million from the net negative effect of deferred and prepaid tax.

• Financial position

The financial position of the Group is summarized as follows:

Description	30/06/2017	31/12/2016	Change
Fixed Capital	447,507	398,367	49,140
Net working capital	58,593	61,727	(3,134)
INVESTED CAPITAL	**506,100**	**460,094**	**46,006**
Equity attributable to the owners of the Parent	299,623	296,408	3,215
Equity attributable to non-controlling interests	6,613	6,953	(340)
Total equity	**306,236**	**303,361**	**2,875**
Other non-current (assets) and liabilities	**4,299**	**6,115**	**(1,816)**
Current payables due to banks and other lenders	185,216	113,866	71,350
Current payables due to banks and other lenders	28,916	49,362	(20,446)
Cash and cash equivalents	(18,567)	(12,610)	(5,957)
Total net financial debt	**195,565**	**150,618**	**44,947**
TOTAL FUNDING SOURCES	**506,100**	**460,094**	**46,006**

A. FIXED CAPITAL

The item amounted to € 447.5 million versus € 398.4 million at 31 December 2016 and is composed of:

- investment property and other tangible fixed assets of € 395.9 million versus € 344.2 million at 31 December 2016. The change of € 51.7 million is attributable mainly to the acquisition of the Retail Park of Serravalle, to capitalization of € 5.8 million, and to fair value adjustments in the period;
- capital investment in associates and joint ventures of € 51.5 million versus € 54.0 million at 31 December 2016. The decrease is attributable mainly to the distribution of the capital of the associate Dante Retail Fund, and to adjustments in the period;
- other financial fixed assets of € 0.1 million, in line with the prior period;
- intangible fixed assets of € 0.1 million, in line with the prior period.

B. NET WORKING CAPITAL

Net working capital amounted to € 58.6 million versus € 61.7 million at 31 December 2016, and consists of:

- inventories of € 55.1 million versus € 56.3 million at 31 December 2016. The change is attributable to the disposal of assets and to write-downs in the reporting period;
- trade and other receivables of € 22.6 million versus 27.0 million at 31 December 2016;
- trade and other payables of € 19.1 million versus € 21.6 million at year-end 2016.

C. INVESTED CAPITAL

As a result of the above changes, invested capital increased from € 460.1 million at 31 December 2016 to € 506.1 million at 30 June 2017. Invested capital is represented by equity of € 306.2 million (61%), by net financial debt of € 195.6 million (38%), and by other net non-current liabilities of € 4.3 million (1%).

D. CONSOLIDATED EQUITY

Consolidated equity amounted to € 306.2 million versus € 303.4 million at 31 December 2016. The upward change of € 2.8 million is attributable mainly to the result for the period.
The item is composed of € 299.6 million from equity attributable to the owners of the Parent (€ 296.4 million at end 2016), and of € 6.6 million from non-controlling interests (€ 7.0 million at end 2016).

E. Other non-current Assets and Liabilities

Other non-current assets and liabilities closed the period at € -4.3 million versus € -6.1 million at end 2016. The item is composed as follows:

- € 1.0 million from the provision for severance indemnity (in line with 2016);
- € 2.4 million from net assets (€ 2.5 million in liabilities at end 2016) as the imbalance between deferred tax assets and the provision for deferred tax;
- € 6.0 million (in line with 2016) from provisions for risks mainly for contractual charges (€ 0.8 million, in line with 2016), provisions for tax risks (€ 2.4 million, in line with 2016), provisions related to management of the property assets (€ 0.2 million, in line with 2016), and provisions for future risks (€ 2.6 million, in line with 2016);
- € 0.6 million from non-current net receivables (€ 1.2 million in payables at end 2016);
- € 0.3 million from net liabilities due to the fair value measurement of derivatives (€ 0.4 million of net liabilities at end 2016).

I. Consolidated Net Financial Debt

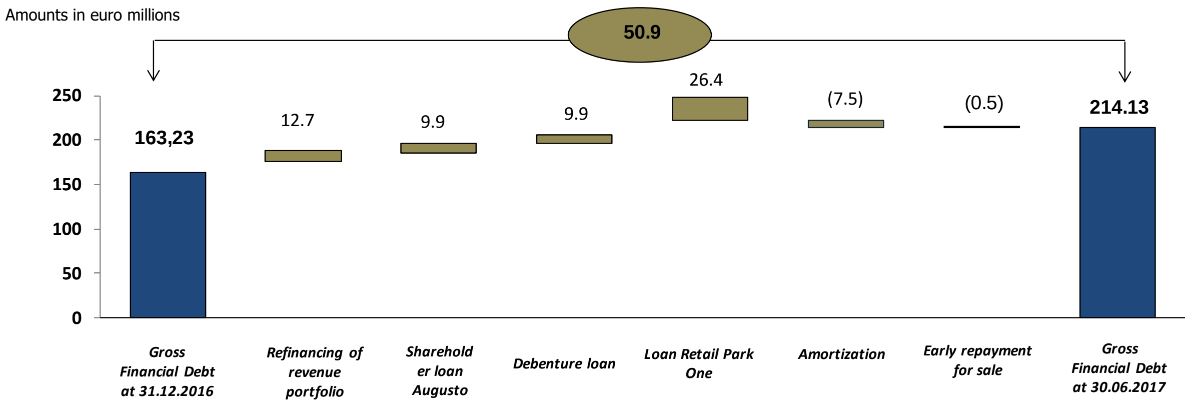
The net financial debt of the Group at 30 June 2017 amounted to € 195.6 million versus € 150.6 million at 31 December 2016. The change is attributable mainly to the new loan agreements concluded with banks, in addition to the bond and the shareholder loan received from Augusto S.p.A..
The 2017 figure shows a difference between gross payables of € 214.1 million and bank deposits amounting to € 18.5 million, versus gross payables of € 163.2 million and bank deposits amounting to € 12.6 million at the end of the prior year.
The following table shows the net financial debt of the Group at 30 June 2017 versus year-end 2016:

	NFP (Euro/000)	30/06/2017	31/12/2016	Change
A	Cash on hand	18,567	12,610	5,957
B	Cash equivalents	0	0	0
C	Securities	0	0	0
D	***Liquidity (A) + (B) + (C)***	***18,567***	***12,610***	***5,957***
E	***Current financial receivables***	***0***	***0***	***0***
F	Current payables due to banks	(28,812)	(47,798)	18,986
G	Current portion of non-current financial liabilities	77	0	77
H	Other current financial liabilities	(181)	(1,564)	1,383
I	***Total current financial liabilities (F) + (G) + (H)***	***(28,916)***	***(49,362)***	***20,446***
J	**Net current financial debt (I) + (E) + (D)**	**(10,349)**	**(36,752)**	**26,403**
K	Non-current payables due to banks	(163,956)	(97,107)	(66,849)
L	Bonds issued	(9,944)	0	(9,944)
M	Other non-current financial liabilities	(11,316)	(16,759)	5,443
N	**Non-current net financial debt (K) + (L) + (M)**	**(185,216)**	**(113,866)**	**(71,350)**
O	**Net financial debt (J) + (N)**	**(195,565)**	**(150,618)**	**(44,947)**

The change in the net financial debt is due mainly to:

Net financial debt at 31 December 2016 (Payables)/Cash (€/000)	(150,618)
Change in net working capital	3,134
Cash flow from operations (Result and amortization and depreciation)	(4,652)
Changes in fixed capital	(41,631)
Other changes in equity	18
Change in other non-current assets and liabilities	(1,816)
Net financial debt at 30 June 2017 (Payables)/Cash	**(195,565)**

In 1H17, the gross financial debt increased by € 50.9 million from € 163.2 million to € 214.1 million. The increase is due mainly to the net effect of the new loans taken out and to period amortization/depreciation, as explained in the chart below.

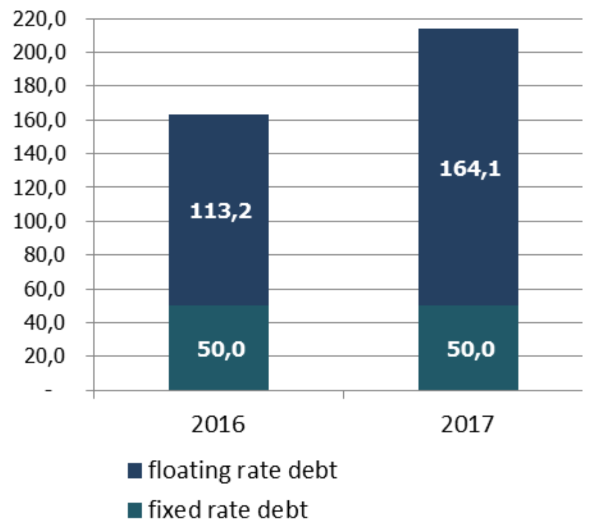


Specifically, the effects on the change in the debt are ascribable to:

b) increases of € 58.9 million, attributable to:
- *(i)* € 12.7 million for the refinancing of part of the revenue portfolio;
- *(ii)* € 26.4 million for a new loan secured by a pledge on the equity interests in Retail Park One S.r.l. and taken out to purchase the equity interests of the company;
- *(iii)* € 9.9 million for the new shareholder loan of Augusto S.p.A.;
- (*iv*) € 9.9 million for the issue of a debenture loan.

b) decreases for a total of € 8 million, attributable to:
- *(i)* repayments for period amortizations of approximately € 7.5 million and
- *(ii)* early repayments of approximately € 0.5 million for the sale of a property;

Amounts in euro millions



At 30 June 2017, the percentage of the floating-rate gross debt amounted to 76.6% of the Group's overall financial exposure versus 69.4% of the floating-rate debt at 31 December 2016.
The portion of debt not exposed to the interest rate risk is due to the subscription by Aedes in November 2015 of an Interest Rate Collar, with 0% strike rates for floor and 1% for cap, with a notional amount of € 50.0 million and bullet maturity in December 2020.
The purpose of the derivative is to reduce the rate risk on the overall debt of the Group.

The table below shows the reclassification of the financial debt of the Group by guarantee[11]:

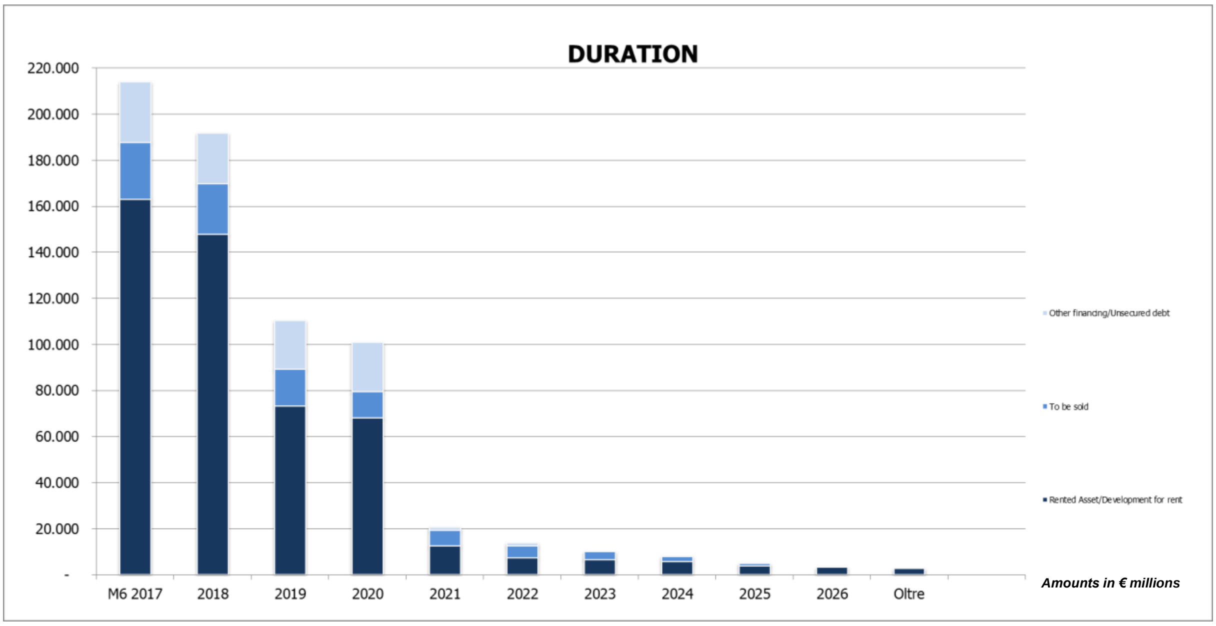
	2017	2016	Δ
Rented Assets: mortgage loans	*113.9*	*84.1*	*29.8*
Rented Assets: leasing	*0.0*	*16.7*	*(16.7)*
Rented Assets: other securities	*26.4*	*0.0*	*26.4*
GFP Rented	**140.3**	**100.9**	**39.4**
Development for Rent: mortgage loans	*10.0*	*9.0*	*1.0*
Development for Rent: other securities	*12.8*	*14.6*	*(1.7)*
GFP Development for Rent	**22.8**	**23.6**	**(0.8)**
GFP Sub Total Rented Portfolio	**163.1**	**124.5**	**38.6**
Portfolio to be sold: mortgage loans	*24.7*	*30.4*	*(5.7)*
GFP Sub Total Portfolio to be sold	**24.7**	**30.4**	**(5.7)**
GFP Real Estate Portfolio	**187.8**	**154.8**	**33.0**
Unsecured debts vs Banks	**4.9**	**6.8**	**(1.9)**
Unsecured debts vs Others	**21.4**	**1.6**	**19.8**
GROSS FINANCIAL POSITION	**214.1**	**163.2**	**50.9**

At 30 June 2017, the debt has an average duration of 2.54 years, increasing by 0.44 years (in comparison to the prior half year) versus 2.60 years at 31 December 2016.

The short-term financial debt of the Group at 30 June 2017 amounted to € 28.9 million versus € 49.4 million at 31 December 2016, with a net decrease of € 20.5 million. Approximately € 8 million out of the € 28.9 million in short-term maturities refer to a bullet loan maturing at year end and under renegotiation at the date of this Report. The improvement in short-term maturities is due mainly to the refinancing of part of the revenue portfolio.

The chart below shows the repayment plan of financial payables, broken down by nature and type of business of the funded asset.

[11] Figures in euro millions


DURATION
220.000
200.000
180.000
160.000
140.000
120.000
100.000
80.000
60.000
40.000
20.000
-
M6 2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
Oltre
Other financing/Unsecured debt
To be sold
Rented Asset/Development for rent
Amounts in € millions

2.6 Glossary of terms and alternative performance indicators used

This document, in addition to the statements and conventional financial indicators under IFRS, presents a number of reclassified statements and various alternative performance indicators to allow for a better measurement of the operating and financial performance of the Group. These statements and indicators should not be considered as a substitute of those required by IFRS. Specifically, the alternative indicators used include:

- **Net Working Capital**
  Equal to the algebraic sum of:
  - Trade and other receivables (current portion): net receivables due from clients, receivables due from subsidiaries and associates, receivables due from others, tax receivables, accrued income and prepaid expenses
  - Inventories (land, property initiatives in progress and advance payments, properties)
  - Financial assets held to maturity
  - Trade payables (current portion)
  - Current tax payables

- **Fixed Capital**
  Includes the following items:
  - Investment property
  - Other tangible fixed assets (plant, equipment, other goods, fixed assets in progress)
  - Goodwill and other intangible fixed assets
  - Investments in companies measured at equity
  - Financial assets available for sale
  - Financial receivables (non-current portion)

- **Cost of sales**
  Equal to the consolidated carrying amount of inventories at the time of their sale.

- **EBIT (*Earnings before interest & tax*)**
  Equal to the Operating Result net of financial charges capitalized under inventories.
  The indicator can be also calculated net of non-recurring items and, in this case, specific explanations are included.

- **EBITDA (*Earnings before interest, tax, depreciation & amortization*)**
  Equal to the Operating Result before depreciation, amortization, impairment, fair value adjustment of investment property, provisions for risks, and income and charges from associates and joint ventures, as well as "restructuring income/charges". The indicator's purpose is to present a recurring situation of operating profitability.

- **GAV (*Gross Asset Value*)**
  Equal to the total value of property assets calculated at current market values.

- **Gearing Ratio**
  The ratio measures the impact of borrowed capital on a company's equity. It is represented by the ratio between financial debt and equity.

- **NAV (*Net Asset Value*)**
  Equal to the difference between the total value of assets calculated at current market values and the total value of liabilities.

- **Property NAV (*Net Asset Value*)**
  Equal to the difference between the total value of property assets calculated at current market values and the total value of financial liabilities allocated to properties.

- **NOI (*Net Operating Income*)**
  Equal to EBITDA gross of indirect costs. The indicator's purpose is to present a situation of operating profitability before indirect and overhead costs.
- **Gross Financial Position** (GFP or gross financial debt)
  Equal to the algebraic sum of:
  - Current financial liabilities
  - Non-current financial debt

- **Net Financial Position** (NFP or net financial debt)
  Equal to the Gross Financial Position net of:
  - Liquidity, or cash (cash on hand and term deposits), cash equivalents and securities
  - Current financial receivables

The table below reconciles revenue and costs presented in the Directors' Report on Operations and the figures shown in the Financial Statements.

Total revenue shown in the Report	**9,317**
Revenue from charge-backs to tenants	775
General Contractor Costs	6,277
Project Management Costs	55
Cost of sales property and non-property inventories	1,571
Total revenue from sales and other revenue shown in the financial statements	**17,995**

Total costs shown in the Report	**(9,098)**
Revenue from charge-backs to tenants	(775)
General Contractor Costs	(6,277)
Project Management Costs	(55)
Capitalized costs for purchases charged to stock	(871)
Total costs shown in the financial statements	**(17,076)**

Revenue from charge-backs to tenants is shown in the Directors' Report on Operations as a reduction of "Net losses from vacancies", whereas in the notes to the consolidated financial statements it is shown under "Revenue from sales and services".

Regarding costs for General Contractor and Project Management activities, it should be noted that the Directors' Report on Operations shows revenue net of direct costs, while in the notes, the costs are shown under "Costs for raw materials and services".

Regarding the cost of inventories sold, it should be noted that the Directors' Report on Operations shows revenue net of the cost of sales, while in the notes, the costs are shown under "Change in inventories".

2.7 Actual figures versus the Plan

The 2014-2019 Business Plan (the "**Plan**") was approved by the Board of Directors of Aedes on 27 May 2014 and subsequently supplemented, the last time on 1 December 2014.

The income statement at 30 June 2017 shows EBIT of € 5.8 million versus € 18.1 million under the Plan. The difference of € 12.3 million is attributable to lower service revenue, in line with the SIIQ model (property company) adopted as from 1 January 2016, and to lower sales of the pipeline in order to develop revenue properties.

As for the Statement of Financial Position, the net financial position amounts to approximately € -195.6 million versus the estimate of € -197.4 million. The upward difference of € 1.8 million is ascribable:

a) for € +11.8 million to the Group's lower-than-forecast debt, as a net result of (i) € +97.7 million from lower debt on development projects, due to the shift forward of capex investments, as a result of the approximately 6 month deferred completion of the 2014 restructuring operation from the forecasts in the Plan; (ii) € -64.3 million from higher debt on revenue portfolio assets, as a result of accelerated investments of € +122.5 million from the forecasts in the Plan, through the acquisition of the majority interest in the Petrarca Fund, of 100% of the Redwood Fund, of the property in Via Veneziani, Rome, and of the Serravalle Retail Park; and (iii) € -21.6 million from payables to other lenders;
b) for € -10.0 million to lower cash available from the figure in the Plan, as a result of the above higher investments in revenue assets.

Equity amounted to € 306.2 million versus € 314.6 million forecast in the Plan.

2018-2023 BUSINESS PLAN TARGET

On 2 August 2017, the Board of Directors approved the updates to the guidelines of the Business Plan, disclosed to the market on 28 September 2016, took note of the 2018-2023 Business Plan target, prepared in accordance with the updated guidelines, and authorized the Chief Executive Officer and the Chairman to assess the feasibility underlying the assumptions of the Plan on the market.

DRIVERS:

In the time span of the 2018-2023 Business Plan target, the Group seeks to continue the expansion and consolidation of a "commercial" portfolio by focusing on new generation retail and office assets, with the aim of maintaining, in the medium and long term, a property portfolio capable of generating recurring cash flows typical of the SIIQ/REIT model, with yields above the industry average.
The Group will continue to acquire existing revenue properties and property portfolios, including through contributions in kind, located mainly in North and Central Italy, and to develop a new generation of shopping and leisure centres through the pipeline of projects already in the portfolio. Additionally, the Group will continue to dispose of assets deemed no longer strategic, and will assess taking further steps to strengthen the Group's assets.

TARGETS:

- Financial balance from leasing in 2018
- Dividend distribution based on the 2018 result
- 2023 Property GAV of approximately € 1.6 billion
- Occupancy rate >95%
- LTV equal to approximately 50%

The occurrence of the assumptions underlying the 2018-2023 Business Plan target, hence the full or partial fulfilment of the Plan, will also depend, however, to a great extent on factors beyond the control of the Company - the degree of uncertainty of which increases as the time span of forecasts widens - including the economic cycle, market trends and, specifically, the property market.

2.8 Significant events

• Company events for the period

On **27 April 2017**, the Shareholders' Meeting of Aedes SIIQ S.p.A. approved by majority the Parent Company's financial statements and presented the consolidated financial statements of the Aedes SIIQ Group at 31 December 2016.
The Shareholders' Meeting authorized the Board of Directors to purchase and dispose of treasury shares, pursuant to art. 2357 and 2357-ter of the Italian Civil Code, to art. 132 of the TUF, and to art. 144-bis of the Regulations approved by Consob through resolution 11971/1999 as subsequently amended and supplemented.

• Transactions in the period

On **30 March 2017**, a town-planning agreement was concluded with the Municipality of Caselle for the development of the Turin-Caselle Torinese area held through the 100% owned subsidiary Satac SIINQ S.p.A..
Covering approximately 300,000 m², Aedes SIIQ will develop an Open Mall of over 120,000 m² of GLA in the area, boasting a functional mix of Retail and Entertainment, in line with the most innovative international concepts successfully opened abroad.
The conclusion of the town-planning agreement marks a major step forward in the enhancement of the investment and in the marketing of the spaces. The construction permits are expected by spring 2018.

On **11 April 2017**, a loan agreement was concluded with the Milan branch of ING Bank N.V. and with Unicredit S.p.A. for a total of € 56 million on an owned portfolio worth approximately € 111 million.
The loan is granted in two tranches of € 52 million and € 4 million: approximately € 39 million to repay existing loans and to cover the costs of the transaction; approximately € 17 million to finance the modernization of guarantee assets and new investment property.
The loan has an approximately 50% LTV and a 5-year term, which increases the average maturity of the Aedes Group's debt by approximately one year.

On **12 April 2017**, Aedes SIIQ S.p.A. concluded an agreement with professional investors on the issue of a non-convertible bond of € 15 million, subscribed to date for the amount of € 10 million, with the last subscription deadline for the remaining € 5 million by 31 December 2017.
The bond has an 18-month maturity, with the possibility of extending it for a further 18 months, at a 3-month Euribor rate plus a 5% spread.

On **20 April 2017**, a shareholder loan agreement of € 10 million was concluded with the controlling shareholder Augusto S.p.A.; the loan expires on 31 October 2018, with the possibility of extending the loan for a further 18 months, at a 3-month Euribor rate plus a 5% spread.

On **23 May 2017**, Aedes SIIQ S.p.A. concluded an agreement with Herald Level 2 Lux Holding Sarl on the purchase of 100% of Retail Park One

	S.r.l., owner of the Serravalle Retail Park, for a price of € 39.1 million. The acquisition was made through a loan of € 27 million - granted by a pool of banks - and for the residual amount through financial resources held by Aedes SIIQ. The acquisition of the Serravalle Retail Park, covering 27,655 m² of GLA, will produce commercial and cost synergies, with the development currently underway of 18,279 m² of GLA, already owned by Aedes SIIQ, the first phase of which is scheduled to open in spring 2018. Once completed, Aedes SIIQ will own the major Retail Park in Northern Italy with a total GLA of 45,934 m².
	On **21 June 2017**, the Board of Directors of Aedes SIIQ S.p.A. resolved to renew the programme to provide liquidity support to the Aedes SIIQ share until 31 December 2017, appointing INTERMONTE SIM S.p.A. as Liquidity Provider. Additionally, the Board of Directors appointed Alessia Farina - current Head of Administration of Aedes SIIQ - as Financial Reporting Manager.

• Events after the reporting period

On 20 July 2017, a deed was concluded for the merger by incorporation of Praga Service Real Estate into Praga Construction S.r.l. (now PRAGA RES S.r.l.), effective as from 1 August 2017.

On 31 July 2017, a deed was concluded for the merger by incorporation into Aedes SIIQ S.p.A. of the wholly-owned companies Cascina Praga SIINQ S.p.A. and Redwood S.r.l., legally effective from the date of the last registration as set out in art. 2504 of the Italian Civil Code.

2.9 Property portfolio

- ## Property market trend[12]

PROPERTY SCENARIO

In 2Q17, approximately € 4 billion were invested on the Italian property market, bringing investment volumes in the first half of the year to € 5.8 billion - up by 58% versus the same period last year - setting an all-time record of investments in property made over six months in our Country. The industry remained highly appealing in the first half of the year, reporting a stronger pace of business and a growth in both the average value and the number of transactions versus 1H16.
Foreign capital still leads the way, accounting for 80% of total investments in the first half of the year, with approximately € 4.5 billion, up by 67% versus 1H16. Additionally, invested domestic capital continued to increase its share, with over € 1 billion invested in 1H17.
Looking at the various segments, offices continued to record the highest share of investments with € 2 billion in 1H17 (+30% versus 1H16), followed by retail, reaching € 1.2 billion (+76% versus 1H16). The volume of investments in the alternative segment amounted to € 992 million, almost double 1H16, driven by the relevant transaction involving Telecom telephone switchboards. Logistics, which started off the year with a spectacular performance, continued to raise investors' interest, with investment volumes reaching approximately € 800 million (up by 291% versus 1H16). Hotels, with € 770 million (+49% versus 1H16), continue to attract a growing amount of investments.
As for geographical areas, Rome improved with € 1 billion invested in 1H17, up by 30% versus 1H16. Investment volumes for Milan reached € 1.8 billion, up by 25% versus 2016, 48% of which regarded the office segment.

RETAIL

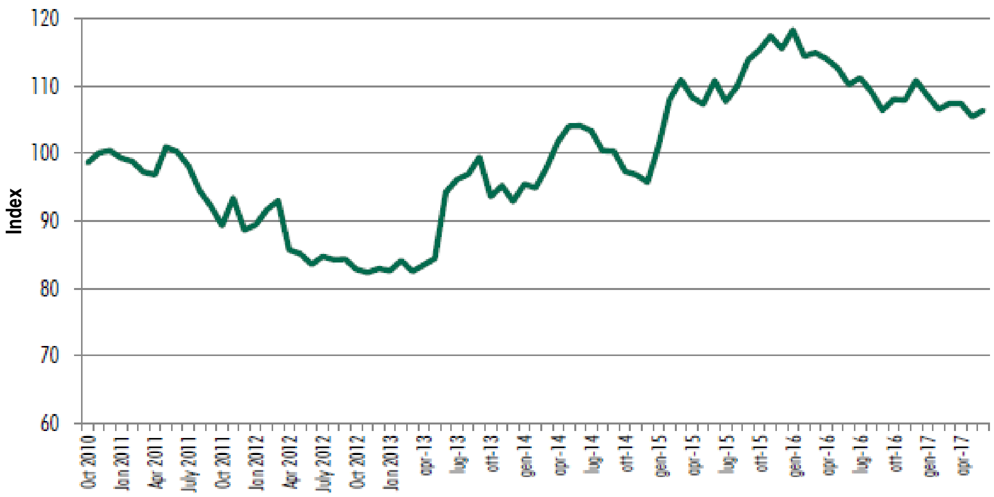
In 2017, Italy continued the moderate recovery reported in 2016, with annual economic growth at +1%. The main research institutes have revised upwards the GDP growth forecast at year-end, from 0.9% at the beginning of the year to 1.3% in June. The forecasts are corroborated by the unexpected results of GDP in the first quarter, up by 0.4%.
The consumer confidence index continued to improve in June: from 105.4 to 106.4. In 1Q17, Italian household consumption increased by 1.3% versus the prior quarter, driven by higher disposable income (+1.5%). The trend confirms domestic demand as the main driver of growth. The composite business confidence index followed suit, up, albeit slightly, from 106.2 to 106.4.
Positive signs also came from the job market. The occupation rate increased, while the unemployment rate, at 11.3%, was close to the lowest recorded in April. The youth unemployment rate remains high however, at 37%, though slightly lower than in the prior months. The sales trend improved slightly in May versus the prior year: the ISTAT retail sales index showed a 1% growth versus May 2016, with a stronger pace reported in large-scale retail (+1.1%).

[12] Sources: CBRE; data source of the Company.

Prime Net SC yield 4,90% | Prime Net HS yield 3,15% | Prime SC Rent MI 910 € sqm year | Prime HS Rent MI 6.000 € sqm year | Retail Investments 753 Mn Euro

* Arrows show change versus prior quarter

Chart 1: Consumer confidence index trend in Italy



Source: Istat, Q2 2017

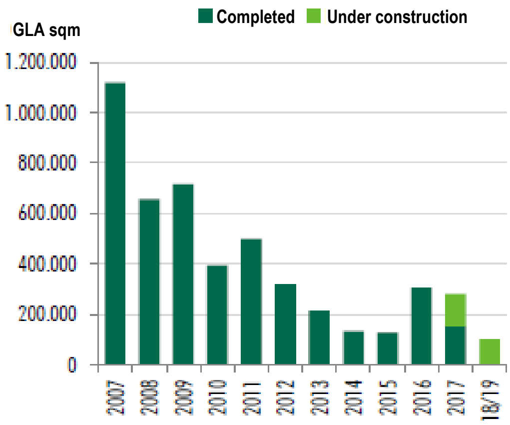
In 2Q17, six projects were completed for a total GLA of 115,700 m². The projects involve 3 new openings: DeltaPo Outlet in Rovigo, Parco Fiore in Treviso and Brinpark in Brindisi, for a GLA of 59,700 m²; and three extensions: OrioCenter in Bergamo, ESP in Ravenna and the Veneto Designer Outlet in Noventa Piave for a GLA of 56,000 m². By end 2017, the new retail stock should report the same volumes of 2016, reaching approximately 310,000 m² of GLA. New and existing retailers keep the demand for prime positions strong. The extension of OrioCenter brought in three new brands in Italy: Thule, Under Armour and Wagamama.
Retailers continue their expansionary strategies in the high street segment too, although some have started rationalizing their network of stores after years of over-expansion.
Milan and Rome remain the main hubs for retailers seeking to land in Italy for the first time, thanks to the increasing tourist flows. A situation that drove the growth trend of prime rents for shopping centres in a number of major markets in the quarter, while remaining steady in the high street segment, which is forecast, however, to grow in the second half of the year.

Yields (%)	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17
High Street Prime	3,50	3,50	3,50	3,25	3,15	3,15
High Street Secondary	5,00	5,00	5,00	4,75	4,75	4,75
Shopping Centre Prime	5,00	5,00	5,00	5,00	4,90	4,90
SC Good Secondary	6,00	6,00	6,00	5,90	5,90	5,90
Retail Park Prime	6,00	6,00	5,90	5,90	5,90	5,90
Retail Park Good Secondary	7,25	7,25	7,00	7,00	6,50	6,50

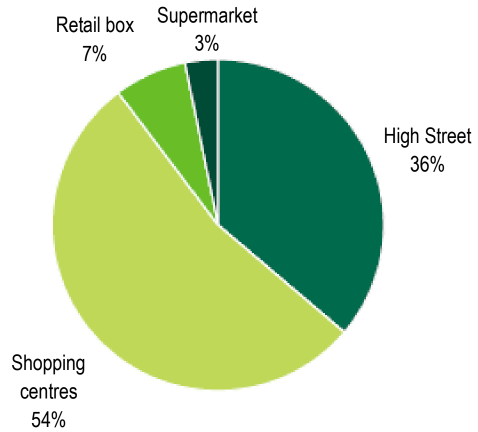
Source: CBRE Research, Q2 2017

Retail investments accelerated their growth in the second quarter of the year: approximately € 753 million versus € 175 million in 2Q16. This brought the volume of investments to almost € 2 billion in the first half of the year, improving strongly versus € 680 million in 1H16.
The high street remains in the crosshairs of investors, with almost € 300 million invested in the quarter, making for 36% of total quarterly investments in the retail segment. Much of the result came from a deal in Milan: the H&M flagship store in Piazza Duomo. With almost € 400 million invested in

the quarter, the shopping centre segment accounted, once again, for over 50% of total quarterly investments. The main deal involved the change of ownership of the Le Befane centre from Credit Suisse to Union Investment in the sale of a European portfolio of three shopping centres.
Foreign investors continue to lead the way in the retail segment, accounting for 80% of total investments in the quarter.
Prime yields remained steady in all the retail sub-segments, after reporting sharp downturns in recent months. The outlook for the segment remains positive in the second half of the year.



Source: CBRE Research, Q2 2017



Source: CBRE Research, Q2 2017

<u>OFFICES</u>

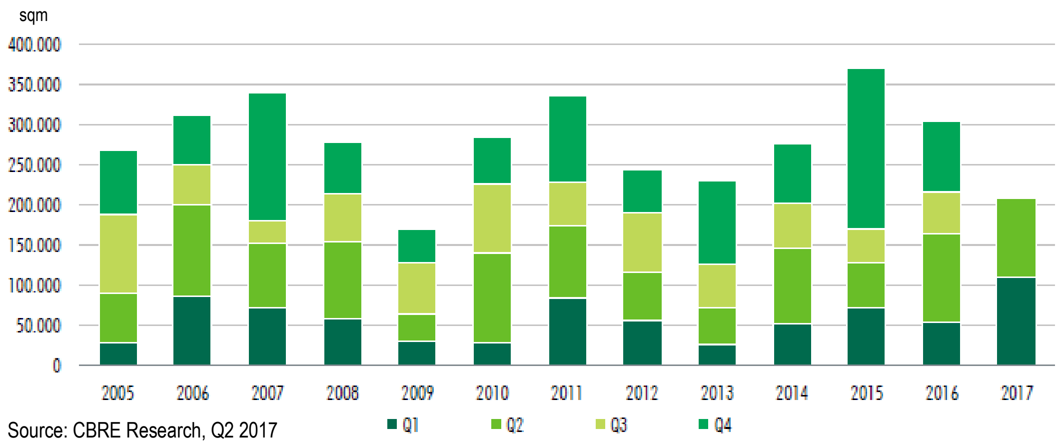
MILAN OFFICE MARKET

In 2Q17, the take-up amounted to 98,385 m², slightly lower than the record set in the first quarter, but 24% higher than the average in the last 10 years (second quarter 2008-2017). Between January and June 2017, the take-up of office space in Milan amounted to 208,000 m², the highest first-half ever, even higher than in the first six months of 2006 when the take-up had almost reached 200,000 m².
The general upward trend of the Milan market is driven by all the key indicators: the vacancy rate dropped to 12.1%, while the prime rent in the CBD grew, reaching € 530/m²/ year in 2Q17, a figure recorded back in 2009. The shortage of Grade A properties has produced a U-turn: if, in the post-crisis period, the market was tenant-driven, owners have now increased their decision-making power over tenants, bringing a slight increase in rents.

Vacancy Rate 12,1%	Prime Rent 530 € sqm	Take-up 98.385 sqm	Investments 417 m Euro	Prime Net Yield 13,5%	Completion 55.426 mq

* Arrows show change versus prior quarter

Chart 1: Quarterly take-up trend in Milan, sqm



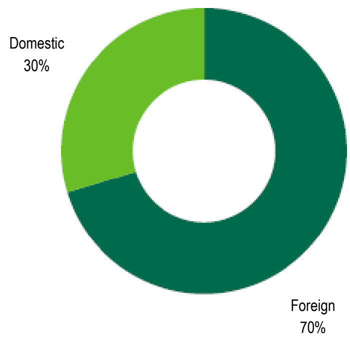
Source: CBRE Research, Q2 2017

Interest in the Milan market from large international corporates remains high. In 2Q17, the demand for space from pharma companies and law firms rose, together accounting for about 20% of the take-up. At June 2017, 226,000 m² were under construction, down versus the prior quarter, but with total completions amounting to 55,426 m² in the second quarter.
The weighted average rent calculated on transactions > 500 m² increased to € 281/m²/year; the result was affected by a transaction on a unit > 6,000 m² in the CBD, which produced a rent of over € 530/m²/year.
The investment volume in the Milan office segment in 2Q17 came to € 417 million, € 908 in the first half, down slightly versus the same period last year.
Net prime and secondary yields were steady in the second quarter, amounting to 3.50% and 5.25%, respectively.

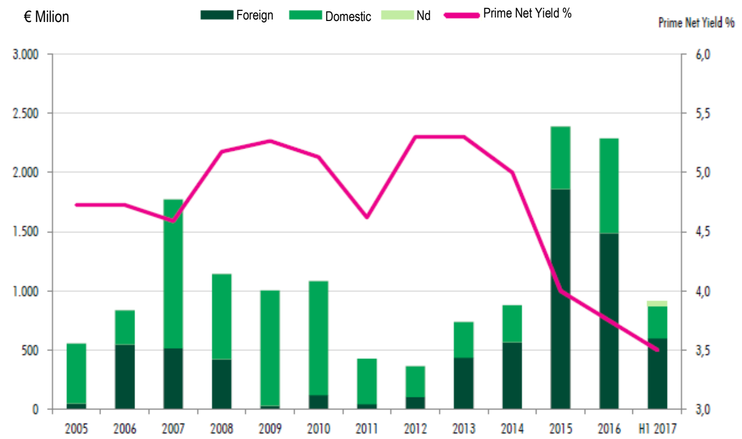
	H1 2016	H1 2017	Q2 2017
Vacancy rate (%)	12	12,1	12,1
Take-up (.000 sqm)	164.1	208	98.3
Nuovo stock (.000 sqm)	6.8	22	22
Prime rent (€ sqm)	490	530	530
Weighted Average rent (€ sqm)	240	281	281
Prime net yield (%)	4,00	3,50	3,50
Secondary net yield (%)	5,75	5,25	5,25
Office investment volumes (€ MN)	1.100	908	417

Source: CBRE Research, Q2 2017

The investment volume in the Milan office segment in 2Q17 came to € 417 million, down slightly versus the prior quarter (-15%) and versus the same period last year. The volume reported between January and June - € 908 million - dropped slightly versus 1H16, but was 74% higher than the average seen in the first six months of the last 10 years (2008-2017). The quarter was marked by two major acquisitions for a total amount of approximately € 280 million. One was Palazzo V, the historical ENI HQ, acquired by Kryalos SGR on behalf of a foreign investor, and the other was the CreVal portfolio, consisting of 17 bank offices, acquired by Beni Stabili SIIQ. The share of cross border investors on the total remained high at 70%. Following the drop witnessed over the last quarters, net prime and good secondary yields remained steady at 3.50% and 5.25%, respectively.



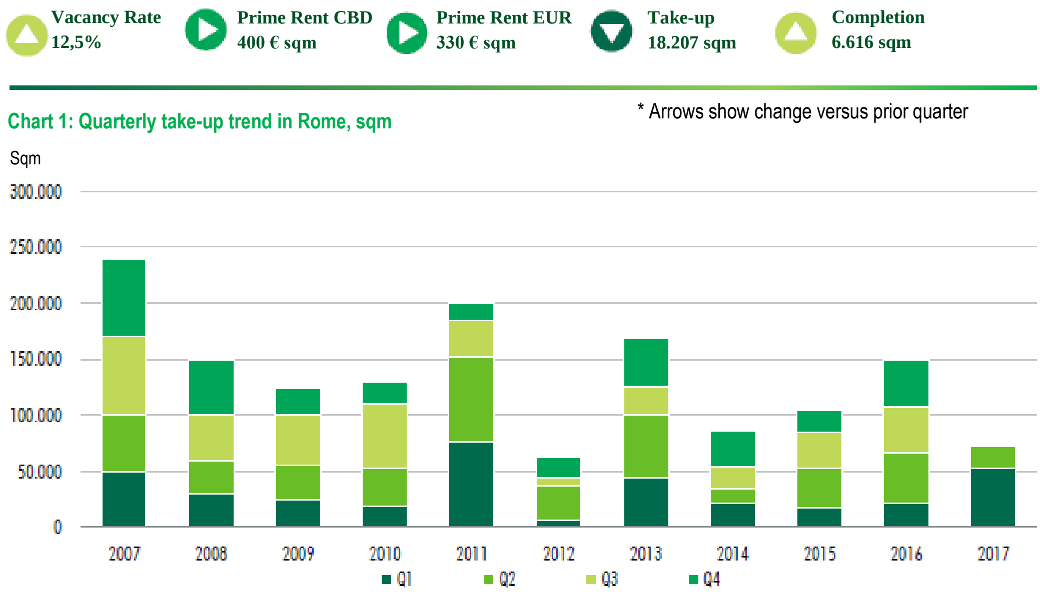
Source: CBRE Research, Q2 2017



Source: CBRE Research, Q2 2017

ROME OFFICE MARKET

In 2Q17, take-up amounted to 18,207 m², down by 66% versus the prior quarter and 59% less than the volume reported in 2Q16. Take-up in 1H17, instead, grew by 7% versus 1H16, achieving one of the best results in the past 10 years, lower than the take-up in 1H11 and 1H13 alone.
The units absorbed in 2Q17 were 27, down from 33 in the first quarter; the half-year figure of 60 units is higher than the half-year average in the past five years, around 36 units per six months.
The vacancy rate was up slightly, with a number of peripheral areas still struggling to find users who prefer the more central areas.



Source: CBRE Research, Q2 2017

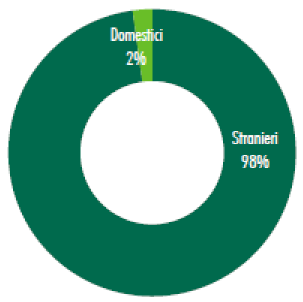
Prime rent steady in CBD and in the EUR zone, at € 400 and € 330 m²/year, respectively.
The quarterly take-up was driven by 3 transactions totaling approximately 7,500 m² (CBD area, Semicentral area, EUR Laurentina GRA), accounting for 42% of total quarterly absorption.
The development pipeline was steady, with approximately 143,000 m² under construction/renovation and with delivery expected between 2017 and 2018; completion of approximately 6,500 m² related to the new HQ of an Automotive Multinational in the EUR Laurentina area.
The investment volume increased, thanks to the completion of a transaction that started last year; net prime yield steady at 4.00%.

	H1 2016	H1 2017	Q2 2017
Stock (M sqm)	7 (*)	12	12
Vacancy rate (%)	9	12,5 (**)	12,5 (**)
Take-up (.000 sqm)	66.8	71.6	18.2
Prime rent CBD (€ sqm year)	380	400	400
Prime rent EUR (€ sqm year)	320	330	330
Prime net yield (%)	4,00	4,00	4,00
Office investment volumes (€ Mn)	421	821 (***)	650

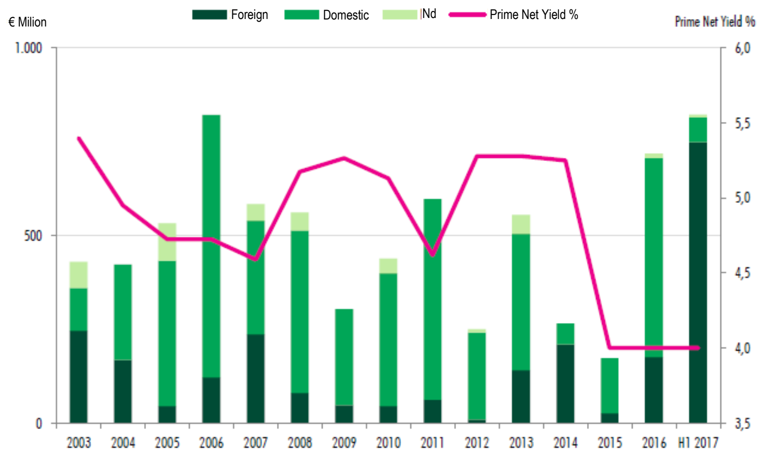
(*) Stock is net of owned floor area in the Public sector
(**) Vacancy rate calculation net of owned stock in the Public sector
(***) Value of Q1 2017 investments adjusted: value of each property indicated for the 4 assets under the Obelisco Fund (Investire sgr) sold in the prior quarter

Source: CBRE Research, Q2 2017

In 2Q17, investments in the Rome office segment amounted to approximately € 650 million, up versus the prior quarter. This drove the investment volume upward in 1H17 to approximately € 821 million, almost double the figure reported in 1H16 and far higher than last-year's entire volume. A single transaction - the disposal of the second tranche of properties by a Roman builder - accounted for approximately 80% of volumes invested in the second quarter, involving a leading international investor. As a result, foreign capital represented, once again, the lion's share of investments in the quarter, 91% in the first six months. While Rome is traditionally dominated by domestic investors, the market is slowly increasing its appeal to foreign players, especially for asset trophies and/or to reposition as trophies.
The net prime yield was steady at 4.00%.



Source: CBRE Research, Q2 2017



Source: CBRE Research, Q2 2017

- ## Independent expert appraisals

In relation also to CONSOB recommendation no. DIE/0061493 of 18 July 2013 on the preparation of the Condensed Consolidated Half-Year Financial Statements at 30 June 2017, the Group, subject to certain exceptions specified below, made use of the services of CB Richard Ellis as primary independent expert in order to carry out appraisals on the property portfolio to support the Directors in their assessments.

It should be noted that, for the Group's property portfolio held through the Petrarca Fund, the Group appointed K2Real S.r.l. as independent expert, following the end of the three-year assignment by the Fund Management Company to CB Richard Ellis.

On completion of the portfolio appraisal process at 30 June 2017, after reviewing the reports prepared by the independent experts, the Company adopted the relevant results at the Meeting of the Board of Directors held on 12 July 2017.

In performing their analyses, the independent experts have adopted internationally accepted methods and standards, using different valuation methods based on the type of asset being analyzed. The criteria can be generally summarized as follows.

- **Comparative method**: this approach is based on the direct comparison of assets under valuation with other "comparable" assets recently subject to sale.

- **Discounted cash flow method**: this approach is based on the determination of future net income (rent revenue net of all kinds of costs), which also envisages any periods of vacancy on relocation and final sale, at a value obtained by capitalizing market rents with capitalization rates (*Exit Cap rate*) that take account of the specific features of the property in the specific market context. Sales costs are deducted from the above final amount. Net flows thus determined, discounted (at a rate that takes account of the risk associated with the specific investment property) and algebraically added, provide the gross value of the property; the Market Value is, instead, obtained by separating the implicit buying and selling costs.

- **Conversion** (or residual) **method**: this approach, used for areas to develop or properties likely to be restructured, consists in estimating the Market Value of the asset by determining the difference between the market value of the "converted" asset and all the conversion expenses (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 for the risk associated with the conversion and sale (or revenue generation).

The object of the estimation performed by the independent expert is Market Value, as defined by the RICS professional valuation standards, under which Market Value is "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".

Aedes pursues maximum transparency in the selection and renewal of appointed experts, as well as in the different stages of the valuation process. Internal staff checks the consistency and correct application of the assessment criteria used by the expert, ensuring that the methods used are consistent with commonly accepted practice. Should significant discrepancies arise, such as to materially alter the valuation, the necessary verifications are carried out, including in contradiction with the experts.
The independent valuer is chosen based on professional qualities, nature of the task, and the specifics of the property portfolio valuated. Experts are also chosen taking account of the presence of possible conflicts of interest in order to assess whether their independence may be weakened.

Independent experts are selected by the Company in an alternating fashion to ensure a more objective and independent valuation of property assets. For this purpose, the Parent Company replaced the independent expert Cushman & Wakefield LLP, tasked with the Group's portfolio valuation over the past four years, by appointing CB Richard Ellis.

• Owned assets

The property portfolio owned by the Aedes Group is split up into two macro-categories:

- **Revenue portfolio (or "rented")**

  Namely existing revenue properties or project developments intended to maintain revenue.
  This category includes the following product segments:
  - *Retail*: comprising revenue properties and revenue developments for commercial use (mainly stores, parks and shopping centres);
  - *Offices:* comprising revenue properties and revenue developments intended for tertiary-office use;
  - *Other Uses*: comprising revenue properties and revenue developments, with intended use other than the previous, including hotels, clinics, residences for the elderly, logistics and sport centres;

  These investments can also be classified, depending on the development stage, in:
  - (a) "revenue properties" (or "rented assets") and
  - (b) "revenue developments" (o "development for rent"), namely property development projects intended to build up the revenue properties portfolio.

- **To be sold portfolio**

  This category consists of assets intended for sale in the short/medium term. It is split up into the following segments:
  - *Properties for sale (*or *assets to be sold*): comprising existing property expected to be sold in bulk or piecemeal;
  - *Areas to sell* (or "*land to be sold*"): areas and land sold at any stage of the production cycle, from the status of agricultural land until the obtaining of different kinds of authorizations and permits.

The Company holds investment property in the revenue portfolio or to be sold portfolio mainly directly or through subsidiaries and within the scope of the Group, i.e., through non-controlling equity interests in vehicle companies (so-called "SPV" or "special purpose vehicle") and real-estate funds.

The table below shows the pro-rata owned property assets by product implementation phase at 30 June 2017:

	GAV				NAV	
€/000	Consolidated pro rata	Not consolidated Funds & JV	Total Portfolio	% on Total Portfolio	Total Portfolio	% on Total Portfolio
Retail	118,550	88,690	207,240	38.0%	105,599	34.4%
Office	133,540	549	134,089	24.6%	64,866	21.1%
Other Uses	4,160	1,451	5,611	1.0%	2,700	0.9%
Rented Assets	**256,250**	**90,690**	**346,940**	**63.6%**	**173,166**	**56.4%**
Retail Development for Rent	114,605	-	114,605	21.0%	93,256	30.4%
Office Development for Rent	-	-	-	0.0%	-	0.0%
Development for Rent	**114,605**	**-**	**114,605**	**21.0%**	**93,256**	**30.4%**
Sub Total Portfolio Rented/for Rent	**370,855**	**90,690**	**461,545**	**84.7%**	**266,421**	**86.8%**
Retail	2,106	-	2,106	0.4%	766	0.2%
Other Uses	52,465	29,107	81,572	15.0%	39,771	13.0%
Sub Total Portfolio to be sold	**54,571**	**29,107**	**83,678**	**15.3%**	**40,537**	**13.2%**
TOTAL PORTFOLIO	**425,426**	**119,797**	**545,223**	**100.0%**	**306,958**	**100.0%**

Minorities	GAV
Petrarca Fund (35%)	21,294
Praga France Sarl (25%)	2,125
TOTAL CONSOLIDATED PORTFOLIO	**448,845**

At 30 June 2017, the property assets owned by the Aedes Group, pro rata, amounted to a market value of € 545.2 million, including non-controlling interests and real-estate funds, up by approximately 9% versus the figure at 31 December 2016 (€ 501.0 million).

Consolidated GAV (Gross Asset Value), amounting to € 448.8 million, increased by € 50.2 million versus the figure at 31 December 2016, € 7.2 million of which on a like-for-like basis and € 43.0 million for purchases. As a result of the purchases made in 1H17, the Group currently has rental contracts for a total of € 18 million on an annual basis.

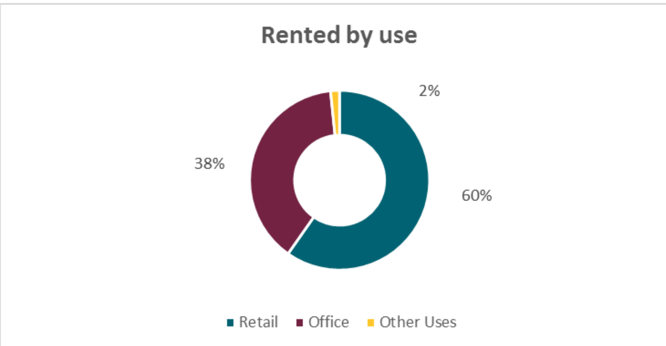
Regarding the property portfolio held by the Parent and by subsidiaries, additional details are shown as follows[13]:

€/000	Criterion	Book value	Market Value
Inventories	IAS 2	0	0
Fixed assets: Properties under Development	IAS 40 - Cost	0	0
Fixed assets: Investment property	IAS 40 - Fair Value	276,410	276,410
Rented Assets		**276,410**	**276,410**
Inventories	IAS 2	0	0
Fixed assets: Properties under Development	IAS 40 - Cost	45,115	45,115
Fixed assets: Properties under Development	IAS 40 - Fair Value	69,490	69,490
Development for Rent		**114,605**	**114,605**
Sub Total Portfolio Rented/for Rent		**391,015**	**391,015**
Inventories	IAS 2	54,076	55,436
Fixed assets: Properties under Development	IAS 40 - Cost	2,348	2,394
Fixed assets: Investment property	IAS 40 - Fair Value	0	0
Sub Total Portfolio to be sold		**56,424**	**57,830**
TOTAL PORTFOLIO		**447,439**	**448,845**

"REVENUE" PORTFOLIO - RENTED ASSETS

At 30 June 2017, the pro-rata share of the Group's "Revenue properties" at market value amounted to € 256.3 million, accounting for 57% of the total consolidated portfolio. The breakdown by intended use shows that 46.3% is represented by Retail properties, 52.1% by Office properties and the remaining 1.6% by properties for so-called Other Uses.

Catania, Via Etnea 116-124 – Aedes SIIQ S.p.A.



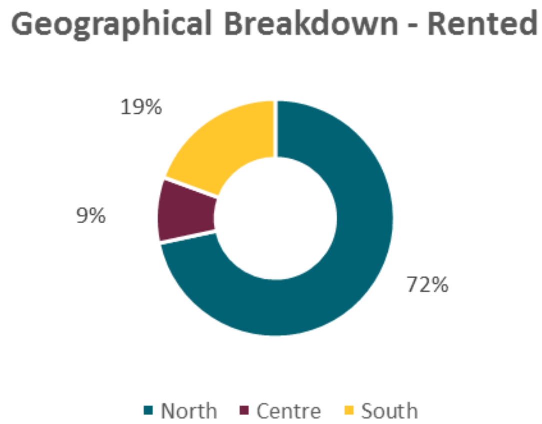
[13] Under Consob Recommendation no. 9017965 of 26 February 2009.

The duration of the investments in revenue properties is medium-long term and is aimed at maximizing rental profits through new leases or renegotiation of rentals in line with market rents and, consequently, with the increase of the intrinsic value of the property assets.

The geographical areas of investments in revenue properties are Northern Italy (72%), Southern Italy (19%), and Central Italy (9%).

Agrate Brianza, Centro Colleoni – Petrarca Fund

Milan, Via Agnello 12 – Aedes SIIQ S.p.A.



The leverage on revenue properties is 49% on average, in line with the targets set by the Group for the core investments of the SIIQ model.

REVENUE PORTFOLIO - DEVELOPMENT FOR RENT

The revenue portfolio segment named Development for Rent consists of development areas intended mainly for commercial use, which envisage the development of a number of initiatives and subsequent revenue generation.

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

At 30 June 2017, the market value of the pro-rata share of the Group's investments in properties under development amounted to € 114.6 million, all held directly.

The leverage is on average lower than the rest of the portfolio and stands at 19%. New loan agreements are expected to be concluded for the main initiatives, in order to also support development costs, near the beginning of the construction work.

On 3 November 2016, the new extension of the Serravalle Outlet Village - Phase 6 was opened to the public. The investment, included in the development projects at end 2016, has been reclassified under *Assets Rented* at 31 December 2016.
The new implementation extends beyond the provincial road connecting the Serravalle Outlet Village 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 for a total retail GLA of 8,748 m², in addition to 1,000 m² of GLA for service/storage use, with a current occupation percentage of 75%.

On 30 March 2017, Satac SIINQ S.p.A. signed a Town-Planning Agreement with the Municipality of Caselle on the local development area. The development area has, therefore, been reclassified under current investment property measured at fair value.

*Serravalle Scrivia (AL), Serravalle Outlet Village, Pragasei S.r.l. – **OPENED in 4Q16)***

The chart below shows the status of the main revenue development initiatives, which fall in the consolidation scope.

ASSET	S.P.V.	LOCATION	INTENDED USE	PLANNED TOWN-PLANNING BUILDING CAPACITY (m²)	ADMINISTRATION AND IMPLEMENTATION STATUS
Serravalle Outlet Village-Phase 7	Pragaundici SIINQ S.p.A.	Serravalle S. (AL)	Commercial/ Productive	4,510	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licenses obtained. Positive outcome of environmental audit. Process for obtaining building permits completed.
Serravalle Retail Park Phase C	Novipraga SIINQ S.p.A.	Serravalle S. (AL)/ Novi L. (AL)	Commercial/ Handicraft	19,035	Master plans approved. Executive town-planning tools approved. Town-planning agreements concluded with the Municipalities of Serravalle and Novi Ligure. Commercial licenses obtained. Positive outcome of environmental audit. Building permits obtained to complete the preliminary work to the intervention, and request for permission submitted to construct buildings. Ongoing construction of preliminary work.
Serravalle Retail Park Phase C	Aedes SIIQ S.p.A.	S. Vittoria d'Alba (CN)	Commercial	6,396	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licenses obtained. Positive outcome of environmental audit. Building permits application submitted (currently ready to be issued).
Castellazzo Design Center	Pragaquattro Center SIINQ S.p.A.	Castellazzo B. (AL)/ Borgoratto A. (AL)	Commercial	94,410	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licenses obtained. Positive outcome of environmental audit.

					Variant to the project masterplan currently being drafted
Caselle Designer Village	Satac SIINQ S.p.A.	Caselle T. (TO)	Commercial/ Office	153,000	Master plan approved. Executive town-planning tool approved. Commercial licenses obtained. In December 2014, an Environmental Plan Agreement was approved and signed by the Region of Piedmont, the Province of Turin and the Municipality of Caselle Torinese, whose contents were transposed in the Master Plan through variant no. 7 of November 2015, following which an update to the executive town-planning tool is currently being prepared. On 29 December 2015, a request was submitted to commence the Verification Stage, pursuant to art. 10, par. 1, of Regional Law no. 40 of 14 December 1998. On 31 March 2016, the request was registered with the additions to the verification procedure, pursuant to former art. 10, RL 40/98 and subsequent amendments. On 2 May 2016, the project was removed from the environmental assessment stage under art. 12 of RL 40/98. With H.G.D. 150 of 28 November 2016, variant no. 1 to the Detailed Plan was adopted and published (attached with the Draft Agreement), approved by Resolution no. 17-1334 of the Regional Government on 7 November 2005. Publication expired on 27 January 2017. On 30 March 2017, Satac SIINQ S.p.A. concluded a Town-Planning Agreement with the Municipality of Caselle on the development area.
Praga Business Park	Cascina Praga SIINQ S.p.A.	Serravalle S. (AL)	Commercial/Office	2,785	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licenses obtained.

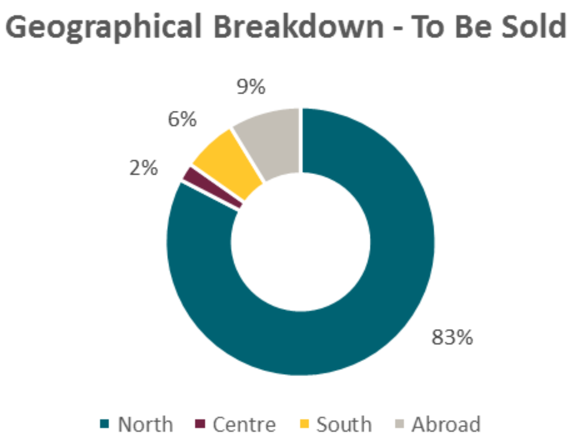
"TO BE SOLD" PORTFOLIO

At 30 June 2017, the market value of the pro-rata share of the Group's "To Be Sold" portfolio amounted to € 54.6 million.

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

The "To Be Sold" portfolio includes existing properties (properties for sale or assets to be sold) expected to be sold in bulk or piecemeal, and areas (areas to be sold or land to be sold) expected to be sold at any stage of the production cycle, from the status of agricultural land up to full attainment of various kinds of authorizations and permits, without carrying out the relevant development.

Leverage at 30 June 2017 stands at an average 44%.



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

- Services area

The Aedes Group has chosen to no longer engage in third-party services, but to focus on activities aimed solely at Group investments through Praga RES (born of the merger of Praga Service Real Estate into Praga Construction).

2.10 SIIQ legal and regulatory framework

The Special Regime of SIIQs (Listed Property Investment Companies) was introduced by art. 1, paragraphs from 119 to 141, of Law no. 296 of 27 December 2006 (2007 Budget Law) as subsequently supplemented and amended. Lastly, art. 20 of Law Decree no. 133 of 12 September 2014, in force from 13 September 2014, and converted, with amendments, from Law 164 of 11 November 2014, introduced a number of important amendments. The requirements for admission to the special tax regime guaranteed to SIIQs can be summarized as follows:

SUBJECTIVE REQUIREMENTS

- Company established as an S.p.A. (joint-stock company)
- Residence in Italy or in an EU Country
- Status of company listed on Italian regulated markets

STATUTORY REQUIREMENTS

- Investment rules
- Risk concentration limits on investments and counterparts
- Maximum limit of leverage on an individual and group level

INVESTMENT STRUCTURE REQUIREMENTS

- Ownership requirement: no Shareholder must hold over 60% of voting rights in the Ordinary Shareholders' Meeting and of profit sharing rights
- Float requirement: at least 25% of shares must be held by shareholders who do not hold more than 2% of the voting rights in the Ordinary Shareholders' Meeting and of profit sharing rights (not applicable to companies that are already listed)

OBJECTIVE REQUIREMENTS

- Property lease as the main activity, a condition assessed by two indices:
  - Asset test: properties intended for lease amounting to at least 80% of the assets
  - Profit test: lease revenue amounting to at least 80% of the positive items in the income statement
- Requirement in each financial year to distribute to shareholders at least 70% of net profit arising from leasing and ownership of investments
- Distribution requirement, within 2 years following disposal, for 50% of capital gains from properties under lease and from investments in SIIQs, SIINQs and qualified real-estate funds.

Failure to comply for 3 consecutive years with one of the priority conditions results in permanent termination of the special regime and application of the ordinary rules from the third considered year.

Following assessment of the subjective and investment requirements and adoption of the required Company By-Law amendments, on 26 November 2015 Aedes SIIQ S.p.A. exercised the option for joining the Special Regime, effective as from 1 January 2016. Pursuant to art. 130 of Law 296/2006 the Company opted, in lieu of the application of the substitute tax, for the inclusion of the overall amount of capital gains, net of the relevant capital losses, calculated on the normal value of properties, in the business income generated during the period before the Special Regime, i.e. 2015.

With regard to Statutory Requirements, in brief, under the Company By-Laws, business activities must comply with the following rules on investments, risk concentration and leverage limits:
1. investments in a single immovable asset other than the development plans covered by a single town-planning scheme, for a maximum of 25% of the Group's property assets;
2. lease rent revenue from a tenant or from tenants belonging to the same group, representing up to 30% of overall revenue from the Group's property lease business. The above limit is not applicable

should the properties be rented to one or more tenants belonging to a group of national or international importance;
3. leverage at a Group level of up to 65% of the value of the property assets; leverage at an individual level of up to 80% of the value of the property assets.
The above limits can be exceeded in the event of extraordinary circumstances or beyond the control of the Company. Unless otherwise in the interest of the Shareholders and/or the Company, these limits shall not be exceeded for more than 12 months.

2.11 Main risks and uncertainties

The following are the main sources of risk and admissible hedging strategies.

- Strategic risks.

MARKET RISK

Market risk is the possibility that changes in the overall economic performance, exchange rates, interest rates or commodity prices may adversely affect the value of assets, including property assets, liabilities or expected cash flows.
The Company regularly performs a sensitivity analysis to monitor the effects that changes to the discount or capitalization rates, or to revenue may have on the value of the assets.

- Operating risks

CREDIT RISK

Credit risk lies mainly in a client's inability to pay, regarding specifically tenants of assets owned. The Group is not affected by significant credit risk concentration, given the adequate diversification in terms of renters.
The activity carried out to reduce credit risk exposure is based on an analysis of the composition of the client portfolio for each business area, to ensure adequate guarantee on the financial soundness of clients. Where deemed necessary, suitable guarantees are required for property transactions.
The maximum theoretical exposure to credit risk for the Group is represented by the carrying amount of financial assets, in addition to the face value of guarantees given to third-party debts or commitments as set out in Note 31.
Most of the financial assets come from associates. The financial assets consist mainly of receivables, whose collection is tied to the development/disposal cycle of the property assets of the associates. Any write-downs of financial assets are made on an individual basis, and the write-downs are deemed to reflect the actual collection risk.

LEASE RISK

Lease risk lies in the possibility that owned properties remain vacant for extended periods of time, exposing the Group to a reduction in cash flows from rents and an increase in property costs.
The Group has adopted a policy based on ongoing relations with tenants, with a view to their retention.
The current property market situation, with specific regard to offices, does not rule out the possibility that certain tenants, on expiry of the contract or during the window of exercise of the so-called break option, may exercise the right to terminate the lease contract or demand renegotiation of the lease rent.
The Group monitors this risk by maintaining ongoing relations also with leading specialized real-estate agencies.

RISKS ARISING FROM THE USE OF THE SERVICES OF CONSTRUCTION COMPANIES

In implementing its initiatives, the Group makes use of the services of construction companies, the dealings of which are governed by specific procurement contracts under the law. While the Group uses the services of leading construction companies, and the procurement contracts, in the event of disputes with the end user, provide for the possibility of claiming compensation from the contractor, one cannot rule out the possibility that the construction companies fail to meet their obligations in a timely manner, producing potential adverse effects on the operating and financial activities of the Group.

OCCUPATIONAL HEALTH AND SAFETY RISK AND ENVIRONMENTAL RISK

The Aedes Group has taken all the necessary steps to safeguard health in the workplace, as required by law. For the purposes of the regulations, in 2017 no such accidents occurred as to involve serious or extremely serious injuries in the workplace, 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 the areas of operation of the Group are under the spotlight of public regulators and are the object of increasingly stringent legislation. In 1H17, the Aedes Group caused no damage to the environment for which it was found guilty, nor was it imposed fines or penalties for environmental offences or damage.
The Company is strongly committed to preventing such risks and has adopted management systems capable of preventing and documenting the management approach to these issues.
Additionally, the Company pays special attention to the aspects governing administrative, safety and environmental liability related to the risk of the perpetration of offences as set out in Legislative Decree 231/01.

- ## Compliance risks

LIABILITY PURSUANT TO LEGISLATIVE DECREE 231/01

The risk pursuant to Legislative Decree 231/01 is that the Company may incur penalties related to the regulations governing the liability of legal entities in the perpetration of offences pursuant to Legislative Decree 231/01.
In order to reduce such risk, the Company has adopted an "Organizational Model" or "Model 231", divided into a General Section, which presents targets, structural guidelines and implementation procedures of the Organizational Model, and a Special Section that provides an overview of the offences pursuant to Legislative Decree 231/01 considered relevant as a result of risk assessment, establishes rules of conduct for Model 231 recipients, and sets standards for the preparation of the procedures in the business areas involved.
The Company has also drawn up a Code of Ethics that applies to the entire Group staff, who are committed to comply and enforce the principles of the Code as part of their duties and responsibilities.
The Company has additionally appointed a Supervisory Board with autonomous powers of initiative and control, tasked with overseeing the effectiveness, adequacy, operation and compliance with the Organizational Model, also seeing to its constant updating.

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 oversight bodies.
The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. Specifically, the Corporate Affairs and Investor Relations Departments oversee the handling of obligations in respect of management and supervisory authorities, and are responsible for the management of the market disclosure process. This process, which requires close coordination with the internal departments for the identification, verification and communication of administration, accounting and management data and information, is carried out in compliance with specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Financial Reporting Manager.

LIABILITY PURSUANT TO LAW 262/05

The risk under Law 262/05 refers to the liabilities of the Financial Reporting Manager.
In compliance with the regulatory provisions of Law 262 of 28 December 2005, "Investment Law", the Company has adopted an internal administrative-accounting control system over financial reporting, with the purpose of (i) ascertaining that the Internal Control System currently in place is able to provide reasonable certainty on the true and fair view of income statement, balance sheet and cash flow information submitted; (ii) implementing adequate administrative-accounting procedures for the preparation of the financial statements and consolidated financial statements, as well as any other disclosure of a financial nature; (iii) guaranteeing the effective application of the administrative and

accounting procedures prepared over the period to which the above documents refer.

TAX RISK - SIIQ REGIME REQUIREMENTS

The risk arising from the SIIQ regime is that the Company may fail to comply with the profitability and capital requirements to remain in such tax regime, with the consequent loss (in the event that such circumstance extends under the time limits of the law) of the status of SIIQ. The Company intends to closely monitor the associated tax risks; the assessments made on the tax model adopted are prepared with the assistance of select specialists. Separate accounting is used for taxable and tax exempt transactions. The structure is designed to carry out regular asset and profit tests in order to monitor compliance with legal requirements, including in the long term.

- ## Financial risks

INTEREST RATE RISK

The Group's exposure to interest rate risk originates mainly in medium and long-term financial payables.
Floating-rate payables expose the Group to a cash flow risk; fixed-rate payables expose the Group to a fair value risk.
The Aedes Group's exposure to risk originates mainly in payables indexed to a floating market rate, with a resulting risk of cash flow fluctuations.
Interest rate risk exposure excludes fixed-rate loans, as changes in fair value are not recognized in the income statement and have no cash flow variables, depending on market conditions.
Interest rate risks can be reduced by concluding derivative contracts. The instruments generally used are "plain vanilla" or "step-up" interest rate swaps, which convert the floating rate into a fixed rate, and/or caps, which set a cap on the interest rates payable by the Company, and/or collars, namely instruments represented by the purchase of a cap and sale of a floor, which set a floor and a cap on interest rates payable by the Company, allowing it to maintain a floating rate within the set range.
A derivative instrument is chosen by analyzing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

Taking account of the highly favourable rates and in order to reduce the Group's overall exposure to the interest rate risk, given that in 2015 the Group had 100% of its financial payables at a floating rate, the Company concluded a derivative contract on 4 November 2015 with the following characteristics:

Type	zero cost COLLAR
Effective date	31.12.2015
Maturity	31.12.2020
Notional	€ 50 million, Bullet
Floating Rate Euribor	3 months, act/360, quarterly
CAP strike	1.00%
FLOOR strike	0.00%

The notional amount underwritten amounts to approximately 23% of the Group's gross financial debt at 30 June 2017. It should be noted that the instrument is not tied to a specific loan, but has the purpose of reducing the risk of increasing interest rates on the Group's overall exposure. 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 30 June 2017, the Group has no exchange rate risk, since it has no exposure to currencies other than the €.

LIQUIDITY RISK

Liquidity risk is the risk that the Company and the Group fail to meet their payment obligations, due to the difficulty in raising funds (funding liquidity risk) or in liquidating assets on the market (asset liquidity risk). This may cause adverse effects on the result in the event that the Company or the Group are forced to incur additional costs to meet their commitments or, in a worst case scenario, a condition of insolvency endangering business continuity.
The Company, through its Finance Department and ongoing supervision by the Parent Company's executive bodies, keeps a watchful eye on cash and short-term financial commitments. For this purpose, the Group monitors the liquidity risk by preparing a detailed monthly financial budget, considering a time horizon of at least one year and the effective management of property sales and assumption of financial commitments.

In identifying the criteria to be used for the preparation of this Half-Year Financial Report, the Group has taken account of cash flows from operations and financial commitments affecting all Group companies for a period of 12 months from the date of approval of the financial statements, including the planned investment activities and forthcoming maturity of specific loan agreements currently in place.
Based on the requirements arising from the financial budget, the Company has identified the main funding sources, deriving mainly from:
• refinancing activities of certain assets;
• disposal of certain non-strategic assets;
• rescheduling of short-term credit lines.

Based on the information and documental evidence available at the time of preparing this Half-Year Financial Report, and on the progress of the initiatives currently in place with regard to the above funding sources, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the financial budget. Accordingly, the Directors believe there are no uncertainties on the Company and Group's ability to meet their current and prospective financial obligations in the foreseeable future.

• Main outstanding disputes and tax audits

Information on the main disputes and tax audits involving Group companies pending at 30 June 2017 is found below. With regard to these main and other minor disputes, the Group has made additions to the provisions for risks where it believes it will probably lose the case.

MAIN DISPUTES AS DEFENDANT

Fih dispute
On 14 December 2011, Fih S.a.g.l. (formerly Fih SA) brought arbitration proceedings against Satac SIINQ S.p.A. (formerly Satac S.p.A.) to challenge the recapitalization resolutions passed by the Satac shareholders on 10 November 2011 (the "First Arbitration"); Fih concurrently filed an appeal with the Court of Alessandria requesting, by injunction, suspension of the execution of the resolution. As thoroughly explained in prior annual and interim financial reports, to which reference is made to reconstruct the specific events that gave rise to the disputes, it should be noted that the grounds of appeal put forward by Fih in the First Arbitration were based on: (i) the alleged non-compliance with the law on the balance sheet - prepared by the managing body of Satac under art. 2446 of the Italian Civil Code, and underlying the first capital increase intended to cover losses and reconstruct the share capital - that was allegedly taken for the sole purpose of excluding Fih from Satac; (ii) the alleged unlawfulness of the resolution on the second capital increase, owing to the fact that Fih, having not participated in the resolution to write off and reconstruct the share capital - and, therefore, being no longer a shareholder - was not able to participate in the subscription for and payment of the second increase.
In February 2012, the Court of Alessandria dismissed the appeal filed under which Fih had requested suspension of the resolution to recapitalize Satac (challenged with the First Arbitration), ordering Fih to pay the legal expenses.

With the award rendered on 4 December 2014, the Arbitration Board dismissed all the claims submitted by Fih in the First Arbitration. The award was challenged under art. 827 and ensuing articles of the Code of Civil Procedure by Fih before the Court of Appeal of Turin. With the ruling issued on 17 January 2017, the Court of Appeal fully dismissed the action for annulment brought by Fih and ordered it to pay Satac the legal expenses for the appeal proceedings. On 21 March 2017, Fih filed an appeal with the Court of Cassation against the ruling issued by the Court of Appeal of Turin. On 28 April 2017, Satac, in turn, served a counter-appeal and conditional cross-appeal to Fih, requesting the Supreme Court to declare the appeal inadmissible and, in any case, to dismiss the appeal filed by Fih. Within the time limits of law, Fih did not serve any counter-appeal to oppose the conditional cross-appeal by Satac.

In May 2014, Fih, again with regard to the events that led to its exit from the shareholder structure, filed an arbitration proceeding in Milan (the "Second Arbitration") against Pragacinque S.r.l. (now Aedes SIIQ S.p.A.). In connection to the Second Arbitration, in May 2014 Fih also filed an appeal with the Milan Court against Pragacinque for the court-ordered seizure of 55.15% of Satac and for the attachment of Pragacinque assets. With the decision rendered on 12 June 2014, the Court of Milan - dismissing the court-ordered seizure and considering groundless the requirement of the *periculum in mora* relating to the other measures requested - dismissed the above appeal by Fih and ordered it to pay the legal expenses to Pragacinque. Specifically, in dismissing the request for the court-ordered seizure of Satac shares equal to 55% of its share capital, the Court argued that "the Satac share capital had been written off by a resolution adopted on November 2011, so that, owing to the resulting cancellation of the shares, the original object held by Fih before the relevant resolution no longer applies". The above resolution adopted by the Shareholders' Meeting of Satac on the write-off and reconstruction of the share capital appears as having been neither voided nor suspended. Therefore, it appears highly unlikely for Fih to see its claim for repayment upheld in court, following any ruling to terminate the shareholders' agreement due to the negligence of Pragacinque S.r.l..
With regard to the Second Arbitration, the Arbitration Board ruled on 23 May 2016 that Pragacinque (now Aedes SIIQ S.p.A.) had failed to fulfil its obligation on the capitalization of Satac and to return the shares, under the Frame Agreement concluded by Pragacinque and the trust companies Cofircont Compagnia Fiduciaria S.p.A. and Timone Fiduciaria S.p.A., ordering the company to pay damages to Fih, in the amount - determined on an equitable basis and having regard to the contributory negligence of Fih - of € 2,093,000.00 plus legal interest, apportioning legal expenses. By writ of appeal against the arbitration award under Art. 827 and ensuing articles of the Code of Civil Procedure, served on 27 January 2017, Fih summoned Aedes before the Court of Appeal of Milan, requesting to establish and declare the invalidity of the award rendered on 23 May 2016. Aedes filed an appearance by lodging its response on 3 May 2017, requesting dismissal of all the claims raised by Fih with its own appeal. At the first hearing held on 30 May 2017, the Panel, deeming any discussion unnecessary, adjourned the proceedings on 11 April 2018 for the closing arguments.

RFI dispute
Retail Park One S.r.l. filed an appeal with the Piedmont T.A.R. (Regional Administrative Tribunal) against the Municipality of Serravalle Scriva - RFI S.p.A. - Italferr and the Ministry of Infrastructure and Transport, through notice also to Cascina Praga SIINQ S.p.A., on the partial annulment, prior to the suspension/granting of precautionary measures, of building permit no. 3648 of 14 April 2016 (Serravalle Retail Park Phase A), only as regards the requirements therein, including the delivery of a first request bank/insurance surety in favour of RFI S.r.l.. By order dated 28 July 2016, the Piedmont T.A.R dismissed the suspension request by Retail Park One S.r.l., which then filed a cautionary appeal against the dismissal order. At the hearing held on 19 January 2017, the Council of State upheld the precautionary appeal and, by order no. 167/2017, suspended the decision on the building permit relating to the delivery of a first request bank/insurance surety, without prejudice to the other decisions.
The final hearing for oral arguments on the appeal has been set on 20 September 2017.
Based on the legal opinions rendered on the dispute, the Group considers it possible, but unlikely, to lose the case.

MAIN TAX AUDITS AND DISPUTES

Praga Holding Real Estate S.p.A., merged into Aedes on 4 November 2010, received an order for the application of sanctions for 2006 VAT notified by the Revenue Agency - Provincial Office of Alessandria. The notice arises from alleged undue compensation of a VAT receivable as part of the Group VAT settlement procedure. On 30 December 2010, the company filed an appeal dismissed by the Ex Parte Expert Witness of Alessandria following the ruling filed on 23 December 2011. On 14 June 2012, the company filed an appeal upheld by the Regional Tax Commission of Turin on 1 July 2013, following the ruling filed on 8 April 2014. The Revenue Agency filed an appeal with the Supreme Court on 24 November 2014 against the second instance ruling, and the Company filed its counter-appeal. With ruling filed on 17 May 2017, the Supreme Court upheld the Agency's appeal and referred the case to the Regional Tax Commission.

Pragatre S.r.l. (subsequently Pragatre SIINQ S.p.A.), merged into Aedes, on 10 November 2011 and 14 November 2011 received two assessment notices respectively for IRES 2008 and 2006 VAT issued by the Revenue Agency - Provincial Office of Alessandria. Both notices are the result of a tax audit performed on 24 March 2011 by officials of the Fraud Protection Service of the Regional Office of Piedmont, the outcome of which was formalized in the minutes dated 13 July 2011. The measure challenged the deductibility, for alleged incomplete documentation, of the consideration paid to Praga Holding Real Estate S.p.A., merged into Aedes, for 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 27 December 2011, the Company filed an appeal upheld by the Ex Parte Expert Witness of Alessandria following the ruling filed on 30 September 2013. On 22 September 2015, the second-instance ruling was filed, dismissing the appeal filed by the Revenue Agency. On 21 March 2016, the Revenue Agency, represented and assisted by the Attorney General's Office, appealed to the Supreme Court, and on 22 April 2016 the Company filed its counter-appeal.

On 10 November 2011, Pragaquattro Park S.r.l. (now Pragaquattro Center SIINQ S.p.A.) received an assessment notice for 2006 VAT, issued by the Revenue Agency - Provincial Office of Alessandria. The assessment is the result of a tax audit performed on 24 March 2011 by officials of the Fraud Protection Service of the Regional Offices of Piedmont, the outcome of which was formalized in the minutes dated 13 July 2011. The measure challenged the deductibility, for alleged incomplete documentation, of the consideration paid to Praga Holding Real Estate S.p.A., merged into Aedes, for the designation by the latter of Pragaquattro Park S.r.l. as the purchaser of certain properties, in performance of a preliminary nominee agreement. On 27 December 2011, the Company filed an appeal upheld by the Ex Parte Expert Witness of Alessandria following the ruling filed on 30 September 2013. On 22 September 2015, the second-instance ruling was filed, dismissing the appeal filed by the Revenue Agency. On 21 March 2016, the Revenue Agency, represented and assisted by the Attorney General's Office, appealed to the Supreme Court, and on 22 April 2016 the Company filed its counter-appeal.

On 23 February 2012, 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 two assessment notices for 2007 IRAP and 2007 IRES issued by the Revenue Agency - Provincial Office of Alessandria. The notices are the result of the so-called "shell companies" issue, pursuant to art. 30 of Law 724/1994. On 20 July 2012, the companies filed an appeal. On 13 March 2017, the hearing for the first instance ruling was held; with ruling 147/2017, the Ex Parte Expert Witness of Alexandria upheld the combined challenges and ordered the Agency to pay the costs of the proceedings in the amount of € 3,500.

On 3 December 2012, Praga Holding Real Estate S.p.A., merged into Aedes, received two assessment notices for 2007 VAT and 2007 IRES, notified by the Revenue Agency - Provincial Office of Alessandria. Additionally, on 4 December 2012, an assessment notice was served for 2008 IRES. The assessment notices for IRES 2007 and 2008 refer mainly to the disputed applicability of the participation exemption (PEX) to the disposal of investments held by Praga Holding, while the notice for VAT refers mainly to the non-recognition of receivables transferred to the group VAT settlement by Novipraga and Cascina Praga, as they are considered "shell companies". The appeals were filed on 30 April 2013, following negotiations to reach tax settlements. The Ex Parte Expert Witness of Alessandria, with ruling 89/05/14 filed on 26 February 2014, voided the assessment notices for 2007 and 2008 IRES, considering the PEX regime applicable, and confirmed the notice of assessment for 2007 VAT declaring, however, the penalties applied therein inapplicable. On 10 October 2014, the Revenue Agency appealed as did Praga Holding in relation to the 2007 VAT assessment alone; the discussion of the appeal for 2007 VAT has been repeatedly postponed at the request of the parties and has been adjourned to a new date, with the first requesting party tasked with promptly reporting the outcome of the conciliation.

On 4 December 2012, Praga Construction S.r.l. received a notice of assessment for 2007 VAT, notified by the Revenue Agency - Provincial Office of Alessandria. The assessment is the result of the disputed admission of Praga Construction to the Group VAT settlement procedure for 2007, as the company was set up in 2006. The company filed an appeal on 30 April 2013. With ruling delivered on 11 December 2013, on 26 February 2014, the Ex Parte Expert Witness of Alessandria upheld the assessment notice, declaring, however, inapplicable the penalties imposed by the above ruling. Both Praga Construction S.r.l. and the Revenue Agency have filed an appeal against the ruling. The discussion of the appeal has been repeatedly postponed at the request of the parties, and was adjourned on 11 July 2017, with the first requesting party tasked with promptly reporting the outcome of the conciliation.

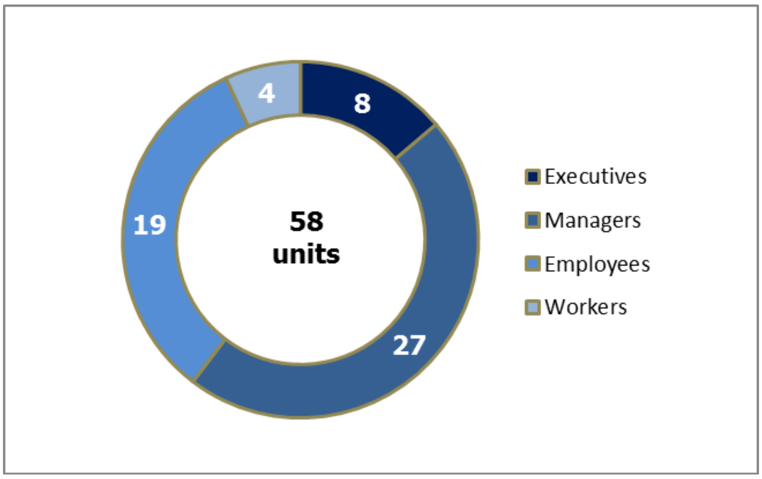
On 25 June 2013, Praga Construction S.r.l. received an order for the application of penalties for 2007 VAT, issued by the Revenue Agency - Provincial Office of Alessandria. These are penalties for the failed payment of regular settlements of 2007 VAT regarding the disputed admission of Praga Construction S.r.l. to the Group VAT settlement procedure. The appeal was filed with the Ex Parte Expert Witness of Alessandria on 23 October 2013 and argued in May 2015. On 7 January 2016, the first-instance ruling was filed, dismissing the appeal; on 30 May, the Company filed an appeal with a request for suspension of the collection. The request was dismissed by ruling delivered on 22 September 2016; on the same date, the Company was served a writ of garnishment on a number of bank accounts. The Company has filed a rescheduling of the amounts entered on the tax rolls, which was granted on 21 October 2016, as well as a statement on the acceptance of a simplified tax settlement to Equitalia for the "scrapping" of the roll. Under this statement, notified to the Provincial Tax Commission at the hearing on 19 January 2017, the Commission adjourned the hearing to a new date in order to take note of the completion of the settlement of the roll. The Company is required to pay the residual debt of € 243,561.65, equal to 1/3 of the penalty imposed.

2.12 Headcount and organizational structure

At 30 June 2017, the Aedes Group counted 58 employees, down by 7 units versus 31 December 2016, as a net result of the reduction of 7 units of the Golf Club Castello Tolcinasco SSD S.r.l. staff, in addition to 6 new units and 6 terminations.

The situation at 30 June 2017 is shown below.

	Total Group			F					M				
	2017	2016	Δ	2017	% on Total	2016	% on Total	Δ	2017	% on Total	2016	% on Total	Δ
Executives	8	8	+0	4	50%	4	50%	+0	4	50%	4	50%	+0
Managers	27	30	(3)	12	44%	12	40%	+0	15	56%	17	57%	(2)
Employees	19	21	(2)	13	68%	13	62%	+0	6	32%	7	33%	(1)
Workers	4	6	(2)	0	0%	1	17%	(1)	4	100 %	7	117 %	(3)
TOTAL	**58**	**65**	**(7)**	**29**	**50%**	**30**	**46%**	**(1)**	**29**	**50%**	**35**	**54%**	**(6)**



The breakdown by age group and seniority is also shown below.

Personnel by age group			
	2017	2016	Δ
25/29	1	4	(3)
30/34	9	9	+0
35/39	18	22	(4)
40/44	10	11	(1)
45/49	10	10	+0
50/54	6	5	+1
55/59	4	4	+0
Total	**58**	**65**	**(7)**

Personnel by seniority			
	2017	2016	Δ
0/5	25	33	(8)
6/10	16	20	(4)
11/20	15	10	+5
21/30	2	2	+0
Total	**58**	**65**	**(7)**

2.13 Corporate governance and management and coordination activities

Information on the corporate governance system of Aedes SIIQ S.p.A. is shown in the Report on Corporate Governance and Ownership Structure, approved by the Board of Directors at the Meeting held on 21 March 2017 for the approval - among other things - of the draft financial statements and the consolidated financial statements at 31 December 2016. The Report provides a description of the corporate governance system adopted by the Company and its concrete terms of participation in the Corporate Governance Code for Listed Companies prepared by Borsa Italiana S.p.A., in compliance with the requirements under art. 123 bis of Legislative Decree 58 of 28 February 1998.
The Report - to which reference is made - has been published in accordance with the procedures provided by law and the regulations in force, and is available at the registered office, on the Company website www.aedes-siiq.com, and on the authorized dissemination and storage mechanism 1Info at www.1info.it.
The following is a summary of the key features of the corporate governance of the Company.

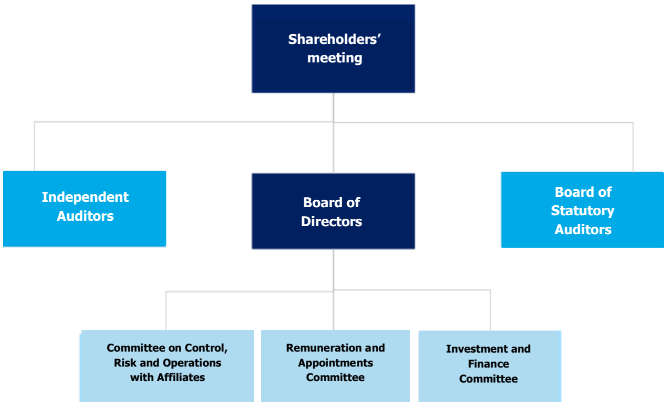
• Management and Direction Activities

Aedes SIIQ S.p.A. is subject to the management and coordination activities, pursuant to art. 2497 and ensuing articles of the Italian Civil Code, of Augusto S.p.A., which holds the *de iure* control over the Company.

• Traditional or "Latin" Corporate Governance System

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 session on the matters attributed to it by law and the Company By-laws;
- the Board of Directors, vested with full powers for the ordinary and extraordinary management of the Company, with the authority to take all the actions it deems necessary for the implementation and achievement of the corporate object, excluding only those reserved by law to the Shareholders' Meeting, and including the powers pursuant to art. 2365, par. 2, of the Italian Civil Code;
- the Board of Statutory Auditors, vested with the tasks of overseeing compliance with the law, the principles of sound governance, the adequacy of the administrative-accounting system and of internal controls, pursuant to Legislative Decree 58/98 and Legislative Decree 39/2010.

Additionally, in compliance with the provisions of the Corporate Governance Code, the following bodies have been established within the scope of the Board of Directors: (i) Control, Risk and Related Party Transactions Committee and (ii) the Remuneration and Appointments Committee. Both Committees have advisory roles with the power to formulate proposals. The Board of Directors has also established an internal Finance and Investment Committee with advisory roles and the power to formulate proposals on investments, finance and management control.



The Corporate Governance system represents the set of standards and behavioural guidelines adopted by Aedes SIIQ to ensure the efficient and transparent operation 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.

• The Bodies

<u>*BOARD OF DIRECTORS*</u>

The Board of Directors currently in office was appointed by the Shareholders' Meeting held on 10 June 2015, which set the total number of Directors at 9 and established a three-year term of office, therefore, until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2017.
The Shareholders' Meeting held on 10 June 2015 appointed the Board of Directors in the persons of: 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 as Chairman of the Company. The Meeting of the Board of Directors held on 11 June 2015 appointed Benedetto Ceglie as Vice Chairman and Director in charge of the internal control and risk management system, and confirmed Giuseppe Roveda as Chief Executive Officer.
By resolution of the Board of Directors of 18 December 2015, pursuant to art. 2386 of the Italian Civil Code and to art. 11 of the By-laws, Adriano Guarneri was appointed Director following the resignation of Director Roberto Candussi, and subsequently confirmed in his position by the Shareholders' Meeting held on 27 April 2016.

At its Meeting on 11 June 2015, the Board of Directors appointed the members of its internal Committees; the Committees are currently made up as follows:
(i) the Control, Risk and Related Party Transactions Committee is made up of three non-executive and independent Directors: Dario Latella (Chairman), Annapaola Negri-Clementi and Serenella Rossano;
(ii) the Remuneration and Appointments 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 made up of Directors Giacomo Garbuglia (Chairman), Annapaola Negri-Clementi and Adriano Guarneri, who was appointed by the Board of Directors on 27 January 2016.

<u>*BOARD OF STATUTORY AUDITORS*</u>

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 10 June 2015 for a three-year term, until the date of approval of the financial statements for the year ending 31 December 2017.
The Board of Statutory Auditors is composed as follows: Cristiano Agogliati (Chairman), Fabrizio Capponi and Sabrina Navarra, Standing Auditors, Giorgio Pellati, Roberta Moscaroli and Luca Angelo Pandolfi, Alternate Auditors.
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, drawn from the list obtaining the second highest number of votes.
The Chairman of the Board of Statutory Auditors Cristiano Agogliati and the Alternate Auditor Luca Angelo Pandolfi were drawn from the list submitted by the minority shareholder Itinera S.p.A., while the other Statutory Auditors were drawn from the list submitted by the shareholder Augusto S.p.A..

<u>*INDEPENDENT AUDITORS*</u>

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

2.14 Other information

- ## Research & Development

The Group companies did not carry out, strictly speaking, any research and development activities in 1H17.

- ## Transactions between Group companies and related parties

The transactions generally undertaken by the Aedes Group with related parties, namely Aedes subsidiaries, joint ventures and associates (so-called "Intragroup"), and transactions with other related parties other than Intragroup (so-called "Other Related Parties"), consist mainly in administrative, property and technical services conducted at normal market conditions, in addition to the loans granted by Group companies to their related companies, which bear interest at rates generally applied to similar transactions.
Transactions with related parties were carried out and are carried out at market conditions in compliance with the regulations specifically adopted by the Company.
In 1H17, the Company reported net costs of Euro 50 thousand arising from transactions with other related parties.
The effects of transactions with related parties are shown in the Statement of Financial Position, the Income Statement and in the relevant explanatory notes.
Dealings with Group companies and other related parties show no atypical and/or unusual transactions during the reporting period.

- ## Atypical or unusual transactions

In 1H17, the Group did not execute atypical and/or unusual transactions.[14]

- ## Processing of personal data (Legislative Decree 196 of 30 June 2003, and EU Regulation 679/2016)

Following entry into force of General Data Protection Regulation EU 679/2016 and in view of its application as from 25 May 2018, Aedes embarked in January 2017 on a path of adjustment to achieve compliance within the legal deadlines. Along this path, Aedes will also continue to implement the necessary measures to comply with the organizational requirements under Legislative Decree no. 196 of 30 June 2003. In compliance with both regulations in effect, Aedes undertakes to identify any new risks that may arise regarding confidentiality, integrity and availability of personal data, to oversee the status of previously identified risks, to assess the effectiveness and efficiency of the security measures taken to mitigate identified risks, and to draw up all the necessary documentation in this regard.

- ## Adjustment to art. 36 of Consob Regulation 16191/2007 on market regulations

With regard to art. 36 of the Market Regulations, at 30 June 2017 Aedes does not control any company established and regulated by the laws of non-EU Countries.

- ## Right to opt-out of the obligation to publish a disclosure document in the event of relevant transactions.

[14] Under Consob Communication of 28 July 2006, which defines atypical and/or unusual transactions as transactions which, by significance/relevance, nature of the counterparts, object of the transaction, transfer pricing method and timing of the event, may give rise to doubts regarding: the accuracy/completeness of the information in the financial statements, conflicts of interest, safeguarding of company assets, and the protection of non-controlling interests.

Mention should be made that, pursuant to art. 3 of Consob Resolution 18079 of 20 January 2012, the Meeting of the Board of Directors of the Company held on 2 August 2012 resolved to make use of the derogation under art. 70, par. 8 and art. 71, par. 1-bis, of Consob Regulation 11971/99 (as subsequently amended and supplemented) as from the date of their entry into force (6 August 2012).

2.15 Business outlook

In 2H17, Aedes SIIQ will continue to strengthen its revenue property portfolio, by acquiring new portfolios with yields appropriate to the structure of a SIIQ, and by pushing ahead with development projects to create new revenue properties; both actions will be pursued consistently with the refinancing of the property portfolio to extend the duration of the debt. Management will continue to pay the utmost attention to market opportunities to pursue the further growth of the Group.

Milan, 2 August 2017

For the Board of Directors

The Chairman
Carlo A. Puri Negri

3. Condensed Consolidated Half-Year Financial Statements of the Aedes Group

AEDES SIIQ COMMERCIAL PROPERTIES

3.1 Consolidated statement of financial position[15]

	Note	30/06/2017	of which related parties	31/12/2016	of which related parties
ASSETS					
Non-current assets					
Investment property	1	393,363		341,388	
Other tangible fixed assets	2	2,511		2,808	
Intangible fixed assets	3	57		59	
Investments booked at equity	4	38,951		40,462	
Financial assets available for sale	5	0		0	
Deferred tax assets	6	6,287		6,379	
Derivative financial instruments	7	99		230	
Financial receivables	8	12,626	12,529	13,650	13,566
Trade and other receivables	9	1,136		1,136	
Total non-current assets		**455,030**		**406,112**	
Current assets					
Inventories	10	55,135		56,330	
Trade and other receivables	9	22,628	1,051	27,045	6,232
Cash and cash equivalents	11	18,567		12,610	
Total current assets		**96,330**		**95,985**	
TOTAL ASSETS		**551,360**		**502,097**	

[15] (in euro thousands)

	Note	30/06/2017	of which related parties	31/12/2016	of which related parties
EQUITY					
Equity attributable to the owners of the parent					
Share capital		212,945		212,945	
Treasury shares		(1,462)		(1,455)	
Fair value and other reserves		51,829		50,964	
Profit/(loss) carried forward		33,114		4,847	
Profit/(loss) for the period		3,197		29,107	
Total equity attributable to the owners of the parent	12	**299,623**		**296,408**	
Equity attributable to non-controlling interests	13	**6,613**		**6,953**	
TOTAL EQUITY		**306,236**		**303,361**	
LIABILITIES					
Non-current liabilities					
Payables due to banks and other lenders	14	185,216	10,000	113,866	
Derivative financial instruments	7	337		605	
Deferred tax liabilities	6	3,902		3,921	
Payables for severance indemnity	15	1,071		1,047	
Provisions for risks and charges	16	6,005		5,973	
Tax payables	17	0		221	
Trade and other payables	18	506		2,093	1,472
Total non-current liabilities		**197,037**		**127,726**	
Current liabilities					
Payables due to banks and other lenders	14	28,916	89	49,362	
Tax payables	17	995		1,454	
Trade and other payables	18	18,176	4,911	20,194	6,433
Total current liabilities		**48,087**		**71,010**	
TOTAL LIABILITIES		**245,124**		**198,736**	
TOTAL LIABILITIES AND EQUITY		**551,360**		**502,097**	

3.2 Consolidated income statement[16]

INCOME STATEMENT	Note	30/06/2017	of which related parties	30/06/2016	of which related parties
INCOME STATEMENT					
Revenue from sales and services	19	17,498	152	21,962	6,353
Other revenue	20	497	133	603	183
Change in inventories	21	(1,661)		(357)	
Costs for raw materials and services	22	(12,804)	(6,314)	(18,535)	(9,491)
Personnel expense	23	(2,618)	(49)	(2,412)	(24)
Other operating costs	24	(1,654)	12	(1,438)	(203)
Amortization, depreciation and impairment losses	25	(307)		(291)	
Fair value adjustments	25	7,881		23,063	
Write-downs and allocations	25	(65)		(2,411)	
Share of the result of companies measured at equity	26	(982)		(652)	
EBIT		**5,785**		**19,532**	
Financial income	27	454	313	531	450
Financial charges	27	(2,879)	(89)	(2,943)	(3)
Pre-tax profit		**3,360**		**17,120**	
Tax	28	(82)		8	
Profit/(loss) from continuing operations		**3,278**		**17,128**	
Gains/(losses) after tax from assets and liabilities held for sale	29	(421)		88	
Result for the period		**2,857**		**17,216**	
Attributable to:					
of which Profit/(Loss) attributable to non-controlling interests		(340)		5	
of which Profit/(Loss) attributable to the owners of the Parent		**3,197**		**17,211**	

[16] (in euro thousands)

3.3 Consolidated statement of other comprehensive income[17]

	Note	30/06/2017	30/06/2016
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME			
Result for the period		**2,857**	**17,216**
Other items recognized in equity that will be reclassified to the income statement in a subsequent period:			
Change/Fair Value realized on financial assets available for sale		0	298
Other items recognized in equity that will not be reclassified to the income statement in a subsequent period:			
Actuarial (gains)/losses		30	0
Total Other Profit/(Loss)		*30*	*298*
Total comprehensive profit/(loss)		**2,887**	**17,514**
of which attributable to non-controlling interests		(340)	5
of which attributable to the owners of the Parent		**3,227**	**17,509**
Earnings per share			
Basic	30	0.01	0.06

[17] (in euro thousands)

3.4 Consolidated statement of changes in equity[18]

	Share capital	Treasury shares	Legal reserve	Other	Profit/(loss) carried forward	Result for the period	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	TOTAL
01/01/2016	**212,945**	**(266)**	**2,231**	**48,705**	**290**	**5,174**	**269,079**	**6,241**	**275,320**
Allocation of 2015 result			28		5,146	(5,174)	0		0
Treasury shares held		(1,189)			3		(1,186)		(1,186)
Other movements and changes in the consolidation scope							0	(29)	(29)
Profit/(loss) for the period						17,211	17,211	5	17,216
Other profit/(loss) recognized in equity					298		298		298
Total comprehensive profit/(loss)					*298*	*17,211*	*17,509*	*5*	*17,514*
30/06/2016	**212,945**	**(1,455)**	**2,259**	**48,705**	**5,737**	**17,211**	**285,402**	**6,217**	**291,619**

	Share capital	Treasury shares	Legal reserve	Other	Profit/(loss) carried forward	Result	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	TOTAL
31/12/2016	**212,945**	**(1,455)**	**2,259**	**48,705**	**4,847**	**29,107**	**296,408**	**6,953**	**303,361**
Allocation of 2016 result			865		28,242	(29,107)	0		0
Treasury shares held		(7)			(5)		(12)		(12)
Profit/(loss) for the period						3,197	3,197	(340)	2,857
Actuarial (gains)/losses					30		30		30
Total comprehensive profit/(loss)					*30*	*3,197*	*3,227*	*(340)*	2,887
30/06/2017	**212,945**	**(1,462)**	**3,124**	**48,705**	**33,114**	**3,197**	**299,623**	**6,613**	**306,236**

[18] (in euro thousands)

3.5 Consolidated statement of cash flows[19]

	30/06/2017	30/06/2016
Result attributable to the owners of the Parent	3,197	17,211
Result attributable to non-controlling interests	(340)	5
Net (gains)/losses from the disposal of investments	124	0
Charges/(income) from investments	982	652
Amortization and depreciation	307	294
Fair value adjustment of property assets	(7,881)	(23,063)
Write-down/release of provisions for doubtful accounts and provisions for risks	214	2,411
Net financial income/(charges)	2,425	2,412
Current and deferred tax for the period	82	(2)
Change in the provision for severance indemnity	(20)	69
Change in the provisions for risks and charges	17	(953)
Cash flows from inventories	235	67
Write-down of inventories	961	289
Change in trade and other receivables	2,775	(5,297)
Change in trade and other payables	(1,837)	3,246
Current and deferred tax payables	(861)	(418)
Income tax paid net of reimbursements	(299)	(870)
Interest (paid)/received	(1,745)	(2,271)
Cash flow from operations (Discontinuing)	0	(143)
Cash flow from operations	**(1,664)**	**(6,361)**
(Increases)/Decreases in investment property and other tangible fixed assets	(44,104)	(42,604)
Increases in intangible investments	(14)	(23)
Cash flows from the sale of investments in subsidiaries	(104)	0
Cash flows from the (increase) and decrease in investments	1,005	0
Change in other financial items	212	(792)
Cash flow from investing activities (Discontinuing)	0	(41)
Cash flow from investing activities	**(43,005)**	**(43,460)**
-		
Changes in payables to banks and to other lenders	50,638	3,545
Cash flow used in the purchase of treasury shares	(12)	0
Cash flow from financing activities	**50,626**	**3,545**
Effects of the change in the consolidation scope		
Change in net liquidity available	**5,957**	**(46,276)**
of which from assets held for sale	0	(184)
Cash and cash equivalents at beginning of period	**12,610**	**68,497**
Cash and cash equivalents at end of period	**18,567**	**22,221**
of which included in assets held for sale	0	1,241

[19] (in euro thousands)

3.6 Introduction

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 sweeping financial restructuring, 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 well known for the development of the first designer outlet in Italy located in Serravalle Scrivia - today the Aedes Group has a new shareholder structure and a competitive industrial project.

Following the decision to join the statutory and tax regime typical of listed property investment companies (so-called SIIQ regime), Aedes switched to SIIQ status on 1 January 2016, adopting the name Aedes SIIQ S.p.A..

The limited scope audit of the Condensed Consolidated Half-Year Financial Statements ("**Consolidated Half-Year Financial Statements**") is performed by Deloitte & Touche S.p.A..

The Condensed Consolidated Half-Year Financial Statements at 30 June 2017 were approved by the Meeting of the Board of Directors held on 2 August 2017.

- ## Basis for Preparation

The Condensed Consolidated Half-Year Financial Statements for the period 1 January - 30 June 2017 have been prepared in accordance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and with the provisions issued under art. 9 of Legislative Decree 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 Condensed Consolidated Half-Year Financial Statements at 30 June 2017 have been prepared in accordance with IAS 34 on interim financial reporting and with art. 154 ter of the Consolidated Finance Act. IAS 34 allows the preparation of financial statements in a "condensed" form, namely, based on a minimum level of disclosure, which is significantly lower than the International Financial Reporting Standards issued by the International Accounting Standards Board adopted by the European Union (IFRS), where financial statements prepared under IFRS and providing full disclosure have been made previously available to the public. The Condensed Consolidated Half-Year Financial Statements at 30 June 2017 have been prepared in condensed form, and must therefore be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016, prepared in accordance with IFRSs.

The Directors have assessed the absence of material uncertainties of a financial, management or other nature as set out in par. 25 of IAS 1 that may cast significant doubts on the Group's ability to meet its obligations in the foreseeable future; accordingly, the Condensed Consolidated Half-Year Financial Statements have been prepared on a going-concern basis.

The half-year financial statements of the subsidiaries, associates and joint ventures used in the preparation of these Condensed Consolidated Half-Year Financial Statements are those prepared by their respective administration, possibly reclassified to make them consistent with the position of the Parent Company.

The effects of transactions with related parties are shown in the income statement and statement of financial position, as well in as the relevant explanatory notes[20].

In preparing the Consolidated Half-Year Financial Statements, the same measurement and consolidation criteria adopted for the Consolidated Financial Statements at 31 December 2016 were

[20] Under Consob Resolution no. 15519 of 27 July 2006.

used, except for the adoption of the new standards, amendments and interpretations in force as from 1 January 2017.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2017

As new accounting standards, amendments and IFRS interpretations are not expected to come into force as from 1 January 2017, the Group has prepared the Condensed Consolidated Half-Year Financial Statements using the same accounting standards adopted for the consolidated financial statements for the year ended 31 December 2016.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORY TO APPLY AND NOT ADOPTED IN ADVANCE BY THE GROUP AT 30 JUNE 2017

- **IFRS 15 - Revenue from Contracts with Customers** (published on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), intended to supersede IAS 18 - Revenue, IAS 11 - Construction Contracts, and the interpretations IFRIC 13 - Client Loyalty Programs, 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 establishes a new model for revenue recognition, applicable to all of the contracts concluded with customers, except for those included in the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The basic steps for the booking of revenue pursuant to the new model are:
    - identification of the contract with the customer;
    - identification of the performance obligations of the contract;
    - determination of the price;
    - allocation of the price to the performance obligations of the contract;
    - revenue recognition criteria when the entity meets each performance obligation.

  The standard is applicable beginning from 1 January 2018, but early adoption is allowed. The amendments to IFRS 15, *Clarifications to IFRS 15 - Revenue from Contracts with Customers*, published by the IASB on 12 April 2016, are still awaiting endorsement by the European Union.

  The directors have begun their review of the potential impacts arising from the introduction of the standard, and do not expect the application of IFRS 15 to have a material impact on the amounts booked under revenue and on the relating disclosures in the Condensed Consolidated Half-Year Financial Statements of the Group, since Group revenue originates mainly in lease rent, which is covered by IFRS 16, in revenue and margins from property sales, and in revenue from property services. The Group is still deciding on the approach to adopt on transition to IFRS 15. The Group will complete its review in 2H17 on the impacts arising from the application of the new standard.

- Final version of **IFRS 9 - *Financial Instruments*** (published on 24 July 2014). The document includes the results of the IASB project aimed at superseding IAS 39:
    - it introduces new criteria for the classification and measurement of financial assets and liabilities;
    - with regard to the impairment model, the new standard requires losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39), using supportable information, available without undue cost or effort, and including historic, current and forecast data;
    - it introduces a new hedge accounting model (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 the effectiveness test).

  The new standard must be applied for financial statements beginning on or after 1 January 2018.

  The Group does not expect to materially change the classification and measurement of financial assets owing to the nature of its business activities.

A thorough analysis of the impairment model for financial assets and, specifically, for trade receivables, should be completed in 2H17. The impairment model based on expected credit loss as set out in IFRS 9 will result in the recognition of an impairment of trade receivables not fallen due yet.

To date, the Group does not hold any derivative financial instruments recognized under the hedge accounting rules.

These preliminary conclusions are based on the analysis carried out so far, and may change following conclusion of the analysis of the impacts arising from the first-time application of IFRS 9, to be completed in 2H17.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT ENDORSED YET BY THE EUROPEAN UNION

At the date of these Consolidated Half-Year Financial Statements, the competent bodies of the European Union have not yet completed the endorsement process required for the adoption of the amendments and the standards described below.

- **IFRS 16 - Leases** (published on 13 January 2016) is to replace IAS 17 - *Leases* and the interpretations 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 distinguish between lease and service contracts 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 contract.
  The standard establishes a single model of recognition and measurement of lease contracts for the lessee, which provides for the underlying asset – including assets underlying operating leases – to be recognized in the statement of financial position as assets, offset against a financial payable. Lessees may elect to not recognize contracts for low-value assets or with a term of 12 months or less. Conversely, the standard does not include significant amendments for lessors.
  The standard is applicable beginning from 1 January 2019, but early adoption is allowed only for early adopters of IFRS 15 – Revenue from Contracts with Customers. In this regard, the introduction of the new IFRS 16 "Leasing" will have no impact on the accounting of revenue from lease rent of properties held in portfolio, which has already been accounted for using the "straight-line" method over the duration of the lease contracts. No change is expected, instead, in the method of accounting and of charging the initial costs of lease rent receivables to the income statement.
  Regarding lease contract payables, apart from a number of immaterial short-term office equipment rentals, the Group has a lease arrangement for a property located in Milan used as the Group's head office, and for various car parking spaces. Lease rent payables under these contracts up to initial maturity amounts (non-discounted values) to approximately € 3.0 million. A thorough review of lease contracts was still underway at the end of 1H17; the approach to adopt on transition will be defined once the review is completed.

- Amendment to **IAS 12 "*Recognition of Deferred Tax Assets for Unrealized Losses*"** (published on 19 January 2016). The document aims to provide clarifications on the recognition of deferred tax assets for unrealized losses under certain circumstances, and on the estimate of taxable income for future periods. These amendments, published by the IASB in January 2016 and applicable as from 1 January 2017, are awaiting endorsement by the European Union, and have, therefore, not been adopted by the Group at 30 June 2017. The directors do not expect the Group's Consolidated Half-Year Financial Statements to be materially affected by the adoption of these amendments.

- Amendment to **IAS 7** "***Disclosure Initiative***" (published on 29 January 2016). The document aims to provide clarifications on how to improve disclosures on financial liabilities. Specifically, the amendments require such disclosures as to allow users of financial statements to understand changes in liabilities arising from financing activities. These amendments, published by the IASB in January 2016 and applicable as from 1 January 2017, are awaiting endorsement by the European Union, and have, therefore, not been adopted by the Group at 30 June 2017. The directors do not expect the Group's Consolidated Half-Year Financial Statements to be materially affected by the adoption of these amendments.

- Amendment to **IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*** (published on 20 June 2016), which contains a number of clarifications on the accounting for the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with a net settlement feature, and on the accounting for modifications to the terms and conditions of a share-based payment that change the classification from cash-settled to equity-settled. The changes are applicable beginning from 1 January 2018, but early adoption is allowed. The directors do not expect the Group's Consolidated Half-Year Financial Statements to be materially affected by the adoption of these amendments, given that to date, no such transactions are in place.

- **"*Annual Improvements to IFRSs: Cycle 2014-2016*** ", published on 8 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*), which partly supplement existing standards. The directors do not expect the Group's Consolidated Half-Year Financial Statements to be materially affected by the adoption of these amendments.

- Interpretation **IFRIC 22** "***Foreign Currency Transactions and Advance Consideration***" (published on 8 December 2016). The purpose of the interpretation is to provide guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognized before recognition of the relating asset, expense or income. This document clarifies how an entity has 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 is applicable beginning from 1 January 2018, but early adoption is allowed. The directors do not expect the Group's Consolidated Half-Year Financial Statements to be materially affected by the adoption of these amendments.

- Amendment to **IAS 40** "***Transfers of Investment Property***" (published on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property to or from investment property when there is evidence of a change in use of that property. 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 are applicable beginning from 1 January 2018, but early adoption is allowed. The directors are currently assessing the possible effects of these amendments on the Consolidated Half-Year Financial Statements of the Group.

- On 7 June 2017, the IASB published **IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments***. The document addresses the issue of uncertainty over income tax treatments.
  Under the document, an entity is required to reflect uncertainties in the determination of tax liabilities or assets in the financial statements only when the entity is likely to pay or recover the amount in question. Additionally, the document does not provide for any new disclosure requirements, stressing however that the entity should need to determine whether it will be

necessary to provide disclosure on the Management's considerations on uncertainty from the accounting of tax, in accordance with IAS 1.
The new interpretation is applicable beginning from 1 January 2019, but early adoption is allowed. The directors do not expect the Group's Consolidated Half-Year Financial Statements to be materially affected by the adoption of this interpretation.

- Amendment to **IFRS 10** and **IAS 28** "***Sales or Contribution of Assets between an Investor and its Associate or Joint Venture***" (published on 11 September 2014). The document was published in order to solve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or contributions of a non-monetary asset to a joint venture or associate in return for a stake in the share capital. To date, the IASB has suspended the application of this amendment.

3.7 Financial statements

With regard to the format of the consolidated financial statements, the Group has opted to present the following types of statements:

Consolidated statement of financial position
The consolidated statement of financial position is presented with separate disclosures of Assets, Liabilities and Equity.
In turn, Assets and Liabilities are shown in the Consolidated Half-Year 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 traded, or
- it is expected to be realized/settled within twelve months from the closing date of the Consolidated Half-Year Financial Statements.

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

Lastly, a liability is classified as current when the entity does not have an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

Consolidated income statement
The consolidated income statement is presented in its classification by nature.
To provide a better understanding of the typical results of normal operations and of financial and tax management, the consolidated income statement shows the following consolidated interim results:

- Operating profit;
- Pre-tax profit;
- Result for the period.

Consolidated statement of other comprehensive income
The consolidated statement of comprehensive income includes all the changes in Other comprehensive gains (losses) for the period, generated by transactions other than those carried out with shareholders and on the basis of specific IAS/IFRS accounting standards. The Group has chosen to present these changes in a separate statement to the Consolidated Income Statement.
Changes in Other comprehensive gains (losses) are shown net of the relevant tax effects. The statement also provides separate evidence of the items that can be, or not be, subsequently reclassified in the consolidated income statement.

Consolidated statement of changes in equity
The consolidated statement of changes in equity, as required by international accounting standards, shows separately profit or loss for the period and other changes not recorded in the consolidated income statement, but attributed directly to other consolidated comprehensive gains (losses), based on specific IAS/IFRS accounting standards, as well as transactions with shareholders in their capacity as shareholders.

Consolidated statement of cash flows
The Consolidated Statement of Cash Flows is divided into cash flow generating areas as required by international accounting standards, prepared according to the indirect method.

Lastly, for the purposes of the acquisition of the Redwood portfolio in 1Q16, the Group incurred ancillary charges to the investment of € 458 thousand, initially paid by the Company and capitalized only at year end 2016. In the interest of clarity, the Group therefore reclassified these charges from "Costs for services" to “Fair value adjustments” as early as from the comparative period 30 June 2016.

3.8 Consolidation principles

The consolidation scope includes the subsidiaries, associates and investments in joint ventures. Subsidiaries are all those entities over which the Group has the power to directly or indirectly determine their relevant activities (i.e., financial and operating policies). A joint venture is an entity in which the strategic financial and operating decisions on its relevant activities are taken with the unanimous consent of the parties sharing control. An associate is an entity in which the Group has a significant influence, but does not control the relevant activities of the investee.

The consolidation principles can be summarized as follows:

- subsidiaries are consolidated using the full consolidation method, based on which assets and liabilities, costs and revenue of the financial statements of the subsidiaries in their overall amount are taken, regardless of the amount of the investment held; the book value of investments is eliminated against the underlying equity shares; balance sheet and income statement transactions between fully consolidated companies, including dividends distributed within the Group are eliminated; non-controlling interests are recorded in the specific equity item and, similarly, the share of profits or losses of non-controlling interests is shown separately in the income statement;
- all intragroup balances and transactions, including any unrealized profits arising from transactions carried out with Group companies, are eliminated in full. Unrealized losses are eliminated except where they represent an impairment loss to be recorded in the Income Statement;
- investments in associates and joint ventures are measured at equity. The book value of investments is adjusted to reflect the investor’s share in the results of the investee achieved after acquisition date;
- profits arising from transactions between companies included in the consolidation scope and measured at equity, not realized through transactions with third parties, are eliminated based on the percentage of the investment held.

Half-year financial statements of associates and joint ventures are prepared by using the currency of the primary economic environment in which they operate (“functional currency”). The Consolidated Half-Year Financial Statements are presented in €, the functional currency of the Parent and for the presentation of the Consolidated Half-Year Financial Statements of the Aedes Group. It should be noted that, in the consolidation scope, there are no companies that prepare their financial statements in currencies other than the Euro.

Business combinations are accounted for using the acquisition method under IFRS 3. At acquisition date, transaction assets and liabilities are recorded at fair value at that date, except for deferred tax assets and liabilities, assets and liabilities relating to employee benefits arrangements, stock option plans if any, as well as assets classified as held for sale, which are measured according to the relevant standard.

Acquisition-related costs are recognized in the income statement as incurred.

Goodwill represents the excess of the sum of the acquisition price, of equity attributable to non-controlling interests and the fair value of any investment previously held in the acquiree over the fair value of net assets and liabilities acquired at acquisition date.

If the net assets and liabilities acquired at acquisition date exceed the aggregate of the acquisition price, of equity attributable to non-controlling interests and the fair value of any investment previously held in the acquiree, the excess is recognized in the income statement of the year in which the transaction was concluded.

The share of equity attributable to non-controlling interests at acquisition date can be measured at fair value or at the pro-rata value of net assets recognized for the acquiree. The measurement method is selected on a transaction-by-transaction basis.

For the purpose of calculating goodwill, any acquisition payments subject to conditions, provided by the business combination, are measured at fair value at acquisition date and included in the value of the purchase consideration. Any subsequent changes to the 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, materializing within one year, are included in goodwill retrospectively.

For business combinations achieved in stages, the investment previously held in the acquiree is re-measured at fair value at the date of acquisition of control, and any resulting profit or loss is recognized in the income statement in the year the operation has been completed.

If the values of assets and liabilities acquired are incomplete at the date of preparation of the financial statements, the Group recognizes provisional amounts that will be subject to adjustment during the measurement period within twelve months, to take account of new information obtained on facts and circumstances existing at acquisition date, which, if known, would have affected the value of assets and liabilities recognized at that date.

With specific regard to the above, for the preparation of these Consolidated Half-Year Financial Statements, the Group has taken account of the recent guidelines expressed in particular in the Exposure Draft issued in June 2016 by the IASB (ED/2016/1), previously followed in the preparation of the condensed half-year report at 30 June 2016.

Specifically, the Group has 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 basically focused on an asset or homogeneous category of assets, the acquisition transaction is classified as a purchase of assets and related liabilities. Where the fair value cannot be focused on a specific category of assets, the presence of resources and structured processes is assessed as part of the 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 a group of assets is acquired as part of a transaction classified as a purchase of assets, the consideration paid is allocated on the individual assets in proportion to their fair value.

AEDES SiiQ COMMERCIAL PROPERTIES

3.9 Valuation Criteria

As mentioned above, the same valuation criteria used in the preparation of the consolidated financial statements at 31 December 2016 (to which reference is made) have been used for the Condensed Consolidated Half-Year Financial Statements.

• Critical estimates and assumptions

The preparation of the Condensed Consolidated Half-Year Financial Statements and the related notes, in accordance with IFRS, requires the Directors to apply accounting standards 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 relating circumstances, which affect the recognized amounts of assets and liabilities and the 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 on future performance are based on significant uncertainty. Therefore, future results may differ from estimates, and these could require even significant adjustments which cannot be predicted or estimated at this time.
Estimates and assumptions are used mainly in the assessment of the recoverable value of investments, the valuation of investment property 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 (€ 393.4 million at 30 June 2017) and inventories (€ 55.1 million at 30 June 2017), it should be noted that the assessment of fair value, performed with the support of independent experts, derives from variables and assumptions on the future performance, which may vary significantly and thus produce changes - in the book value of properties - which cannot be predicted or estimated at this time.

The main variables and assumptions marked by uncertainty are:
- Net cash flows expected from the properties and relevant timing
- Inflation rates, discount rates and capitalization rates

See Note 33 - IFRS 13 for further information on the methods of determining the fair value of properties and the section "Independent expert appraisals" in the Directors' Report on Operations for information on the selection process of independent experts.

Similar considerations apply to the measurement of investments in associates and joint ventures (€ 39.0 million at 30 June 2017), whose equity reflects the fair value measurement of investment property held.

3.10 Main types of risk

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

• Strategic risks

MARKET RISK

Market risk is the possibility that changes in the overall economic performance, exchange rates, interest rates or commodity prices may adversely affect the value of assets, including property assets, liabilities or expected cash flows.
The Company regularly performs a sensitivity analysis to monitor the effects that changes to the discount or capitalization rates, or to revenue may have on the value of the assets.

• Operating risks

CREDIT RISK

Credit risk lies mainly in a client's inability to pay, regarding specifically tenants of assets owned. The Group is not affected by significant credit risk concentration, given the adequate diversification in terms of renters.
The activity carried out to reduce credit risk exposure is based on an analysis of the composition of the client portfolio for each business area, to ensure adequate guarantee on the financial soundness of clients. Where deemed necessary, suitable guarantees are required for property transactions.
The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of financial assets shown in the financial statements, plus the face value of guarantees given to third-party debts or commitments as set out in Note 32.
Most of the financial assets come from associates. The financial assets consist mainly of receivables, whose collection is tied to the development/disposal cycle of the property assets of the associates. Any write-downs of financial assets are made on an individual basis, and the write-downs are deemed to reflect the actual collection risk.

LEASE RISK

Lease risk lies in the possibility that owned properties remain vacant for extended periods of time, exposing the Group to a reduction in cash flows from rents and an increase in property costs.
The Group has adopted a policy based on ongoing relations with tenants, with a view to their retention.
The current property market situation, with specific regard to offices, does not rule out the possibility that certain tenants, on expiry of the contract or during the window of exercise of the so-called break option, may exercise the right to terminate the lease contract or demand renegotiation of the lease rent.
The Group monitors this risk by maintaining ongoing relations also with leading specialized real-estate agencies.

RISKS ARISING FROM THE USE OF THE SERVICES OF CONSTRUCTION COMPANIES

In implementing its initiatives, the Group makes use of the services of construction companies, the dealings of which are governed by specific procurement contracts under the law. While the Group uses the services of leading construction companies, and the procurement contracts, in the event of disputes with the end user, provide for the possibility of claiming compensation from the contractor, one cannot rule out the possibility that the construction companies fail to meet their obligations in a timely manner, producing potential adverse effects on the operating and financial activities of the Group.

- ## Compliance risks

LIABILITY PURSUANT TO LEGISLATIVE DECREE 231/01

The risk pursuant to Legislative Decree 231/01 is that the Company may incur penalties related to the regulations governing the liability of legal entities in the perpetration of offences pursuant to Legislative Decree 231/01.
In order to reduce such risk, the Company has adopted an "Organizational Model" or "Model 231", divided into a General Section, which presents targets, structural guidelines and implementation procedures of the Organizational Model, and a Special Section that provides an overview of the offences pursuant to Legislative Decree 231/01 considered relevant as a result of risk assessment, establishes rules of conduct for Model 231 recipients, and sets standards for the preparation of the procedures in the business areas involved.
The Company has also drawn up a Code of Ethics that applies to the entire Group staff, who are committed to comply and enforce the principles of the Code as part of their duties and responsibilities.
The Company has additionally appointed a Supervisory Board with autonomous powers of initiative and control, tasked with overseeing the effectiveness, adequacy, operation and compliance with the Organizational Model, also seeing to its constant updating.

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 oversight bodies.
The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. Specifically, the Corporate Affairs and Investor Relations Departments oversee the handling of obligations in respect of management and supervisory authorities, and are responsible for the management of the market disclosure process. This process, which requires close coordination with the internal departments for the identification, verification and communication of administration, accounting and management data and information, is carried out in compliance with specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Financial Reporting Manager.

LIABILITY PURSUANT TO LAW 262/05

The risk under Law 262/05 refers to the liability of the Financial Reporting Manager, pursuant to Law 262/05.
In compliance with the regulatory provisions of Law 262 of 28 December 2005, "Investment Law", the Company has adopted an internal administrative-accounting control system over financial reporting, with the purpose of (i) ascertaining that the Internal Control System currently in place is able to provide reasonable certainty on the true and fair view of income statement, balance sheet and cash flow information submitted; (ii) implementing adequate administrative-accounting procedures for the preparation of the financial statements and consolidated financial statements, as well as any other disclosure of a financial nature; (iii) guaranteeing the effective application of the administrative and accounting procedures prepared over the period to which the above documents refer.

TAX RISK - SIIQ REGIME REQUIREMENTS

The risk arising from the SIIQ regime is that the Company may fail to comply with the profitability and capital requirements to remain in such tax regime, with the consequent loss (in the event that such circumstance extends under the time limits of the law) of the status of SIIQ. The Company intends to closely monitor the associated tax risks; the assessments made on the tax model adopted are prepared with the assistance of select specialists. Separate accounting is used for taxable and tax exempt transactions. The structure is designed to carry out regular asset and profit tests in order to monitor compliance with legal requirements, including in the long term.

• Financial risks

INTEREST RATE RISK

The Group's exposure to interest rate risk originates mainly in medium and long-term financial payables.
Floating-rate payables expose the Group to a cash flow risk; fixed-rate payables expose the Group to a fair value risk.
The Aedes Group's exposure to risk originates mainly in payables indexed to a floating market rate, with a resulting risk of cash flow fluctuations.
Interest rate risk exposure excludes fixed-rate loans, as changes in fair value are not recognized in the income statement and have no cash flow variables, depending on market conditions.
Interest rate risks can be reduced by concluding derivative contracts. The instruments generally used are "plain vanilla" or "step-up" interest rate swaps, which convert the floating rate into a fixed rate, and/or caps, which set a cap on the interest rates payable by the Company, and/or collars, namely instruments represented by the purchase of a cap and sale of a floor, which set a floor and a cap on interest rates payable by the Company, allowing it to maintain a floating rate within the set range.
A derivative instrument is chosen by analyzing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

Taking account of the highly favourable rates and in order to reduce the Group's overall exposure to the interest rate risk, given that at year-end 2016 the Group had 100% of its financial payables at a floating rate, on 4 November 2015, the Company concluded a derivative contract with the following characteristics:

Type	zero cost COLLAR
Effective date	31/12/2015
Maturity	31.12.2020
Notional	€ 50 million, Bullet
Floating Rate Euribor	3 months, act/360, quarterly
CAP strike	1.00%
FLOOR strike	0.00%

The notional amount underwritten amounts to approximately 23% of the Group's gross financial debt at 30 June 2017. It should be noted that the instrument is not tied to a specific loan, but has the purpose of reducing the risk of increasing interest rates on the Group's overall exposure. 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 30 June 2017, the Group has no exchange rate risk, since it has no exposure to currencies other than the €.

LIQUIDITY RISK

Liquidity risk is the risk that the Company and the Group fail to meet their payment obligations, due to the difficulty in raising funds (funding liquidity risk) or in liquidating assets on the market (asset liquidity risk). This may cause adverse effects on the result in the event that the Company or the Group are forced to incur additional costs to meet their commitments or, in a worst case scenario, a condition of insolvency endangering business continuity.
The Company, through its Finance Department and ongoing supervision by the Parent Company's executive bodies, keeps a watchful eye on cash and short-term financial commitments. For this purpose, the Group monitors the liquidity risk by preparing a detailed monthly financial budget, considering a time horizon of at least one year and the effective management of property sales and assumption of financial commitments.

In identifying the criteria to be used for the preparation of these Consolidated Half-Year Financial Statements, the Group has taken account of the operational and financial commitments on cash flows affecting all Group companies for a period of 12 months from the date of approval of the current year's financial statements, including the planned investment activities and forthcoming maturity of specific loan agreements currently in place.
Based on the requirements arising from the financial budget, the Company has identified the main funding sources, deriving mainly from:
• refinancing activities of certain assets;
• disposal of certain non-strategic assets;
• rescheduling of short-term credit lines.

Based on the information and the documentary evidence available at the date of preparing the Consolidated Half-Year Financial Statements at 30 June 2017, and on the progress of the initiatives currently in place with regard to the above funding loans, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the financial budget. Accordingly, the Directors believe there are no uncertainties on the Company and Group's ability to meet their current and prospective financial obligations in the foreseeable future.

3.11 Events after the reporting period

On 20 July 2017, a deed was concluded for the merger by incorporation of Praga Service Real Estate into Praga Construction S.r.l. (now PRAGA RES S.r.l.), effective as from 1 August 2017.

On 31 July 2017, a deed was concluded for the merger by incorporation into Aedes SIIQ S.p.A. of the wholly-owned companies Cascina Praga SIINQ S.p.A. and Redwood S.r.l., legally effective from the date of the last registration as set out in art. 2504 of the Italian Civil Code.

3.12 Consolidation scope

The Condensed Consolidated Half-Year Financial Statements at 30 June 2017 include the balance sheet and income statement figures of the Parent Aedes and of its direct and indirect subsidiaries. The companies in which the Parent Company, directly or indirectly, has significant influence, and joint ventures are consolidated at equity.

The list of subsidiaries and companies consolidated at equity are shown in Annex 1.

Significant changes in the consolidation scope took place during the year and are summarized below.

On 16 June 2017, a deed was concluded for the disposal of the interests of the subsidiary Golf Club Castello Tolcinasco SSD S.r.l., previously classified as "discontinued operation" from 1Q17. The result of the company up to the disposal date and the effects of the disposal have been classified under "Gains/(losses) after tax from assets and liabilities held for sale". For comparative purposes, the corresponding result of the prior period has also been classified under the item.

On 23 May 2017, in execution of the preliminary agreement concluded on 11 May 2017, the final agreement was concluded with Herald Level 2 Lux Holding Sarl on the purchase of 100% of Retail Park One S.r.l., owner of the Serravalle Retail Park. The acquisition was qualified for accounting purposes as a purchase of assets, since the acquired fair value is basically focused on the acquired property assets.

3.13 Explanatory notes to the consolidated financial position, cash flows and income statement

• Assets

NOTE 1. INVESTMENT PROPERTY

	Investment property	Properties under development	Total
Balance at 1/1/2016	**157,507**	**109,377**	**266,884**
Balance at 31/12/2016			
Net book value at 1/1/2016	157,507	109,377	266,884
Increases	41,570	6,470	48,040
Decreases	0	(5)	(5)
Reclassifications	(3,240)	(64)	(3,304)
Fair value adjustment	36,012	(6,239)	29,773
Net book value 31/12/2016	**231,849**	**109,539**	**341,388**
Balance at 30/06/2017			
Net book value at 1/1/2017	231,849	109,539	341,388
Increases	38,920	5,339	44,259
Decreases	0	(165)	(165)
Fair value adjustment	5,641	2,240	7,881
Net book value 30/06/2017	**276,410**	**116,953**	**393,363**

The Company's investment property amounted to € 393,363 thousand, up versus € 341,388 thousand in the prior year.

In the preparation of the Consolidated Half-Year Financial Statements, the Group appointed CB Richard Ellis and K2 Real as the primary independent experts to perform appraisals on the property portfolio.

"Investment property" increased by € 38,920 thousand, € 38,416 thousand of which attributable to the purchase and consolidation of Retail Park One S.r.l., in addition to investments in owned properties.

The reporting period saw fair value adjustments of € 5,641 thousand in investment property, of which:

- € 9,454 thousand from upward adjustments explained below:
  - ✓ € 4,584 thousand from the fair value adjustment of the property held by Retail Park One S.r.l.;
  - ✓ € 4,000 thousand from the fair value adjustment of the property located in Via Agnello, Milan;
  - ✓ € 800 thousand from the fair value adjustment of a number of properties and licenses of the Redwood portfolio;
  - ✓ € 70 thousand from other properties.
- € 3,813 thousand from downward adjustments attributable mainly:
  - ✓ for € 1,161 thousand to a number of properties and licenses of the Redwood portfolio;
  - ✓ for € 1,100 thousand to the property located in Via Etnea, Catania;
  - ✓ for € 930 thousand to the properties held by the Petrarca Fund;
  - ✓ for € 622 thousand to other properties.

"Properties under development" increased by € 5,339 thousand, attributable to capitalization on the Serravalle Retail Park Phase C, Serravalle Outlet Village, Caselle Designer Center, Lotto 10B and Nuovo Ramo Trasversale projects.

Properties under development recorded net upward fair value adjustments of € 2,240 thousand, attributable mainly:

- ✓ for € 3,502 thousand to upward adjustments all attributable to the change in fair value of the Caselle Design Center project;
- ✓ for € 1,262 thousand to downward adjustments, relating mainly to the change in fair value of the Serravalle Retail Park – Phase C project.

It should be noted that a number of these properties are subject to mortgages securing bank loans, explained in the specific liabilities 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 properties package can be maintained for the full amount, encumbering only on the residual properties or portions. On the latter's sale, the mortgages are fully cancelled.

The following are the changes in investment property acquired, until 31 December 2016, through finance lease, previously included and an integral part of the table above:

	Total
Balance at 31/12/2016	
Net book value at 1/1/2016	40,100
Increases	25
Fair value adjustment	275
Net book value 31/12/2016	**40,400**

Net book value at 1/1/2017	
Historical cost	40,400
Net book value	**40,400**
Balance at 30/06/2017	
Net book value at 1/1/2017	40,400
Decreases	(40,400)
Net book value 30/06/2017	**0**

The finance lease terminated following the refinancing operation carried out by the Parent as explained in Note 14.

NOTE 2. OTHER TANGIBLE FIXED ASSETS

	Specific plants	Industrial and commercial equipment	Other goods	Total
Balance at 1/1/2016				
Historical cost	2,173	2,548	4,418	9,139
Depreciation fund	(2,051)	(442)	(3,605)	(6,098)
Net book value 1/1/2016	**122**	**2,106**	**813**	**3,041**
Balance at 31/12/2016				
Net book value at 1/1/2016	122	2,106	813	3,041
Change in consolidation scope	0	3	(1)	2
Increases	3	323	109	435
Decreases	(6)	0	(9)	(15)
Amortization, depreciation and impairment losses	(19)	(397)	(239)	(655)
Net book value 31/12/2016	100	2,035	673	2,808
Balance at 1/1/2017				
Historical cost	2,170	2,876	4,357	9,403
Depreciation fund	(2,070)	(841)	(3,684)	(6,595)
Net book value at 1/1/2017	**100**	**2,035**	**673**	**2,808**
Net book value at 1/1/2017	100	2,035	673	2,808
Change in consolidation scope	(4)	(8)	(4)	(16)
Increases	7	1	15	23
Decreases	0	0	(13)	(13)
Amortization, depreciation and impairment losses	(6)	(208)	(77)	(291)
Net book value 30/06/2017	97	1,820	594	2,511
Balance at 30/06/2017				
Historical cost	2,173	2,860	4,229	9,262
Depreciation fund	(2,076)	(1,040)	(3,635)	(6,751)
Net book value	**97**	**1,820**	**594**	**2,511**

Other intangible fixed assets amounted to € 2,511 thousand at 30 June 2017 versus € 2,808 thousand at 31 December 2016. The decrease is attributable almost entirely to the depreciation expense for the period.

NOTE 3. GOODWILL AND OTHER INTANGIBLE FIXED ASSETS

	Other	Goodwill	Total
Balance at 1/1/2016			
Historical cost	931	1,269	2,200
Depreciation fund	(867)	0	(867)
Net book value 1/1/2016	**64**	**1,269**	**1,333**
Balance at 31/12/2016			
Net book value at 1/1/2016	64	1,269	1,333
Change in consolidation scope	0	(1,269)	(1,269)
Increases	23	0	23
Amortization, depreciation and impairment losses	(28)	0	(28)
Net book value 31/12/2016	59	0	59
Balance at 1/1/2017			
Historical cost	954	0	954
Depreciation fund	(895)	0	(895)
Net book value	**59**	**0**	**59**
Net book value at 1/1/2017	59	0	59
Increases	14	0	14
Amortization, depreciation and impairment losses	(16)	0	(16)
Net book value 30/06/2017	57	0	57
Balance at 30/06/2017			
Historical cost	968	0	968
Depreciation fund	(911)	0	(911)
Net book value	**57**	**0**	**57**

Goodwill was nil at 31 December 2016, had amounted to € 1,269 thousand and was entirely attributable to the subsidiary Aedes Real Estate SGR S.p.A., disposed of in 2016.
Other intangible fixed assets amounted to € 57 thousand and recorded no significant change versus 31 December 2016.

NOTE 4. INVESTMENTS IN COMPANIES MEASURED AT EQUITY

"Investments measured at equity" includes investments in associates and joint ventures:

	Amounts at 31/12/2016	Increases	Decreases	Reval. (+) Wr.-down (-)	Amounts at 30/06/2017	% of investment
Investments booked at equity						
Aedilia Nord Est S.r.l. - Pival S.r.l.	971	0	0	(142)	829	56.52%
EFIR S.ar.l. - Dante Retail Fund	19,943	0	(1,000)	664	19,607	33.33%
Leopardi Fund	7,956	0	0	(1,423)	6,533	24.39%
Nichelino Village S.c.ar.l.	5	0	0	0	5	50.00%
Parco Grande SCARL	5	0	(5)	0	0	0.00%
Pragasei S.r.l.	11,577	476	0	(81)	11,972	50.10%
Ravizza S.c.ar.l.	0	0	0	0	0	0.00%
Serravalle Village S.c.ar.l.	5	0	0	0	5	50.00%
Total	**40,462**	**476**	**(1,005)**	**(982)**	**38,951**	

At 30 June 2017, the item amounted to € 38,951 thousand versus € 40,462 thousand at 31 December 2016.

The increase is attributable to the payment for a share capital increase granted by Aedes SIIQ S.p.A. to the joint venture Pragasei S.r.l. through waiver of the shareholder loan of € 476 thousand.

Decreases refer, instead, to the investment in Efir S.ar.l. - Dante Retail Fund, regarding the redemption of shares made during the period, and to Parco Grande Scarl, liquidated in 2017.

Write-downs and revaluations refer to the effects of the measurement of investments at equity.

The Dante Retail Fund, wholly-owned by EFIR S.ar.l., has a derivative contract in place with a notional amount of € 37,500 thousand Bullet, fixed rate at 0.12%, with a fair value at 30 June 2017 of € -130 thousand.

Pragasei S.r.l. has a CAP in place with a notional amount of € 4,213 thousand Bullet, rate at 1.5%, with a fair value at 30 June 2017 of € +29 thousand.

As required by IFRS 12, the table below shows the reconciliation between the net assets held by the main associates and their carrying amount:

	Aedilia Nord Est S.r.l.		EFIR S.ar.l - Dante Retail Fund		Leopardi Fund	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset	6,502	6,618	57,071	58,372	26,898	32,630
Elimination of intra-group profit	(4,006)	(4,006)	0	0	0	0
Adjustment from measurement at equity of subsidiaries	(303)	(168)	1755	1,464	0	0
Other adjustments	(727)	(727)	0	0	(111)	(7)
% held	56.52%	56.52%	33.33%	33.33%	24.39%	24.39%
Carrying amount	**829**	**971**	**19,607**	**19,943**	**6,533**	**7,956**

As required by IFRS 12, the table below shows the reconciliation between the net assets held in joint venture and their carrying amount:

	Pragasei S.r.l.	
	30/06/2017	**31/12/2016**
Net asset	(404)	(459)
Fair value adjustment of property assets net of tax effect	24,429	23,531
Other adjustments	(130)	36
% held	50.10%	50.10%
Carrying amount	**11,972**	**11,577**

A summary of the financial statements figures of companies measured at equity is shown in Annex 3.

Note 5. Financial assets available for sale

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

Investment	Balance at 31/12/2016	Decreases	Fair value adjustment	Reclassification	Balance at 30/06/2017	% of investment
Roma Development S.r.l.	0	0	0	0	0	0.49%
Total	**0**	**0**	**0**	**0**	**0**	

This item shows a balance equal to zero at 30 June 2017, and refers to the amount of the investment in Roma Development S.r.l., owner of a development area in La Storta, Rome; no changes were reported in the amount of the investment, which has been fully written down.

Note 6. Deferred tax

	30/06/2017	31/12/2016
Deferred tax assets		
- Prepaid tax recoverable after 12 months	6,287	6,379
	6,287	**6,379**
Deferred tax liabilities		
- Deferred tax recoverable after 12 months	(3,902)	(3,921)
	(3,902)	**(3,921)**
Total	**2,385**	**2,458**

Deferred tax assets and liabilities amounted to a net positive € 2,385 thousand at 30 June 2017.

The table below shows the breakdown of deferred tax:

	30/06/2017			31/12/2016		
	Amount of temporary differences	tax effect (rate%)	TOTAL	Amount of temporary differences	tax effect (rate%)	TOTAL
Prepaid tax:						
Prepaid on tax losses	26,104	24.00%	6,265	26,463	24.00%	6,351
Other residual	92	24.00%	22	117	24.00%	28
Non-current	**26,196**		**6,287**	**26,579**		**6,379**
Total	**26,196**		**6,287**	**26,579**		**6,379**
Deferred tax:						
Difference between book value and tax value of inventories and investment property	(4,746)	27.90%	(1,324)	(4,746)	27.90%	(1,324)
Difference between book value and tax value of investments in joint ventures	(10,742)	24.00%	(2,578)	(10,821)	24.00%	(2,597)
Non-current	**(15,487)**		**(3,902)**	**(15,566)**		**(3,921)**
Total	**(15,487)**		**(3,902)**	**(15,566)**		**(3,921)**
Net prepaid/(deferred) tax	**10,709**		**2,385**	**11,013**		**2,458**

The Group has tax loss carryforwards, as emerging from the 2016 National and Worldwide Consolidation Form related to 2015, amounting to € 206,135 thousand, which increase to € 217,100 thousand in 2016 due mainly to the tax losses generated in the management of taxable income of Aedes SIIQ S.p.A.. In the reporting period, loss carryforwards available to the Group further increased by approximately € 1,104 thousand.

The Group has booked only a minimal amount of deferred assets for tax losses, also in consideration of the recommendations of Consob communication no. 0003907 of 19 January 2015, which states that the booking of a deferred tax asset for tax losses can be recognized "to the extent that future taxable profit will likely be available against which tax losses can be utilized", as provided by IAS 12. As a result, in 1H17, as in 1H16, the Company has conservatively recognized deferred tax assets on tax losses amounting to € 6,287 thousand up to the 80% limit of deferred tax assets booked in these Consolidated Half-Year Financial Statements, as well as deferred tax (IRES) considered implicitly in the value of the investment in the joint ventures participating in the tax consolidation scheme of Aedes SIIQ S.p.A..
At 30 June 2017, deferred tax booked amounted to € 3,902 thousand, arising mostly from the temporary misalignment between the book value and tax value of the property assets and investments in joint ventures.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

	30/06/2017		31/12/2016	
	Assets	Liabilities	Assets	Liabilities
Current portion				
fair value Cap	99	0	230	0
fair value Floor	0	337	0	605
Total	**99**	**337**	**230**	**605**

The item shows the fair value of derivative contracts concluded by the Parent Company with Banca Popolare di Milano S.c.ar.l., aimed at reducing the risk of increasing the Group's overall interest rate exposure.

As in the prior year, the Group appointed Ernst & Young Financial-Business Advisors S.p.A. as the independent expert tasked with fair value measurements: at 30 June 2017, the measurements amounted to € 99 thousand in assets from the fair value of the "Cap" derivative contract, and to € 337 thousand in liabilities from the fair value of the "Floor" derivative contract. The change in fair value was recognized in the income statement under "*Financial charges*".

The table below shows derivative financial instruments at 30 June 2017:

Hedge provider	Type	Notional	Fair Value	Contract deadline	Borrowing rate	Lending rate
Banca Popolare di Milano	Cap	50,000	99	31/12/2020	1%	3M Euribor q,A/360
Banca Popolare di Milano	Floor	50,000	(337)	31/12/2020	0%	3M Euribor q,A/360

The fair value of outstanding derivative financial instruments at 30 June 2017 was measured using the level 2 hierarchy (fair value determined on the basis of valuation models that use observable market inputs).

Note 8. Financial receivables

	30/06/2017	31/12/2016
Non-current receivables		
Receivables from associates	13,436	20,283
Provision for bad debts from associates	(907)	(6,717)
Receivables due from others	97	84
Total	**12,626**	**13,650**

Financial receivables totaled € 12,626 thousand at 30 June 2017 versus € 13,650 thousand at 31 December 2016.
Receivables due from associates refer to loans granted at normal market conditions all with maturity over 12 months. The breakdown of receivables due from associates is shown in Annex 2. The collection of these receivables is related to the development and sale of property assets owned by the associates.

The significant change in receivables from associates is attributable to the contract concluded on 15 December 2016 by Aedes SIIQ S.p.A. with the Leopard Fund and its subsidiary Rubattino 87 S.r.l., which governed the arrangements for adjusting receivables and payables of Aedes SIIQ S.p.A. from and to associates through the Leopard Fund; such an agreement, as amended on 22 February 2017, provides for the offsetting of amounts, the transfer of properties and the assumption of the relating loan. The effectiveness of the agreement, as regards the transfer of properties, assumption of the debt and waiver of the residual receivable, is subject to a suspensive condition that requires the lenders' consent on assumption by Aedes of the debt from the properties subject to transfer, a condition that must be fulfilled by 30 September 2017.

The write-down of financial receivables due from associates was made in order to adjust them to their presumed realizable value, as a result of the joint measurement made on financial receivables and investments.

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

Note 9. Trade and other receivables

Non-current	30/06/2017	31/12/2016
Receivables due from others	242	242
Tax receivables	894	894
Total	**1,136**	**1,136**

Current	**30/06/2017**	**31/12/2016**
Receivables due from clients	*15,080*	13,869
Provision for bad debts	*(5,739)*	*(4,821)*
Net receivables due from clients	9,341	9,048
Receivables from associates and other related parties	*1,968*	*9,338*
Provision for bad debts	*(960)*	*(3,138)*
Receivables from associates and other related parties	1,008	6,200
Receivables from parent companies	43	32
Receivables due from others	918	146
Tax receivables	10,371	11,075
Accrued income and prepaid expenses	947	544
Total	**22,628**	**27,045**

The book value of trade and other receivables is deemed to approximate their fair value.
The table below shows the maturity of current and non-current trade receivables (due from clients, associates and parent companies):

	Falling due	Overdue by						**Total**
		Less than 30 days	30-60 days	61-90 days	91-180 days	181-360 days	Over 360 days	
Gross Value	6,711	590	207	946	2,103	975	5,559	17,091
Provision for bad debts	0	0	0	(43)	(1,090)	(130)	(5,436)	(6,699)
Net trade receivables	**6,711**	**590**	**207**	**903**	**1,013**	**845**	**123**	**10,392**

Receivables due from clients

Trade receivables refer basically to lease revenue and to revenue from the provision of services to third parties, amounting to € 15,080 thousand at 30 June 2017 versus € 13,869 thousand at 31 December 2016. The increase is attributable mainly to the consolidation of the receivables of Retail Park One S.r.l. following the acquisition of the company.

Trade receivables are stated net of the relevant bad debts provisions, whose changes are shown below:

Balance at 31/12/2016	***4,821***
Provisions	*1*
Utilization	*(10)*
Release	*0*
Change in consolidation scope	*927*
Balance at 30/06/2017	***5,739***

The bad debts provision shows a net change in the scope, attributable to the consolidation of Retail Park One S.r.l. and to the deconsolidation of Golf Club Tolcinasco SSD S.r.l..

Receivables due from others

Non-current	**30/06/2017**	**31/12/2016**
Other	242	242
Non-current receivables due from others	**242**	**242**
Current	**30/06/2017**	**31/12/2016**
Advances to suppliers	402	1
Other	516	145
Current receivables due from others	**918**	**146**

"Non-current receivables due from others", amounting to € 242 thousand, unchanged versus 31 December 2016, refers to the portion of tax receivables claimed as refund by the liquidator of Aedificandi S.r.l., liquidated in July 2014, and pertaining to Aedes as a former shareholder.

"Current receivables due from others", amounting to € 918 thousand at 30 June 2017 versus € 146 thousand at 31 December 2016, is composed mainly of receivables from employees and receivables for insurance refunds.

Tax receivables

Non-current	**30/06/2017**	**31/12/2016**
Receivables from the Revenue Agency for VAT	145	145
Receivables from the Revenue Agency for tax	749	749
Non-current tax receivables	**894**	**894**
Current	**30/06/2017**	**31/12/2016**
Receivables from the Revenue Agency for VAT	1,511	2,360
Receivables from the Revenue Agency for tax	8,860	8,715
Current tax receivables	**10,371**	**11,075**

Non-current tax receivables, unchanged versus the prior period, refer to € 145 thousand from VAT receivables claimed as refund, and to € 749 thousand from other tax receivables as follows:

- € 268 thousand from the receivable booked, as a result of the non-deduction of IRAP, in the amount allowed under the law in prior years (art. 6, par. 1, of Decree Law no. 185 of 29 November 2008, converted, following amendments, by law no. 2 of 28 January 2009, which introduced partial deductibility, for income tax purposes, of the regional tax on productive activities); a procedure has been opened to claim a refund of the receivable;
- € 392 thousand from foreign tax shown in the National and Worldwide Consolidation Form of former Praga Holding S.p.A., which can be carried forward for up to eight financial years;
- € 89 thousand from receivables for VAT paid in 2007 by Praga Holding S.p.A. as a result of a fractionated payment while awaiting judgement;

Current tax receivables amount to € 10,371 thousand versus € 11,075 thousand in the prior year and refer to € 1,511 thousand for receivables from the Revenue Agency for VAT (€ 2,360 thousand in the prior year) and € 8,860 thousand for tax receivables (€ 8,715 thousand in the prior year).

The current portion of tax receivables is formed mainly of:

- € 6,346 thousand from the tax receivable for the substitute tax under 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. as part of the national tax consolidation scheme; on 7 July 2017, the company received a refund of the receivable from the Revenue Agency;
- € 803 thousand from IRES receivables arisen in prior years as part of the tax consolidation scheme of Aedes SIIQ S.p.A.;
- € 537 thousand from unused IRAP receivables arisen in prior years;
- € 226 thousand from IRES and IRAP refunds claimed in 2012 by the Parent Company and by the companies participating in the national tax consolidation scheme;
- € 156 thousand from IRES receivables of Aedes SIIQ S.p.A..
- € 154 thousand from IRES adjustment of Aedes SIIQ S.p.A..
- € 453 thousand from receivables arising from the instalment payment by Praga Construction S.r.l. of assessed tax arrears, following the opening of a procedure for fractionated payment while awaiting judgement, which is deemed recoverable;
- € 185 thousand from tax receivables held by the Parent Company and its Subsidiaries.

Receivables from associates and other related parties

The breakdown of receivables due from associates is shown in Annex 2.
The significant change in receivables from associates is attributable to the contract concluded on 15 December 2016 by the Parent with the Leopard Fund and its subsidiary Rubattino 87 S.r.l., which governed the arrangements for adjusting receivables and payables of Aedes SIIQ S.p.A. from and to associates through the Leopard Fund; such an agreement, as amended on 22 February 2017, provides for the offsetting of amounts, the transfer of properties and the assumption of the relating

loan. The effectiveness of the agreement, as regards the transfer of properties, assumption of the debt and waiver of the residual receivable, is subject to a suspensive condition that requires the lenders' consent on assumption by Aedes of the debt from the properties subject to transfer, a condition that must be fulfilled by 30 September 2017.

Accrued income and prepaid expenses

The table below shows the breakdown of the current portion of accrued income and prepaid expenses:

	30/06/2017	31/12/2016
Deferred income on property management	177	264
Prepayments for sureties	26	22
Other accrued income and prepaid expenses	744	258
Current accrued income and prepaid expenses	**947**	**544**

"Accrued income and prepaid expenses" amounted to € 947 thousand at 30 June 2017 versus € 544 thousand at 31 December 2016; the change in the period is attributable to the consolidation of Retail Park One S.r.l..

NOTE 10. INVENTORIES

	30/06/2017	31/12/2016
Properties and licences	54,076	55,680
Non-property inventories	1,059	650
Total	**55,135**	**56,330**

Inventories at 30 June 2017 amounted to € 55,135 thousand versus € 56,330 thousand in the prior year.
The table below shows the changes in inventories versus the prior year:

	Properties and licences	Non-property inventories	Total
Balance at 31/12/2016	**55,680**	**650**	**56,330**
Increases	78	1,259	1,337
Decreases	(721)	(850)	(1,571)
(Write-down)/write-back	(961)	0	(961)
Balance at 30/06/2017	**54,076**	**1,059**	**55,135**

Property inventories and licenses amounted to € 54,076 thousand at 30 June 2017 versus € 55,680 thousand at 31 December 2016.

"Decreases" in properties and licenses includes the cost of the sale of property units and properties sold over the period, and refers to the sale of a portion of the Platform 9 complex located in Via Pompeo Leoni/De Angeli, Milan.

Net write-downs of € 961 thousand at 30 June 2017 are the net result of write-downs and reversal of impairment losses as detailed below:

- € 962 thousand from write-downs attributable mainly to:
  - ✓ € 388 thousand for la Bollina, CMS residential complex development;
  - ✓ € 254 thousand for the property in Bv. Croisette, Cannes;
  - ✓ € 220 thousand for the Cascina Nuova property;
  - ✓ € 100 thousand for other properties.
- € 1 thousand for reversal of impairment losses.

Non-property inventories refer mainly to the wine-growing business of the subsidiary Società Agricola la Bollina S.r.l. and to the wholesale trade of alcoholic beverages of the subsidiary Bollina S.r.l.. The items also includes € 466 thousand for contract work in progress to be invoiced to customers regarding Praga Construction and related to the sites of Nichelino Village and Serravalle Outlet Village Phase 5 and Phase 6.

Several of these properties have been subject to mortgages securing loans, explained in the specific liabilities section. The value of mortgages securing loans relates in many cases to their original amounts. 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 solely on the residual properties or portions. On the latter's sale, the mortgages are fully cancelled.

NOTE 11. CASH AND CASH EQUIVALENTS

	30/06/2017	31/12/2016
Cash on hand	6	15
Bank and postal deposits	14,968	10,643
Term current accounts	3,593	1,952
Total	**18,567**	**12,610**

Further details on the Group's financial trends are found in the "Statement of Cash Flows".

• Equity

NOTE 12. GROUP EQUITY

At 30 June 2017, the Parent Company's share capital, fully subscribed and paid in, amounts to € 212,945,601.41, divided into 319,803,191 ordinary shares, without par value.

"Treasury shares" refers to 3,522,500 Aedes ordinary shares held in portfolio at 30 June 2017.

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

Year	No. shares	Amount in Euro	Average book value in Euro
Final balance at 31/12/2015	**539,000**	**265,976**	**0.49**
Disposal of treasury shares 2016	0	0	
Purchase of treasury shares 2016	2,969,000	1,192,612	0.40
Liquidity provider	(8,000)	(4,156)	0.49
Final balance at 31/12/2016	**3,500,000**	**1,454,432**	**0.42**
Disposal of treasury shares 2017	0	0	
Purchase of treasury shares 2017	0	0	
Liquidity provider	22,500	(4,155)	0.42
Final balance at 30/06/2017	**3,522,500**	**1,461,814**	**0.41**

Other equity reserves include fair value measurement reserves, the provision for share capital increases and the legal reserve.

The change in "Profit/(loss) carried forward" is attributable mainly to the allocation of profit for 2016 approved at the Shareholders' Meeting on 27 April 2017, to the release of the treasury shares reserve, and to actuarial gains/(losses) for the period.

NOTE 13. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Equity attributable to non-controlling interests consists of the portions of capital and reserves, as well as the profit/loss for the period attributable to non-controlling interests relevant to the fully consolidated subsidiaries. The table below shows the breakdown of the item.

Company Name	Geographical area	% held by non-controlling interests			Profit (loss) attributable to non-controlling interests		Equity attributable to non-controlling interests	
		30/06/2017	30/06/2016	31/12/2016	30/06/2017	30/06/2016	30/06/2017	31/12/2016
Aedes Real Estate SGR S.p.A.	Italy	0.00%	5.00%	0.00%	0	19	0	0
Aedes Project S.r.l. in liquidation	Italy	9.00%	9.00%	9.00%	0	(5)	(362)	(362)
Bollina S.r.l.	Italy	30.00%	30.00%	30.00%	23	18	92	67
Petrarca Fund	Italy	35.00%	35.00%	35.00%	(214)	61	7,262	7,476
Pragafrance S.ar.l.	France	25.00%	25.00%	25.00%	(116)	(78)	(303)	(185)
Pragasette S.r.l.	Italy	40.00%	40.00%	40.00%	(33)	(10)	(76)	(43)
Total					**(340)**	**5**	**6,613**	**6,953**

- ## Liabilities

NOTE 14. PAYABLES DUE TO BANKS AND OTHER LENDERS

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

	30/06/2017	31/12/2016
Non-current		
Bond	9,944	0
Loans with properties granted as surety	136,941	111,667
Payables due to leasing companies for properties under finance lease	*0*	*15,413*
Mortgage loans	*136,941*	*96,254*
Payables to other lenders	11,316	1,346
Other loans	27,015	853
	185,216	**113,866**
Current		
Bond	(77)	0
Loans with properties granted as surety	11,689	28,599
Payables due to leasing companies for properties under finance lease	*0*	1,314
Mortgage loans	*11,689*	*27,285*
Payables to other lenders	181	*250*
Other loans	17,123	*20,513*
	28,916	**49,362**
Total	**214,132**	**163,228**

Financial payables held by associates are shown in Annex 3.

Payables due to banks and other lenders, amounting to € 214,132 thousand, increased versus € 163,228 thousand at 31 December 2016, as a result of the following loan transactions concluded by Aedes SIIQ S.p.A. with the following lenders:

- On 11 April 2017, Aedes SIIQ S.p.A. concluded a loan agreement with ING Bank N.V. and with Unicredit S.p.A. for a total mortgage loan of € 56 million on an owned portfolio worth approximately € 111 million.
  The loan is granted in two tranches of € 52 million and € 4 million: approximately € 39 million to repay existing loans and to cover the costs of the transaction; approximately € 17 million to finance the modernization of guarantee assets and new investment property.
  The loan, with an LTV of approximately 50%, has a 3-year term, extendable for another 2 years, increasing the average maturity of the Aedes Group debt for approximately one year.

- On 20 April, Aedes SIIQ S.p.A. concluded a non-convertible bond with professional investors with no rating of € 10 million, with maturity on 31 October 2018, extendable - at Aedes's option prior to payment of an extension fee - for an additional 18 months, with a 3-month Euribor rate (floor at zero) plus a 5% spread.

- On 20 April 2017, the Group additionally concluded a shareholder loan agreement of € 10 million granted by the controlling shareholder Augusto S.p.A., expiring on 31 October 2018, with the possibility of extending the loan for a further 18 months, at a 3-month Euribor rate (zero-based floor) plus a 5% spread.

- On 11 May, Aedes SIIQ S.p.A. concluded a short-term loan agreement of € 27 million with a pool of Italian banks for the purchase of Retail Park One S.r.l..

The table below shows the breakdown of net financial debt prepared in compliance with Consob Communication DEM/6064293 of 28 July 2006:

		30/06/2017	31/12/2016
A.	Cash on hand	18,567	12,610
B.	Other cash and cash equivalents	0	0
C.	Securities held for trading	0	0
D.	**Liquidity (A) + (B) + (C)**	**18,567**	**12,610**
E.	**Current financial receivables**	**0**	**0**
F.	Current borrowings	(28,812)	(47,798)
G.	Current portion of non-current debt	77	0
H.	Other current financial payables	(181)	(1,564)
I.	**Current financial debt (F)+(G)+(H)**	**(28,916)**	**(49,362)**
J.	**Net current financial debt (I) + (E) + (D)**	**(10,349)**	**(36,752)**
K.	Non-current borrowings	(163,956)	(97,107)
L.	Bonds issued	(9,944)	0
M.	Other non-current payables	(11,653)	(17,364)
N.	**Non-current financial debt (K) + (L) + (M)**	**(185,553)**	**(114,471)**
O.	**Net financial debt (J) + (N)**	**(195,902)**	**(151,223)**

The table below shows the reconciliation of net financial position figures shown in the Directors' Report on Operations with the above table:

	30/06/2017	31/12/2016
Net financial debt included in the Directors' Report on Operations	(195,565)	(150,618)
Other non-current financial payables from derivative contracts	(337)	(605)
Net financial debt included in the Explanatory Notes	**(195,902)**	**(151,223)**

The table below shows the breakdown of loans:

TYPE OF LOAN AGREEMENT	PROJECT/PROPERTY ASSETS	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	DUE	MORTGAGE ON PROPERTIES AMOUNTS IN € thousands /GUARANTEES	FINANCIAL COVENANTS	COMPLIANCE WITH COVENANT
Mortgage Loan	Milan - Via Pompeo Leoni	0	0	646	5,368	6,014	31/12/2025	40,000	LTV≤80 %	YES
Mortgage Loan	Santa Vittoria d'Alba (CN) - PHASE B	0	107	302	6,296	6,705	30/11/2030	16,000	LTV≤80 %	YES
Mortgage Loan	Santa Vittoria d'Alba (CN) - PHASE B	18	0	61	357	436	30/04/2023	1,000	LTV≤80 %	YES
Mortgage Loan	Santa Vittoria d'Alba (CN)	65	129	461	0	655	17/04/2018	5,800	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Bollina	223	0	3,461	8,651	12,335	31/12/2020	37,500	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Bollina	30	0	16	777	823	25/07/2034	1,350	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi, 39	0	176	126	3,081	3,383	01/03/2024	8,000	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi	0	24	1,846	0	1,870	27/02/2018	3,700	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	0	67	200	800	1,067	30/06/2021	1,400	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	0	103	310	1,343	1,756	22/06/2021	5,600	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	27	0	74	351	452	22/07/2021	1,400	LTV≤80 %	YES
Mortgage Loan	Portfolio	349	2	0	42,588	42,939	31/12/2018	85,878	LTV≤70 %; ISCR≥1.35	NO
Mortgage Loan	Serravalle Scrivia (AL) - Cascina Nuova	0	0	-1	2,490	2,489	01/07/2025	5,000	LTV≤80 %	YES
Mortgage loan	2 Boulevard Croisette - Cannes	0	76	225	1,541	1,842	05/03/2023	3,770	NO	n.a.
Mortgage loan	2 Boulevard Croisette - Cannes	0	36	104	599	739	05/06/2022	3,770	NO	n.a.
Mortgage loan	2 Boulevard Croisette - Cannes	0	42	123	710	875	05/06/2022	2,210	NO	n.a.
Mortgage loan	Portfolio	-14	146	484	50,602	51,218	11/04/2020	112,000	LTV≤55%;	YES

									ICR≥2.5; DSCR≥1.25	
Mortgage loan	Portfolio	0	0	1,645	9,896	11,541	31/12/2021	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	YES
Mortgage loan	Rome	0	0	0	1,491	1,491	31/12/2021	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	YES
TOTAL LOANS WITH PROPERTIES GRANTED AS SURETY		**698**	**908**	**10,083**	**136,941**	**148,630**				
Agricultural Promissory Note	n.a.	0	200	0	0	200	22/09/2017	Other Guarantees	n.a.	n.a.
Hot Money	n.a.	104	210	972	190	1,476	31/08/2018	Unsecured	n.a.	n.a.
Loan agreement	n.a.	0	16	50	0	66	27/06/2018	Other Guarantees	n.a.	n.a.
Loan agreement	n.a.	0	223	239	0	462	31/12/2017	Other Guarantees	n.a.	n.a.
Loan agreement	n.a.	0	150	155	0	305	31/12/2017	Other Guarantees	n.a.	n.a.
Loan agreement	n.a.	-1	-2	7,997	0	7,994	31/12/2017	Other Guarantees	n.a.	n.a.
Loan agreement	n.a.	-37	-74	-332	26,825	26,382	22/11/2018	Other Guarantees	Equity/Debt ≥ 1; NFP/VPA ≤ 60%	YES
Bank overdraft	n.a.	4	0	0	0	4	31/07/2017	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	462	0	0	0	462	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	0	4,063	0	0	4,063	30/09/2017	Other Guarantees	n.a.	n.a.
Bank overdraft	n.a.	2,034	0	0	0	2,034	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	405	0	0	0	405	COMMITTED	Other Guarantees	n.a.	n.a.
Bank overdraft	n.a.	6	0	0	0	6	31/07/2017	Other Guarantees	n.a.	n.a.
Bank overdraft	n.a.	220	0	0	0	220	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	4	0	0	0	4	31/07/2017	Other Guarantees	n.a.	n.a.
Bank overdraft	n.a.	55	0	0	0	55	COMMITTED	Other Guarantees	n.a.	n.a.
TOTAL OTHER LOANS		**3,256**	**4,786**	**9,081**	**27,015**	**44,138**				
Bonds	n.a.	75	-28	-124	9,944	9,867	31/10/2018	Unsecured	n.a.	n.a.
TOTAL BONDS		**75**	**-28**	**-124**	**9,944**	**9,867**				
TOTAL FINANCIAL PAYABLES		**4,029**	**5,666**	**19,040**	**173,900**	**202,635**				
Payables to other lenders		76	-27	132	11,316	11,497				
TOTAL PAYABLES TO OTHER LENDERS AT 30/06/2017		**76**	**-27**	**132**	**11,316**	**11,497**				
TOTAL GROSS DEBT AT 30/06/2017		**4,105**	**5,639**	**19,172**	**185,216**	**214,132**				

The covenants under the loan agreement concluded by the Petrarca Fund are LTV (70% threshold) and ISCR (135% threshold). The covenants at 30 June 2017 show LTV at 70.6% and ISCR at 407%.
Given the excess value of the LTV, under the provisions set out in the second modification act of the loans, concluded on 5 April 2016, the Petrarca Fund made the early repayment of the loan of € 349 thousand, bringing the LTV back to the established threshold. At the date of approval of these Consolidated Half-Year Financial Statements, all financial covenants were met.

NOTE 15. PAYABLES FOR SEVERANCE INDEMNITY

	30/06/2017	31/12/2016
Payables for severance indemnity		
Severance indemnity	1,071	1,047
	1,071	**1,047**
Provisions under the income statement		
Service cost	149	251
Interest cost	5	22
	154	**273**

The provision for severance indemnity in the income statement is classified, for service costs, under personnel expenses, as explained in Note 23, and, for interest costs, under financial charges.

The changes are shown below:

Balance at 31/12/2016	**1,047**
Service cost	149
Interest cost	5
Actuarial (gains)/losses under equity	(30)
Indemnities paid in the period	(20)
Transfers to other pension funds	(63)
Change in consolidation scope	(17)

Balance at 30/06/2017	**1,071**

The exact headcount at the end of the reporting period is split up by category as follows:

Description	30/06/2017	31/12/2016
Executives	8	8
Managers	27	30
Employees	19	21
Workers/Porters	4	6
Total	**58**	**65**

The reduction in the headcount is due mainly to the disposal of the investment in Golf Club Castello Tolcinasco S.r.l..
The assumptions used in actuarial calculations are basically in line with those adopted for the preparation of the financial statements at 31 December 2016.

NOTE 16. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges are shown below:

	31/12/2016	Increases	Decreases	Reclassifications	Change in consolidation scope	30/06/2017
Provision for contractual charges	738	100	0	(23)	0	815
Provision for contractual risks	205	0	(20)	0	0	185
Provision for tax-related risks	2,444	0	(1)	(11)	0	2,432
Provision for future charges	2,586	5	(16)	(11)	9	2,573
Total	**5,973**	**105**	**(37)**	**(45)**	**9**	**6,005**

The figure on provisions for risks and charges is composed of:

- contractual charges: the item refers mainly to contractual charges from the sale of investments made in prior years; the increase is attributable to a dispute in progress in France, which received an unfavourable ruling at a first-level hearing, against which the company has filed an appeal;

- contractual risks: the item mainly includes the risks associated with disputes involving the Parent;

- tax risks: the balance mainly includes the estimate of probable liabilities for disputes involving Aedes and its subsidiaries;

- future charges; related mainly to liabilities set aside to cover the negative outcome of the arbitration concluded for the Fih S.a.g.l. award.

Details on the main disputes involving the Group, including those where the risk of losing the dispute is considered possible, but unlikely, are found in par. 2.11 in the Directors' Report on Operations.

NOTE 17. TAX PAYABLES

The breakdown of current tax payables is shown below:

	30/06/2017	31/12/2016
Payables to the Revenue Agency for VAT	0	95
Payables due to the Revenue Agency for tax	995	1,359
Total current tax payables	**995**	**1,454**

	30/06/2017	31/12/2016
Payables due to the Revenue Agency for tax	0	221

Total non-current tax payables	0	221

The breakdown of tax payables at 30 June 2017 is shown below:

Company	Tax	Tax year	Granting of instalment payment	Current portion	Non-current portion	30/06/2017
Aedes SIIQ S.p.A. (former Iupiter S.r.l.)	IRPEG	2004	28/04/2015	621	0	621
Current tax payables through instalment				**621**	**0**	**621**
Bollina S.r.l.				11	0	11
Income tax payables accrued in the period				**11**	**0**	**11**
Payables due to the Revenue Agency for other tax				**363**	**0**	**363**
TOTAL				**995**	**0**	**995**

Tax payables amounted to € 995 thousand at 30 June 2017 versus € 1,675 thousand in the prior year, and refer mainly to payables due to the Revenue Agency following tax assessment settlements.

Tax assessment settlements currently in progress refer mainly to the judicial settlement agreement for a notice of assessment for 2004 IRES purposes received by Aedes (acquirer of Iupiter S.r.l., in turn acquirer of Piemongest S.p.A.). The Company has agreed to pay twelve quarterly instalments until 30 January 2018, including penalties; at 30 June 2017, the residual debt amounted to € 621 thousand.

Amounts due to the Revenue Agency for current tax also include the withholding tax on income from wages, self-employment and similar income amounting to € 351 thousand.

There was no overdue and unpaid tax at 30 June 2017.

NOTE 18. TRADE AND OTHER PAYABLES

	30/06/2017	31/12/2016
Non-current		
Payables to associates	0	1,472
Other payables	506	621
	506	**2,093**
Current		
Deposits	0	77
Payables to suppliers	10,225	8,682
Payables to associates	4,900	6,433
Payables to parent companies	11	0
Payables due to social security and welfare institutions	259	222
Other payables	2,646	4,371
Accrued expenses and deferred income	135	409
	18,176	**20,194**

There was no overdue and unpaid tax towards social security institutions and employees at 30 June 2017.

The book value of trade and other payables is deemed to approximate their fair value.

Payables to associates

The breakdown of payables from associates is shown in Annex 2.
The significant change in payables to associates is attributable to the contract concluded on 15 December 2016 by Aedes SIIQ S.p.A. with the Leopard Fund and Rubattino 87 S.r.l., which governed the arrangements for adjusting receivables and payables of Aedes SIIQ S.p.A. from and to associates through the Leopard Fund; such an agreement, as amended on 22 February 2017,

provides for the offsetting of amounts, the transfer of properties and the assumption of the relating loan. The effectiveness of the agreement, as regards the transfer of properties, assumption of the debt and waiver of the residual receivable, is subject to a suspensive condition that requires the lenders' consent on assumption by Aedes of the debt from the properties subject to transfer, a condition that must be fulfilled by 30 September 2017.

Other payables

The table below shows the breakdown of "Other payables", divided into non-current and current:

Non-current	**30/06/2017**	**31/12/2016**
Security deposits/tenants' interest	211	326
Other payables	295	295
Non-current payables to others	**506**	**621**
Current	**30/06/2017**	**31/12/2016**
Confirmation deposits	127	0
Payables to employees for severance payments, bonuses, accrued leave and holidays	479	1,011
Other payables	2,040	3,360
Current payables to others	**2,646**	**4,371**

Other non-current payables refer mainly to guarantee deposits and payables to tenants for guarantees issued; at 30 June 2017, the balance amounts to € 506 thousand; no significant changes were reported versus the prior year.

Other current payables, amounting to € 2,646 thousand versus € 4,371 thousand at 31 December 2016, mainly include commitments undertaken and guarantees issued to commercial counterparts, in addition to bonuses allocated to Group employees and Directors.

"Other current payables" includes € 357 thousand from the price adjustment arising from the acquisition of the investment in Retail Park One S.r.l.; further details are found in Note 29.
At 30 June 2017, amounts fallen due came to € 520 thousand.

Payables to suppliers

Trade payables increased versus the prior year due mainly to the consolidation of Retail Park One S.r.l..

At 30 June 2017, amounts fallen due came to € 1,605 thousand. Mention should be made, however, that no actions have been taken by creditors for the relevant recovery, as the creditors conduct business relations with the Company on an ongoing basis.

Accrued expenses and deferred income

The table below shows the breakdown of accrued expenses and deferred income:

	30/06/2017	**31/12/2016**
Accrued expenses on property management	68	68
Deferred income on property management	53	92
Other accrued expenses	0	1
Other deferred income	14	248
Current accrued expenses and deferred income	**135**	**409**

Accrued expenses and deferred income amounted to € 135 thousand at 30 June 2017 versus € 409 thousand at 31 December 2016; the decrease is attributable mainly to the deconsolidation of Golf Club Castello Tolcinasco S.r.l. following disposal of the investment.

• Income Statement

NOTE 19. REVENUE FROM SALES AND SERVICES

	30/06/2017	30/06/2016
Property leases	9,261	7,001
Sale of properties classified under current assets	780	0
Sale of other non-property inventories	1,316	1,096
Provision of services	29	458
Revenue from general contractor services	6,112	13,407
Total	**17,498**	**21,962**

"Property leases" amounted to € 9,261 thousand, up versus € 7,001 thousand in 1H16, due to the expansion of the property assets intended for lease.

"Sale of properties stated under current assets", amounting to € 780 thousand, includes the proceeds from the disposal of a portion of property units located in Via Pompeo Leoni/Via De Angeli, Milan, held by the subsidiary Pragaotto S.r.l..

"Sale of other non-property inventories", amounting to € 1,316 thousand, includes wine sales by the subsidiaries Società Agricola la Bollina S.r.l. and Bollina S.r.l..

"Provision of services", amounting to € 29 thousand, includes the accrued amounts from property and administrative services provided by Aedes mainly to associates, the details of which are found in Annex 2. Revenue from services fell versus € 458 thousand at 30 June 2016, which mainly included revenue from project management services provided by Praga Service Real Estate S.r.l. to third-party customers.

Revenue from General Contractor services amounted to € 6,112 thousand. The significant change is attributable to the completion of the development work of Phases 5 and 6 of the Serravalle Outlet Village; work still in progress refers to the shopping centre owned by Carrefour in Nichelino.

NOTE 20. OTHER REVENUE

The item is composed as follows:

	30/06/2017	30/06/2016
Other revenue and income	497	603
Total	**497**	**603**

Other income

	30/06/2017	30/06/2016
Income from other sales	0	6
Sundry income	450	595
Other charge-backs not related to properties	8	2
Prior-years' tax	39	0
Total	**497**	**603**

"Other revenue and income" amounted to € 497 thousand at 30 June 2017, with no significant change versus the prior year.
"Sundry income" mainly includes insurance premiums of € 221 thousand from Praga Construction S.r.l., in addition to income from the charge-back of personnel expense of € 151 thousand.

NOTE 21. CHANGE IN INVENTORIES

The item is composed as follows:

		30/06/2017	30/06/2016
a)	Capitalized costs for purchases charged to stock	871	600
b)	Cost of sales	(1,571)	(669)
c)	(Write-down)/reversal of inventories	(961)	(289)
d)	Capitalized interest charged to stock	0	1
	Total	**(1,661)**	**(357)**

Capitalized costs for purchases charged to stock refer mainly to the costs incurred for purchasing the materials required for the wine-growing business of the subsidiary Società Agricola la Bollina S.r.l., and to the wholesale trade of alcoholic beverages carried out by the subsidiary Bollina S.r.l..
The cost of sales amounted to € 1,571 thousand and is attributable mainly to the following activities:

- € 720 thousand from the disposal of the portion of the property units located in Via Pompeo Leoni/Via De Angeli, Milan, held by the subsidiary Pragaotto S.r.l.;
- € 851 thousand from the sale of non-property inventories related to the above wine-growing business and wholesale trade of alcoholic beverages.

NOTE 22. COSTS FOR RAW MATERIALS AND SERVICES

	30/06/2017	30/06/2016
Costs for the purchase of raw materials and other goods	1,136	936
Costs for services on owned properties	1,049	682
Costs for general contractor	6,401	12,283
Other costs for services	4,218	4,634
Total	**12,804**	**18,535**

The table below shows the breakdown of the costs for raw materials and services, split up by type of expense:

	30/06/2017	30/06/2016
Other general costs	18	157
Costs for purchases of wine-making materials	793	597
Capitalized costs for purchases of material charged to stock	0	0
Property management costs	325	182
Sub total a) Costs for raw materials	**1,136**	**936**
Property cleaning	15	22
Maintenance	183	76
Insurance	16	46
Service charges	338	312
Other	419	223
Capitalized costs for services charged to stock	78	3
Sub total b) Costs relating to owned properties	**1,049**	**682**
General contractor costs (c)	**6,401**	**12,283**
Sales fees (d)	**217**	**216**

Fees to Directors	713	781
Fees to the Board of Statutory Auditors	124	124
Professional services	1,718	2,180
Commissions and bank charges	149	81
Travel expenses and conferences	101	94
Cleaning, telephone and maintenance	251	235
Energy	73	77
Advertising costs	37	34
Sundry	259	287
Sub total e) General expenses	**3,425**	**3,893**
Rental charges	374	348
Lease rent	202	177
Sub total f) Costs for use of third-party assets	**576**	**525**
Total	**12,804**	**18,535**

"Costs for raw materials" includes mainly costs for the wine-growing business capitalized under inventories, as well as property management costs. At 30 June 2017, costs for materials amounted to € 1,136 thousand versus € 936 thousand at 30 June 2016.

"Costs relating to owned properties", amounting to € 1,049 thousand at 30 June 2017 versus € 682 thousand at 30 June 2016, increased over the prior year due mainly to the consolidation for 6 months of the expenses incurred for Via Veneziani, purchased in June 2016, in addition to the higher costs generated by the growth in property assets.

"General Contractor costs", amounting to € 6,401 thousand at 30 June 2017 versus € 12,283 thousand at 30 June 2016, refers to costs incurred by Praga Construction S.r.l. in the frame of contracts developed on behalf of associates or parties outside the Group. The significant change is attributable to the completion of the development work of Phases 5 and 6 of the Serravalle Outlet Village; work still in progress refers to the shopping centre owned by Carrefour in Nichelino; the change should be read together with the change in revenue from the same activity.

"Sales fees", amounting to € 217 thousand, showed no significant change versus the prior year.

"General expenses", amounting to € 3,425 thousand at 30 June 2017, decreased versus € 3,893 thousand at 30 June 2016, due mainly to the reduction in professional services, which included, at 30 June 2016, the costs for intermediation in the purchase/sale of investments and properties.

Emoluments to directors include fees paid to directors in the period.

The remaining items under general expenses show no significant changes.

NOTE 23. PERSONNEL EXPENSE

	30/06/2017	30/06/2016
Wages and salaries	1,801	1,702
Social charges	620	565
Severance indemnity	149	114
Other personnel expense	48	31
Total	2,618	2,412

The average number of employees split up by category is as follows:

Description	30/06/2017	30/06/2016
Executives	9	8
Managers	28	26
Employees	20	18
Workers/Porters	4	4
Total	**61**	**56**

For comparative purposes, the comparative figure at 30/06/2016 does not include the employees from the companies that are part of "discontinuing operations".

Note 24. Other operating costs

	30/06/2017	30/06/2016
IMU	1,416	1,098
General company charges	110	111
Shareholders' Meetings, financial statements, Consob obligations, Stock Exchange	72	109
Other minor charges	39	114
Sundry charges	17	6
Total	**1,654**	**1,438**

"Other operating costs" amounted to € 1,654 thousand versus € 1,438 thousand at 30 June 2016. The increase is attributable mainly to "IMU", amounting to € 1,416 thousand versus € 1,098 thousand in 1H16, as a result mainly of the growth in property assets.

Note 25. Amortization/depreciation, adjustment to fair value, impairment losses and provisions

	30/06/2017	30/06/2016
Amortization	16	12
Depreciation		
specific plants	*6*	*9*
equipment	*208*	*181*
other assets	*77*	*89*
Total depreciation of fixed tangible assets	291	279
Amortization, depreciation and impairment losses	**307**	**291**
Fair value adjustment of investment property	**(7,881)**	**(23,063)**
Write-downs of shareholder loans to associates	4	112
Write-downs of receivables under current assets	1	4
Allocation/(Release) of provisions for risks	60	2,295
Write-downs and allocations	**65**	**2,411**
Total	**(7,509)**	**(20,361)**

Comments on the "Fair value adjustment of investment property", amounting to a positive € 7,881 thousand, are found in Note 1 - Investment property.

Note 26. Share of the result of companies measured at equity

	30/06/2017	30/06/2016
Profit		
Gains on investments measured at equity	664	659
	664	**659**
Losses		
Losses from investments measured at equity	(1,646)	(1,311)
	(1,646)	**(1,311)**
Total	**(982)**	**(652)**

The item consists of the measurement at equity of associates, as stated in Note 4.

Note 27. Net financial income/(charges)

The table below shows the breakdown of financial charges and income:

	30/06/2017	30/06/2016
Income		
Interest on bank accounts	2	78
Interest on loans to associates	313	450
Mark-to-market of derivative instruments	137	0
Other interest income	2	3
	454	**531**
Charges		
Interest on bank accounts	180	144
Interest on bank loans	1,708	1,754
Interest on non-bank loans	0	141
Interest on loans from non-controlling interests	36	27
Interest on loans from parents	89	0
Mark-to-market of derivative instruments	0	779
Interest expense on other payables	866	97
Capitalized interest on inventories	0	1
	2,879	**2,943**
Total	**(2,425)**	**(2,412)**

Net financial charges, amounting to € 2,425 thousand, were in line with 1H16 and consist mainly of:
- financial income: amounting to € 454 thousand versus € 531 thousand at 30 June 2016;
- financial charges: amounting to € 2,879 thousand, in line with 30 June 2016.

NOTE 28. TAX

	30/06/2017	30/06/2016
Current tax	(12)	30
Prepaid/(deferred) tax	(70)	(22)
Total	**(82)**	**8**

The table below shows the breakdown of tax for the period:

	30/06/2017	30/06/2016
Current tax		
IRES	(32)	(25)
Income/(Charges) from tax consolidation scheme	0	(87)
Prior-years' tax	28	180
	(4)	**68**
IRAP	(8)	(38)
	(8)	**(38)**
Prepaid/(deferred) tax	**(70)**	**(22)**
	(82)	**8**

In 1H17, the Group showed a net IRES of € 4 thousand, arising mainly from tax calculated by Group companies that are out of the tax consolidation scheme, in addition to prior-years' tax-related income.
At 30 June 2017, current IRAP amounted to € 8 thousand.
The Group also has net deferred tax assets of € 70 thousand versus € 22 thousand in 1H16, generated mainly by:

i. the allocation of deferred tax arising from temporary unrealized misalignment between the book value and the tax value of property assets;
ii. the allocation of deferred tax assets on loss carryforwards up to the 80% limit of deferred tax (IRES) as per the above;
iii. the allocation of deferred tax assets on loss carryforwards up to the 80% limit of deferred tax (IRES) implicitly considered in the carrying amount of the investment in the joint venture participating in the tax consolidation scheme of the parent Aedes SIIQ S.p.A..

NOTE 29. GAINS/(LOSSES) AFTER TAX OF ASSETS AND LIABILITIES HELD FOR SALE

The result of assets held for sale refers to the result from discontinuing operations of Golf Club Castello Tolcinasco SSD S.r.l., with effect for accounting purposes as from 1 January 2017.
The results of the subsidiary Golf Club Castello Tolcinasco SSD S.r.l., net of the income statement effects under the transaction and the net result of the same period of 2016, have been classified under "Gains/(losses) after tax from assets and liabilities held for sale".

At 30 June 2016, the item also included the result for the period of the subsidiary Aedes Real Estate SGR S.p.A., classified as an asset held for sale in 2016 and sold in the same year.

The table below breaks down the item at 30 June 2017:

	30/06/2017
Commitments towards the purchaser of the investment Golf Club Tolcinasco SSD S.r.l.	(297)
Loss from disposal of the investment Golf Club Tolcinasco SSD S.r.l.	(124)
Gains/(losses) after tax from assets and liabilities held for sale	**(421)**

Under the disposal agreement, Aedes SIIQ S.p.A. undertook to hold the buyer harmless from the loss actually incurred in each quarter of 2017, as set out in the budget of the disposed company.

The realizable value from the sale of the company's shares amounted to € 10 thousand and generated a loss of € 124 thousand.

The corresponding item at 30 June 2016, reclassified for comparative purposes, is composed as follows:

	Aedes Real Estate SGR S.p.A.	Golf Club Castello di Tolcinasco SSD S.r.l.	30/06/2016
INCOME STATEMENT			
Revenue from sales and services	1,636	1,074	2,710
Other revenue	16	62	78
Costs for raw materials and services	(671)	(1,176)	(1,847)
Personnel expense	(579)	(170)	(749)
Other operating costs	88	(13)	75
EBITDA	**490**	**(223)**	**267**
Amortization and depreciation	(2)	(3)	(5)
EBIT	**488**	**(226)**	**262**
Net financial income (charges)	5	0	5
Pre-tax profit	**493**	**(226)**	**267**
Tax	(173)	(6)	(179)
Gains/(losses) after tax from assets and liabilities held for sale	**320**	**(232)**	**88**

The table below shows the reconciliation of net cash flow from operations on the investment in 2017 as shown in the Statement of Cash Flows:

Net assets sold	134
Loss from disposal	124
Disposal price	**10**
Cash in the company at disposal date	**114**
Net cash flow from disposal	**(104)**

NOTE 30. EARNINGS PER SHARE

	30/06/2017	30/06/2016
Comprehensive income attributable to the ordinary shareholders (Euro thousands)	3,227	17,509
Weighted average of outstanding shares during the year	316,773,018	317,244,008
Basic earnings/(loss) per share (Euro)	**0.01**	**0.06**

Since the outstanding warrants would have an anti-dilution effect, diluted earnings/(loss) per share were not calculated.

NOTE 31. COMMITMENTS

Commitments arising from 2014 restructuring agreements

Under the Restructuring Agreement concluded by Aedes with a number of lenders in 2014, Natixis S.A. Banca Popolare di Vicenza S.C.p.A., and Banca Mediocredito del Friuli Venezia Giulia S.p.A. have acquired the right to sell (*put option*) to Aedes, which has the obligation to buy part or all of the Leopardi Fund units assigned to these banks under the above Restructuring Agreement.
The agreement concluded with Natixis S.A. provides, *inter alia*, the possibility for Natixis, subject to the disposal of a property contributed to the Leopardi Fund, of transferring to Aedes the units held in the Leopardi Fund, at a discount versus the face value.
The agreements concluded with Banca Popolare di Vicenza S.C.p.A., and Banca Mediocredito del Friuli Venezia Giulia S.p.A., instead, provide the possibility for these lenders, subject to the disposal on the market of Aedes shares owned by the above lenders, arising from Banks Increase, of selling to Aedes the units held in the Leopardi Fund, at a discount versus the face value.
Additionally, as part of the contribution and assumption of properties, investments and payables in favour of the Leopardi Fund, on 23 December 2014, Aedes concluded a guarantee and compensation agreement under which it has agreed to indemnify the Leopardi Fund (or Aedes Real Estate SGR S.p.A. to the extent of the liabilities that may be incurred directly by it and with no duplication of any compensation in favour of the Leopardi Fund) from any damage, loss or expense suffered or incurred as a result of untrue events and/or failure to comply with representations and guarantees provided by it, up to a total maximum amount of € 1 million. It should be noted that such commitment is intended to be extinguished, as it has been fully paid.
With regard to the above Restructuring Agreement concluded by Aedes with Banco Popolare Società Cooperativa, Aedes has provided a number of representations and guarantees respectively in favour of Banco Popolare Società Cooperativa and Release S.p.A. (undertaking the corresponding indemnification obligations), in relation to the investments and properties subject to disposal to such companies.
Lastly, it should also be noted that, under the budget package, and with regard to the agreements concluded on 23 December 2014 on the start-up of the Leopardi Fund, Aedes Real Estate SGR S.p.A., in name and on behalf of the Leopardi Fund, has undertaken, with regard to a number of counter-guarantees issued by Aedes in the interest of Rubattino 87 S.r.l. and Galileo Ferraris 160 S.r.l. to secure the recourse claim from, 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., relating to the sureties issued by the same, to indemnify Aedes from any liability arising from or related to the above commitments.

Guarantees issued by third parties in the interest of Group companies

The item mainly includes:

- € 172 thousand for a bank guarantee issued by Veneto Banca S.p.A. in favour of C4 Investment fund in the interest of Aedes to guarantee the provisions of the lease contract;
- € 632 thousand for an insurance surety issued by the Guarantee Consortium in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragatre SIINQ S.p.A. (now Aedes), for infrastructure work on PEC (Agreed Executive Plan) standard areas, Lot C;
- € 1,561 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Carrefour Property Italia S.r.l. in the interest of Praga Construction S.r.l., to guarantee 50% of the advance payment of the procurement contracts for the construction and expansion of the shopping complex in Nichelino;
- € 377 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Carrefour Property Italia S.r.l. in the interest of Praga Construction S.r.l., to guarantee 50% of the deduction for the final testing of the First Phase Works of the shopping complex located in Nichelino;
- € 694 thousand for a bank guarantee issued by Banca Popolare di Milano 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 named "Serravalle Luxury Outlet (PHASE 6)" ;
- € 741 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Pragasei S.r.l. in the interest of Praga Construction S.r.l., as a substituting guarantee of the guarantee withholdings related to the contract for the design and construction of the shopping centre named "Serravalle Luxury Outlet (PHASE 6)" ;
- € 175 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Serravalle Outlet Mall 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 expansion of the shopping centre named "Serravalle Luxury Outlet (PHASE 5)" ;
- € 223 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Serravalle Outlet Mall S.r.l. in the interest of Praga Construction S.r.l., as a substituting guarantee of the guarantee withholdings related to the contract for the expansion construction of the shopping centre named "Serravalle Luxury Outlet (PHASE 5)";
- € 90 thousand for an insurance surety issued by Elba Assicurazione S.p.A. in favour of the Municipality of Serravalle Scrivia in the interest of Cascina Praga SIINQ S.p.A., to guarantee the infrastructure work on the road section of Lot 10 B;
- € 266 thousand for an insurance surety issued by Atradius Credit Insurance N.V. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions of the town-planning agreement signed on 24 September 2015 and recorded in Alessandria on 9 October 2015 N. 9949 - Series 1 T;
- € 917 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the payment of infrastructure charges;
- € 93 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the payment of infrastructure charges;
- € 313 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the payment of infrastructure charges;
- € 1,302 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the performance of infrastructure work;
- € 46 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Serravalle Scrivia in the interest of Novipraga SIINQ S.p.A., to guarantee payment of the construction fee;

- € 141 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Serravalle Scrivia in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the performance of infrastructure work;
- € 466 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the infrastructure work on PEC (Agreed Executive Plan) Road Services;
- € 135 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the infrastructure work on the roundabout;
- € 130 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the infrastructure work on internal road services;
- € 124 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the infrastructure work on Strada Gorreto;
- € 111 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the infrastructure work on Standard PV2;
- € 207 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the infrastructure work on Standard PV1;
- € 76 thousand for an insurance surety issued by AXA Assicurazioni S.p.A. in favour of the Municipality of Caselle Torinese (TO) in the interest of Novipraga SIINQ S.p.A., to guarantee the professional fees of the engineers and legal advisers tasked by the Municipality with the drafting of Variant no. 1 to the ATA Area Detailed Plan;
- € 10,827 thousand for an insurance surety issued by Reale Mutua di Assicurazioni in favour of the Municipality of Caselle Torinese (TO) in the interest of Novipraga SIINQ S.p.A., to guarantee the obligations undertaken for the completion of the infrastructure work on S.P.2 LOT 1;
- € 2,007 thousand for an insurance surety issued by Reale Mutua di Assicurazioni in favour of the Municipality of Caselle Torinese (TO) in the interest of Novipraga SIINQ S.p.A., to guarantee the obligations undertaken for the completion of the infrastructure work on the S.P.13 NEW STRETCH;
- € 498 thousand for an insurance surety issued by Reale Mutua di Assicurazioni in favour of the Municipality of Caselle Torinese (TO) in the interest of Novipraga SIINQ S.p.A., to guarantee the obligations undertaken for the completion of the infrastructure work on the NEW STRETCH BETWEEN S.P.2 AND STRADA CIRIE';
- € 3,164 thousand for an insurance surety issued by Reale Mutua di Assicurazioni in favour of the Municipality of Caselle Torinese (TO) in the interest of Novipraga SIINQ S.p.A., to guarantee the obligations undertaken for the completion of the infrastructure work on the UPGRADING OF S.P. 2 LOT 2;
- € 50 thousand for an insurance surety 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 requested for the relocation of its vineyards.

Mention should also be made that Aedes has issued:

- € 40,572 thousand for an autonomous guarantee on first demand issued in favour of Credit Agricole Company and Investment Bank in the interest of the associate Pragasei S.r.l., as a guarantee of the loan granted to the latter. It should additionally be noted that Serravalle Outlet Mall Investment Sarl, holding 49.9%, issued an identical guarantee.
- € 406 thousand for an insurance surety issued in favour of the Revenue Agency in the interest of Pival S.r.l. with regard to VAT receivables claimed as refund;
- € 131 thousand for an insurance surety issued in favour of the Revenue Agency in the interest of Aedificandi S.r.l. (discontinued company), with regard to 50% of VAT receivables claimed as refund.

Guarantees on assets owned by the Group

A pledge has been granted to the lenders over the shares held in Pragasei S.r.l..

Commitments to third parties

- € 6,688 thousand for the commitment undertaken by Aedes for any extra costs in the construction of the shopping centre named "Serravalle Outlet Village (PHASE 6)" owned by Pragasei S.r.l.. It should additionally be noted that Serravalle Outlet Mall Investment Sarl, holder of 49.9% in Pragasei S.r.l., has issued a similar commitment.

It should be noted that, in respect of the sum of all the undertakings set out in this Note 31, the Group has made provisions for risks where deemed necessary.

NOTE 32. SEGMENT REPORTING

In order to present the new business model, the Business Units (the "BU") are shown by segment. Shown below are the consolidated income statement and the consolidated statement of financial position by segment.

Income statement at 30 June 2017 (€ thousands)

Description (Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Property assets	Non-property assets	30/06/2017
Gross rental revenue	8,111	22	360	8,493	0	8,493
Income from sale of properties	60	0	0	60	0	60
Income from sale of non-property inventories	0	0	0	0	465	465
Other revenue	12	130	96	238	61	299
Total Revenue	**8,183**	**152**	**456**	**8,791**	**526**	**9,317**
Net losses from vacancies	(337)	(22)	54	(305)	0	(305)
IMU, other tax and insurance on properties	(1,353)	(170)	(69)	(1,592)	0	(1,592)
Opex	(282)	1	(52)	(333)	0	(333)
Commissions and fees	(609)	0	(44)	(653)	(159)	(812)
Other non-rechargeable costs	(143)	(14)	(24)	(181)	(7)	(188)
Total Direct External Costs	**(2,724)**	**(205)**	**(135)**	**(3,064)**	**(166)**	**(3,230)**
Net Operating Income	**5,459**	**(53)**	**321**	**5,727**	**360**	**6,087**
Direct Personnel Expense	(93)	(1,066)	0	(1,159)	(92)	(1,251)
Internal direct capitalized costs on properties	23	574	0	597	0	597
Total Direct Costs	**(70)**	**(492)**	**0**	**(562)**	**(92)**	**(654)**
HQ Personnel Expense	0	0	(1,367)	(1,367)	0	(1,367)
Consultancy	(2)	(38)	(1,356)	(1,396)	(91)	(1,487)
G&A	(5)	(117)	(2,162)	(2,284)	(76)	(2,360)
Internal capitalized costs on non-property inventories	0	0	0	0	0	0
Total General Expenses	**(7)**	**(155)**	**(4,885)**	**(5,047)**	**(167)**	**(5,214)**
EBITDA	**5,382**	**(700)**	**(4,564)**	**118**	**101**	**219**
Fair value adjustment of investment property	5,640	2,241	0	7,881	0	7,881
(Write-down)/write-back of inventories	(439)	(522)	0	(961)	0	(961)
Amortization, depreciation, provisions and other impairment losses	73	0	(434)	(361)	(11)	(372)
Financial income/(charges) from associates	0	0	(982)	(982)	0	(982)
EBIT (Operating profit)	**10,656**	**1,019**	**(5,980)**	**5,695**	**90**	**5,785**
Financial income/(charges)	(1,956)	(604)	163	(2,397)	(28)	(2,425)
EBT (Pre-tax profit)	**8,700**	**415**	**(5,817)**	**3,298**	**62**	**3,360**
Tax/tax charges	0	(1)	(27)	(28)	(54)	(82)
Profit/(loss) from continuing operations	**8,700**	**414**	**(5,844)**	**3,270**	**8**	**3,278**
Gains/(losses) after tax from assets and liabilities held for sale	0	0	0	0	(421)	(421)
Profit/(loss)	**8,700**	**414**	**(5,844)**	**3,270**	**(413)**	**2,857**
Result attributable to non-controlling interests	(286)	0	(78)	(364)	24	(340)
Result attributable to the owners of the Parent	**8,986**	**414**	**(5,766)**	**3,634**	**(437)**	**3,197**

The table below shows the reconciliation between revenue and costs shown in the tables by segment with the figures shown in the Financial Statements.

Total revenue shown in the Report	**9,317**
Revenue from charge-backs to tenants	775
General Contractor Costs	6,277
Project Management Costs	55
Cost of sales property and non-property inventories	1,571
Total revenue from sales and other revenue shown in the financial statements	**17,995**

Total costs shown in the Report	(9,098)
Revenue from charge-backs to tenants	(775)
General Contractor Costs	(6,277)
Project Management Costs	(55)
Capitalized costs for purchases charged to stock	(871)
Total costs shown in the financial statements	**(17,076)**

Revenue from charge-backs to tenants is shown in the Directors' Report on Operations as a reduction of "Net losses from vacancies", whereas in the notes to the consolidated financial statements it is shown under "Revenue from sales and services".

Regarding costs for General Contractor and Project Management activities, it should be noted that the Directors' Report on Operations shows revenue net of direct costs, while in the notes, the costs are shown under "Costs for raw materials and services".

Regarding the cost of inventories sold, it should be noted that the Directors' Report on Operations shows revenue net of the cost of sales, while in the notes, the costs are shown under "Change in inventories".

Income statement at 30 June 2016 (€ thousands)

Description (Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Property assets	Non-property assets	30/06/2016
Gross rental revenue	6,530	26	2	6,558	0	6,558
Income from sale of properties	0	0	0	0	0	0
Income from sale of non-property inventories	0	0	0	0	339	339
Other revenue	41	1,375	337	1,753	69	1,822
Total Revenue	**6,571**	**1,401**	**339**	**8,311**	**408**	**8,719**
Net losses from vacancies	(201)	(26)	(10)	(237)	0	(237)
IMU, other tax and insurance on properties	(992)	(173)	(12)	(1,177)	0	(1,177)
Opex	(251)	(40)	(16)	(307)	0	(307)
Commissions and fees	(231)	0	0	(231)	(152)	(383)
Other non-rechargeable costs	(175)	(3)	(38)	(216)	(5)	(221)
Total Direct External Costs	**(1,850)**	**(242)**	**(76)**	**(2,168)**	**(157)**	**(2,325)**
Net Operating Income	**4,721**	**1,159**	**263**	**6,143**	**251**	**6,394**
Direct Personnel Expense	(79)	(842)	0	(921)	0	(921)
Internal direct capitalized costs on properties	1	(813)	1,249	437	0	437
Total Direct Costs	**(78)**	**(1,655)**	**1,249**	**(484)**	**0**	**(484)**
HQ Personnel Expense	0	0	(1,371)	(1,371)	(120)	(1,491)
Consultancy	(655)	(52)	(1,125)	(1,832)	(77)	(1,909)
G&A	(54)	(100)	(2,148)	(2,302)	(185)	(2,487)
Internal capitalized costs on non-property inventories	0	0	0	0	88	88
Total General Expenses	**(709)**	**(152)**	**(4,644)**	**(5,505)**	**(294)**	**(5,799)**
EBITDA	**3,934**	**(648)**	**(3,132)**	**154**	**(43)**	**111**
Fair value adjustment of investment property	29,196	(6,133)	0	23,063	0	23,063
(Write-down)/write-back of inventories	(508)	219	0	(289)	0	(289)
Amortization, depreciation, provisions and other impairment losses	(42)	0	(2,634)	(2,676)	(26)	(2,702)
Financial income/(charges) from associates	(6,508)	1,141	4,715	(652)	0	(652)
EBIT (Operating profit)	**26,072**	**(5,421)**	**(1,051)**	**19,600**	**(69)**	**19,531**
Financial income/(charges)	(1,005)	(576)	(795)	(2,376)	(35)	(2,411)
EBT (Pre-tax profit)	**25,067**	**(5,997)**	**(1,846)**	**17,224**	**(104)**	**17,120**
Tax/tax charges	1	1	40	42	(34)	8
Profit/(loss) from continuing operations	**25,068**	**(5,996)**	**(1,806)**	**17,266**	**(138)**	**17,128**
Gains/(losses) after tax from assets and liabilities held for sale	0	0	320	320	(232)	88
Profit/(loss)	**25,068**	**(5,996)**	**(1,486)**	**17,586**	**(370)**	**17,216**
Result attributable to non-controlling interests	41	0	(49)	(8)	13	5
Result attributable to the owners of the Parent	**25,027**	**(5,996)**	**(1,437)**	**17,594**	**(383)**	**17,211**

Statement of financial position at 30 June 2017 (€ thousands)

Description (Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Property assets	Non-property assets	30/06/2017
Investment property and inventories	302,906	142,933	0	445,839	2,659	448,498
Investments and Funds	38,941	10	0	38,951	0	38,951
Financial receivables	11,505	1,024	97	12,626	0	12,626
Other fixed assets	0	0	2,367	2,367	201	2,568
Deferred tax assets	0	0	6,278	6,278	9	6,287
Trade and other receivables	0	0	12,111	12,111	388	12,499
Tax receivables	0	0	10,973	10,973	292	11,265
Cash and cash equivalents and treasury shares	0	0	18,537	18,537	129	18,666
Total assets	**353,352**	**143,967**	**50,363**	**547,682**	**3,678**	**551,360**
Payables due to banks	154,842	32,166	14,824	201,832	1,140	202,972
Payables to other lenders	0	0	11,497	11,497	0	11,497
Payables to personnel	0	0	2,238	2,238	107	2,345
Trade and other payables	0	0	16,859	16,859	549	17,408
Tax payables	0	0	973	973	22	995
Deferred tax liabilities	0	0	3,884	3,884	18	3,902
Provision for risks and charges	0	0	6,005	6,005	0	6,005
Equity	198,510	111,801	(5,917)	304,394	1,842	306,236
Total liabilities	**353,352**	**143,967**	**50,363**	**547,682**	**3,678**	**551,360**

Statement of financial position at 31 December 2016 (€ thousands)

Description (Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Property assets	Non-property assets	31/12/2016
Investment property 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 fixed assets	0	0	2,612	2,612	255	2,867
Deferred tax assets	0	0	6,351	6,351	28	6,379
Trade and other receivables	0	0	15,675	15,675	537	16,212
Tax receivables	0	0	10,779	10,779	1,190	11,969
Cash and cash equivalents 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 due to banks	117,843	36,151	6,972	160,966	1,271	162,237
Payables to other lenders	0	0	1,596	1,596	0	1,596
Payables to personnel	0	0	3,355	3,355	278	3,633
Trade and other payables	0	0	18,319	18,319	1,382	19,701
Tax payables	0	0	1,608	1,608	67	1,675
Deferred tax liabilities	0	0	3,903	3,903	18	3,921
Provision for risks and charges	0	0	5,956	5,956	17	5,973
Equity	173,180	122,353	6,350	301,883	1,478	303,361
Total liabilities	**291,023**	**158,504**	**48,059**	**497,586**	**4,511**	**502,097**

NOTE 33. IFRS 13

IFRS 13 Fair Value Measurement was published by the IASB on 12 May 2011 and approved by the European Union on 11 December 2012 with Reg. 1255/2012.
The standard governs the assessment and measurement of the fair value of items presented in the financial statements. IFRS 13 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 transaction date".
The fair value measurement process takes account of the characteristics of the asset or liability to be measured, referring to the conditions, location, constraints/restrictions on the sale or use of the items in question. Fair value measurement assumes a transaction taking place in a principal market or, in the absence of a principal market, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability.
The most advantageous market is the market that maximizes the amount arising from the sale of the asset, or minimizes the amount paid to transfer the liability, net of transport and ancillary costs.

Unlike transport costs, ancillary costs must be considered only in the identification of the most advantageous market and not in the measurement of fair value.
Under IFRS 13:
• Non-financial assets must be measured using the "Highest and best use" method, i.e. taking account of 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 at the measurement date. The fair value measurement of a liability reflects non-performance risk of the counterpart entity, including credit risk.
The general rules for preparing fair value measurement techniques should be adjusted based on the circumstances, configured in order to maximize the observable inputs and established in accordance with the measurement method used (multiples method, income method, cost method):
1) Adjusted based on the circumstances: measurement techniques must be applied consistently over time, unless there are more representative alternative techniques for the measurement of fair value.
2) Maximize the observable inputs: inputs are divided into observable and unobservable, providing various examples of markets from which fair values can be calculated.
3) Fair value measurement techniques are classified in three hierarchical levels based on the type of input used:
- Level 1: inputs are quoted prices in active markets for identical assets or liabilities. In this case, 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. In this case, price adjustments can be made based on specific factors of the assets or liabilities.
- Level 3: in this case inputs are unobservable. Under the standard, the latter technique can be used only in this case. Inputs for this level include, for instance, 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 the minimum for level 3.
Under IFRS 13, there are three different measurement methods that can be used in the measurement of fair value:
• The market method uses prices and other relevant information for market participants involving identical or comparable assets and liabilities. The models used are the multiples method and matrix pricing;
• The income method is obtained from the discounted sum of future amounts to be generated by the asset. This method provides a fair value that reflects current market expectations on such future amounts;
• The cost method reflects the amount that would be required at the measurement date to replace the service capacity of the asset being measured. 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 account of the level of obsolescence of the asset). It should be noted that the cost method can be used only when the other methods cannot be used.
Measurement techniques are applied consistently over time, unless there are alternative techniques that provide a more representative measurement of fair value. When selecting measurement techniques, great importance is attached to the assumptions adopted in the determination of the assets or liabilities.

The assets of the Aedes Group have been classified in the 3rd hierarchical level; all properties held by Group companies have been grouped into the following categories, depending on their intended use:
- *Retail;*
- *Office;*
- *Other*.

The table below shows the book value and fair value of the properties owned by the companies of the Aedes Group, classified by measurement method used and the intended use:

	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	125,530	125,530	0	0	107,625	107,625	233,155	233,155
Office	153,700	153,700	0	0	0	0	153,700	153,700
Other	1,150	1,150	2,348	2,394	3,010	3,010	6,508	6,554
Total	**280,380**	**280,380**	**2,348**	**2,394**	**110,635**	**110,635**	**393,363**	**393,409**

The above amounts do not include inventories that are measured under IAS 2 "Inventories".
The main measurement methods used are the DCF and the Residual Method, while the Comparison Method is used for part of the properties, deemed as being more specific to the type of assets. There follows a breakdown of the measurement methods used:

- **Discounted Cash Flow** (or 'DCF'): taking account of the initial investment yield and the yield profile in the early years of investment, a Discounted Cash Flow is built over a specific time horizon. This approach depends on many variables, *inter alia*, the market lease rent, assumptions on market growth, output yield rate, and discount rate. A comparison is also made of the initial investment yield and the yield trend with recent market transactions, using the DCF as a support in the projection of costs and revenue;
- **Comparative Method**: based on the direct comparison of an asset with similar or related purchased goods; the prices paid or requested are correlated with factors affecting the value of the property; this measurement method is usually applied to residential properties or property intended for direct users;
- **Residual Method**: generally used for vacant/to be restored properties before being re-rented or sold and for development projects; the market value is the result of the difference between the value of the converted asset and the sum of all the conversion costs, net of the profit that the subject would seek as compensation (if the subject were to buy the property today) of the double risk assumed in conversion and subsequent sale.

With regard to the measurement of the individual properties, based on the method applied and intended use, mention should be made of the:

- DCF method (approximately 63% of total fair value):
  - Retail: the discount period is from 2 to 11 years; a constant 1.40% inflation rate was used over the entire time horizon; the market growth rate was assumed equivalent to the inflation rate. The discount rate used, instead, ranges from 7.00% to 9.00%; the net capitalization rate is between 6.30% and 8.20%;
  - Office: the discount period is from 3 to 10 years; a constant 1.40% inflation rate was used over the entire time horizon. The discount rate used, instead, ranges from 5% to 8%; the net capitalization rate is between 3.50% and 5.80%;
  - Other: it includes a single property for hotel use; the discount period used is equal to 10 years; a constant 1.40% inflation rate was used over the entire time horizon; the market growth rate was assumed equivalent to the inflation rate. The discount rate, instead, stood at 8%; the gross capitalization rate amounted to 6.60%.
- Residual Method (approximately 30% of overall fair value):
  This assessment method was used almost exclusively for development projects; profit for the developer ranged between 13.00% and 34.00% of development costs, while the net capitalization rate used to determine the final value of the property ranged between 5.50% and 8.50%.

NOTE 34. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Under Consob Communication of 28 July 2006, the Aedes Group did not carry out significant non-recurring transactions in 1H17.

NOTE 35. MOVEMENTS RESULTING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In 1H17, no atypical and/or unusual transactions were carried out by the Group.[21]

[21] Under Consob Communication of 28 July 2006, which defines atypical and/or unusual transactions as transactions which, by

4.14 Annex 1 - Company information

FULLY CONSOLIDATED SUBSIDIARIES

Investment	*Registered Office*	*Share Capital*	*Equity Interests*
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.
ATA Consortium	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.
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.
Retail Park One S.r.l.	Milan Via Foro Bonaparte, 70	€ 100,000	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
held 91% by Aedes SIIQ S.p.A..

Bollina S.r.l.
operating in the wine trade business. Held 70% by Aedes SIIQ S.p.A..

Cascina Praga SIINQ S.p.A.
unlisted property investment company (SIINQ), owner of revenue properties, properties under development (intended for commercial and economic/productive use) and building rights (for commercial, economic/productive use) in Serravalle Scrivia (AL). Held 100% by Aedes SIIQ S.p.A..

ATA Consortium

significance/relevance, nature of the counterparts, object of the transaction, transfer pricing method and timing of the event, may give rise to doubts regarding: the accuracy/completeness of the information in the financial statements, conflicts of interest, safeguarding of company assets, and the protection of non-controlling interests.

consortium established for the development of the project owned by S.A.T.A.C. SIINQ S.p.A. in Caselle Torinese (TO), holder of 99.33% of the shares.

Petrarca Fund
fund specialized in the office segment, held 65% by Aedes SIIQ S.p.A..

Redwood Fund
fund specialized in the commercial segment, held 100% by Aedes SIIQ S.p.A..

Novipraga SIINQ S.p.A.
unlisted property investment company (SIINQ), owner of properties under development intended for commercial and economic/productive use in Serravalle Scrivia (AL) and Novi Ligure (AL). Held 100% by Aedes SIIQ S.p.A..

Pragafrance S.à r.l.
owner of properties on the French Riviera (France) intended for residential use, partly subject to renovation and development, and partly completed. Held 75% by Aedes SIIQ S.p.A..

Praga Service Real Estate S.r.l.
service company (organization and development of master plans, project management, preparation and verification of executive plans and agreements, coordination and development of building permits, management of commercial licenses and environmental audits, chief engineer/tenant coordinator, facility management). Held 100% by Aedes SIIQ S.p.A..

Pragaquattro Center SIINQ S.p.A.
unlisted property investment company (SIINQ), owner of properties under development and intended for commercial use (Castellazzo Design Center) in the Municipality of Castellazzo Bormida (AL) and in the Municipality of Borgoratto Alessandrino (AL). Held 100% by Aedes SIIQ S.p.A..

Pragaotto S.r.l.
owner of revenue properties (intended for tourism/reception and residential use) and under development (Bollina intended for tourism/accommodation, sports/recreation and residential use) in the Municipality of Serravalle Scrivia (AL). Held 100% by Aedes SIIQ S.p.A..

Pragasette S.r.l. in liquidation
a company that completed in 2015 the piecemeal sale of a property intended for residential use in Mentone (France). Held 60% by Aedes SIIQ S.p.A..

Pragaundici SIINQ S.p.A.
unlisted property investment company (SIINQ), owner of properties under development (Serravalle Outlet Village Phase B intended for commercial use) in the Municipality of Serravalle Scrivia (AL). Held 100% by Aedes SIIQ S.p.A..

Praga Construction S.r.l.
a company providing mainly intragroup General Contractor services. Held 100% by Aedes SIIQ S.p.A..

Redwood S.r.l.
active in property leasing. Held 100% by Aedes SIIQ S.p.A..

Retail Park One S.r.l.
active in property leasing. Held 100% by Aedes SIIQ S.p.A..

Sedea SIIQ S.p.A.
held 100% by Aedes SIIQ S.p.A..

SATAC SIINQ S.p.A.
unlisted property investment company (SIINQ), owner of properties under development (Caselle Designer Village intended for commercial and office use) in the Municipality of Caselle Torinese. Held 100% by Aedes SIIQ S.p.A..

Società Agricola La Bollina S.r.l.
operating in the wine business, owner of farmland in the Municipality of Serravalle Scrivia (AL) and land 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). Held 100% by Aedes SIIQ S.p.A..

ASSOCIATES AND JOINT VENTURES CONSOLIDATED AT EQUITY

Investment	*Registered Office*	*Share Capital*	*Equity Interests*
Aedilia Nord Est S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 8,797,086	56.52% Aedes SIIQ S.p.A.
Efir S.ar.l.	5 Allé Scheffer L - 2520 Luxembourg	€ 22,279,300	33.33% Aedes SIIQ S.p.A.
Dante Retail Fund	-	-	100% Efir S.ar.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.
Pragasei S.r.l.	Milan Via Monte Napoleone, 29	€ 100,000	50.1% Aedes SIIQ S.p.A.
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.
held 56.52% by Aedes S.p.A. SIIQ, which owns an exclusive property in Venice Cannareggio. Also holder of 100% in Pival S.r.l., owner of a building plot in Piove di Sacco.

Efir S.ar.l.
owned 33.33% by Aedes S.p.A. SIIQ, which holds 100% of the Dante Retail Fund, owner of retail properties located across the Country, also holder of investments in Giulio Cesare S.r.l., Mercurio S.r.l. in liquidation, and Palmanova S.r.l., owners of business units engaged in the commercial activities of a number of properties owned by the Fund.

Leopardi Fund
fund with a property portfolio intended for mixed use, held 24.389% by Aedes SIIQ S.p.A.. Also owner of: (i) 100% of Alpe Adria S.r.l., Agrigento S.r.l. and Trieste S.r.l., holders of business units; (ii) 100% of Galileo Ferraris 160 S.r.l., owner of an area in Naples; (iii) 73.39% in Tolcinasco Golf S.r.l., owner of the golf course bearing the same name; (iv) 100% of Rho Immobiliare S.r.l., owner of the shopping centre "Rho Center"; (v) 100% of F.D.M. S.A., owner of an exclusive asset in Forte dei Marmi (LU); (vi) 100% of Rubattino 87 S.r.l., engaged in the development, construction and sale of areas in Milan, and owner of apartments in Milan; (vii) 50% in Rubattino Ovest S.p.A., through Rubattino 87 S.r.l., a joint venture engaged in the development of free residence in via Rubattino - West Area; (viii) 50% in Via Calzoni S.r.l. in liquidation, owner of areas in Bologna; (ix) 40% in Induxia S.r.l. in liquidation, owner of areas in Binasco and Lacchiarella; and (x) 49% in Trixia S.r.l., owner of areas and of a farmhouse in the province of Milan, and owner of part of the Tolcinasco Castello, located in Basiglio (MI).

Nichelino S.c.ar.l. and 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., each holding 50%, for the construction of a shopping centre in Nichelino (a) and of Phase 5 and 6 of the Serravalle Outlet Village.

Pragasei S.r.l.
owner of properties under construction (Serravalle Outlet Village intended for commercial use) in Serravalle Scrivia (AL). Owned 50.1% by Aedes SIIQ S.p.A. in joint venture with TH Real Estate.

OTHER INVESTMENTS

Investment	*Registered Office*	*Share Capital*	*Equity Interests*
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.
owner of an area under development in La Storta, Rome. Held 0.49% by Aedes SIIQ S.p.A..

4.15 Annex 2 - Transactions with related parties

Transactions carried out over the period by the Aedes Group with companies outside of the consolidation scope consist mainly in administrative and property services, as well as loans issued by Group companies to non-consolidated companies, charged at rates in line with those normally applied by the banking system.
All transactions with related parties are settled at arm's length.

Counterpart	Non-current financial receivables	Current trade receivables	Current financial payables	Non-current financial payables	Trade and other current payables	Revenue from sales and services	Other revenue	Costs for raw materials and services	Personnel expense	Other operating costs	Financial income	Financial charges
Parent companies												
Augusto S.p.A.	0	43	89	10,000	11	9	0	(241)(*)	0	0	0	(89)
Total from Parents	**0**	**43**	**89**	**10,000**	**11**	**9**	**0**	**(241)**	**0**	**0**	**0**	**(89)**
Associates and JV												
Aedilia Nord Est S.r.l.	1,657	3	0	0	0	5	0	0	0	0	32	0
Alpe Adria S.r.l.	0	7	0	0	0	0	0	0	0	0	0	0
Leopardi Fund	0	132	0	0	0	0	0	0	0	0	0	0
Mercurio S.r.l. - in liquidation	0	0	0	0	1	0	0	0	0	0	0	0
Nichelino Village S.c.ar.l.	1,024	52	0	0	4,864	0	62	(5,965)	0	0	0	0
Parco Grande SCARL	0	0	0	0	0	0	0	0	0	17	0	0
Pival S.r.l.	0	16	0	0	0	5	0	0	0	0	0	0
Pragasei S.r.l.	9,548	353	0	0	0	42	0	0	0	0	276	0
Roma Development S.r.l.	0	0	0	0	0	0	0	0	0	(4)	5	0
Serravalle Village S.c.ar.l.	300	14	0	0	8	0	66	(349)	0	0	0	0
Total from Associates	**12,529**	**577**	**0**	**0**	**4,873**	**52**	**128**	**(6,314)**	**0**	**13**	**313**	**0**
Other Related Parties												
Banca Profilo S.p.A.	0	0	0	0	0	0	0	(280)(*)	0	0	0	0
Sator Immobiliare SGR S.p.A.	0	431	0	0	27	91	0	0	(48)	0	0	0
Agarp S.r.l.	0	0	0	0	0	0	1	0	0	0	0	0
Arepo Ad Sarl	0	0	0	0	0	0	2	0	(1)	(1)	0	0
Prarosa S.r.l.	0	0	0	0	0	0	1	0	0	0	0	0
Tiepolo S.r.l.	0	0	0	0	0	0	1	0	0	0	0	0
Total Other Related Parties	**0**	**431**	**0**	**0**	**27**	**91**	**5**	**(280)**	**(49)**	**(1)**	**0**	**0**
TOTAL RELATED PARTIES	**12,529**	**1,051**	**89**	**10,000**	**4,911**	**152**	**133**	**(6,835)**	**(49)**	**12**	**313**	**(89)**

* Costs from the conclusion of the bank loan agreement and the Augusto shareholder loan, treated under the amortized cost method.

4.16 Annex 3 - Investments in companies measured at equity

Investment	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Associates and Joint Venture				
Aedilia Nord Est S.r.l.	0	9,238	2,734	6
EFIR S.ar.l. - Dante Retail Fund	56,851	252	0	32
Dante Retail Fund	94,341	10,573	70,022	935
Leopardi Fund	51,487	5,355	24,666	5,278
Pragasei S.r.l.	43,664	12,239	50,058	6,249
Total	**246,343**	**37,657**	**147,480**	**12,500**

Investment	Revenue from sales and services	Other revenue	Change in inventories	Costs for raw materials and services	Personnel expense	Other operating costs
Associates and Joint Venture						
Aedilia Nord Est S.r.l.	160	0	10	(105)	0	(5)
EFIR S.ar.l. - Dante Retail Fund	0	0	0	(21)	0	0
Dante Retail Fund	4,606	0	0	(756)	0	(559)
Leopardi Fund	975	0	0	(1,033)	0	0
Pragasei S.r.l.	3,138	0	0	(1,508)	0	(81)
Total	**8,879**	**0**	**10**	**(3,423)**	**0**	**(645)**

Investment	Amortization and depreciation	Write-downs and allocations	Financial income/(charges) Net	Income/(charges) from investments	Tax	Profit/(loss) for the period
Associates and Joint Venture						
Aedilia Nord Est S.r.l.	0	0	(5)	0	(3)	52
EFIR S.ar.l. - Dante Retail Fund	0	0	0	1,721	0	1,700
Dante Retail Fund	0	(505)	(756)	10	0	2,040
Leopardi Fund	0	(2,087)	(186)	(3,502)	0	(5,833)
Pragasei S.r.l.	(1,092)	0	(1,006)	0	29	(520)
Total	**(1,092)**	**(2,592)**	**(1,953)**	**(1,771)**	**26**	**(2,561)**

The table below shows the breakdown of the net financial position of companies measured at equity:

Investment	% held	NFP 100%	NFP pro rata
Aedilia Nord Est S.r.l.	56.52%	126	71
EFIR S.ar.l. - Dante Retail Fund	33.33%	179	60
Dante Retail Fund	33.33%	79,640	26,544
Leopardi Fund	24.39%	25,415	6,198
Pragasei S.r.l.	50.10%	-45,783	-22,937
Total		**59,577**	**9,936**

Taking the listed debt into account, mention should be made that debt is, in turn, secured mainly by property guarantees. See Note 31 for any Group commitments.

4.17 Certification of the condensed consolidated half-year financial statements[22]

The undersigned Giuseppe Roveda, as Chief Executive Officer, and Alessia Farina, as Financial Reporting Manager of Aedes SIIQ S.p.A., also in accordance with art. 154 bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

- the 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 Condensed Consolidated Half-Year Financial Statements during the first half of 2017.

It is also certified that

1. the Condensed Consolidated Half-Year Financial Statements:
   a. have been prepared in compliance with the applicable international accounting standards endorsed by the European Union, pursuant to EEC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b. are consistent with the accounting records and books;
   c. give a true and fair view of the balance sheet, income statement and financial position of the Company and of the companies included in the consolidation scope of the Aedes Group as a whole.

2. The Half-Year Financial Report includes a reliable analysis of the performance and operating result, as well as the situation of the Issuer and the companies included in the consolidation scope as a whole, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 2 August 2017

The Chief Executive Officer — **Giuseppe Roveda**

The Financial Reporting Manager — **Alessia Farina**

[22] pursuant to art. 81-ter of Consob Regulation 11971 of 14 May 1999 as subsequently amended and supplemented

4.18 Independent Auditors' Report

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REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
AEDES SIIQ S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements of Aedes SIIQ S.p.A. and subsidiaries (the "Aedes Group"), which comprise the consolidated statement of financial position as of June 30, 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated cash flows statement and the consolidated statement of changes in equity for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the interim financial statements under Resolution n° 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Aedes Group as of June 30, 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Giacomo Bellia
Partner

Milan, Italy
August 4, 2017

This report has been translated into the English language solely for the convenience of international readers.

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