

Executive summary 2017



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1.1 Letter to Shareholders

Shareholders,

in 2017, we continued to purchase rented assets and move further ahead with our development projects to implement additional rented assets in the short and medium term, in accordance with the property company model adopted in our capacity as a SIIQ/REIT.

In light of the financial position and results of operations of the Parent Company at 31st December 2017, the second reference year for verifying the parameters set by the Special Regime of SIIQs/REITs, we have met the asset and profit requirements a year ahead of the legally-prescribed grace period.

Key events in the year under review:

- a) conclusion of the town-planning agreement on the Caselle retail project (113,000 m² of GLA), following the permitting process, and launch of the activities leading up to its development phase;
- b) acquisition and ensuing merger of Retail Park One S.r.l. into Novipraga SIIQ S.p.A., which pushed forward the development of Phase C of the Serravalle Retail Park, slated to open in spring 2018;
- c) continued purchase of properties, with two office towers in Via Richard, Milan, covering a total area of approximately 15,000 m²; the refurbishment planning phase has been completed, and rental marketing is now underway; specifically, a lease contract has already been concluded with a major tenant for one of the towers, with revenue starting to flow in from the fourth quarter of 2019 at the end of the refurbishment phase agreed on with the tenant;
- d) conclusion of the investment agreement on "The Market San Marino" between Aedes SIIQ S.p.A. and BG Asset Management S.A. (Borletti Group) and other partners, for the acquisition by Aedes of a 40% share in the capital of the company appointed to act as General Partner of the project. The development deadline is set by 2020, with an investment for Aedes up to such date of Euro 23.6 million (of which Euro 2.7 million already paid in 2017), with the option to review part of the commitment. The agreements include, *inter alia*, a call option granted to Aedes for the purchase of the entire project, exercisable in 2022 at market value.

The focus on property company activities has resulted in the disposal of properties under working capital and of non-strategic properties under fixed assets.

Specifically investments and real estate inventory were sold, generating a gain of Euro 10.4 million.

In 2017, Aedes SIIQ confirmed its presence in the EPRA - European Public Real Estate Association - conforming to the main international Reits on financial reporting. The 2017 Financial Statements, as last year, contain an explanatory section on EPRA financial indicators.

The year 2017 saw the Aedes Group renew its commitment to Corporate Social Responsibility, reiterating the awareness of how its business is directly involved in the three domains of sustainability: economic, social and environmental. This explains the preparation again, in 2017, of the Sustainability Report, which shows, through qualitative and quantitative indicators, the past and current actions adopted by the Group in the pursuit of sustainable development, consistent with the social and environmental backdrop, and respecting the values, expectations and needs of today and investing in tomorrow's generations.

The Aedes Group is aware that business should not be restricted to merely producing financial results, but to developing a responsible industrial model aimed at achieving shared objectives, by adopting a transparent approach towards all its Stakeholders: investors, business partners, employees, clients and suppliers.

Aedes SIIQ S.p.A. closes 2017 on a positive note and will seek in 2018 to continue on the path leading to the Group's growth in the coming years.

The Chairman
Carlo A. Puri Negri

The Chief Executive Officer
Giuseppe Roveda

1.2 Corporate Governance

BOARD OF DIRECTORS

Giuseppe Roveda Chief Executive Officer	Carlo A. Puri Negri Chairman	Benedetto Ceglie Vice-Chairman
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}

BOARD OF STATUTORY AUDITORS

Cristiano Agogliati Chairman ⁴	Fabrizio Capponi Standing Auditor ⁴	Sabrina Navarra Standing Auditor ⁴
Giorgio Pellati Alternate Auditor	Roberta Moscaroli Alternate Auditor	Luca Angelo Pandolfi Alternate Auditor

INDEPENDENT AUDITORS

Deloitte & Touche S.p.A.

¹ Finance and Investment Committee

² Control, Risk and Related Party Transactions Committee

³ Remuneration and Appointments Committee

⁴ On 11th June 2015, the Board of Directors resolved to assign the Board of Statutory Auditors the functions of Supervisory Body

1.3 Shareholder Structure

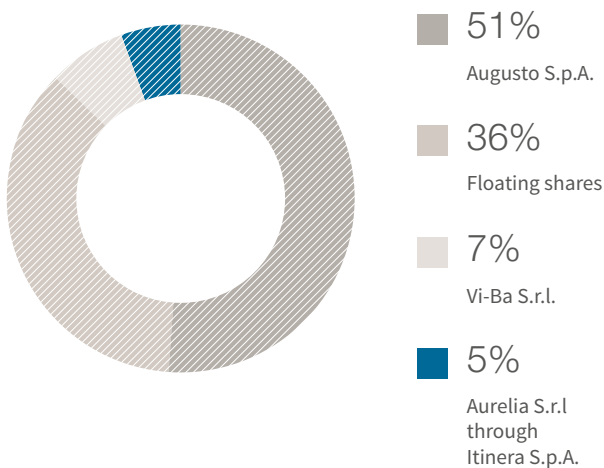
There were no changes in 2017 in the share capital of Aedes SIIQ S.p.A. and in the number of shares issued.

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

The table below shows the list of shareholders holding over 5 (five) percent of the issued share capital¹ at 31st December 2017, based on Consob communications² and the updated Shareholders' Register, as well as on other information available to the Company at that date.

Shareholders	Number of shares	% of share capital
Augusto S.p.A.	163,752,436	51.20%
Vi-Ba S.r.l.	23,379,885	7.31%
Aurelia S.r.l. through Itinera S.p.A.	16,935,541	5.30%
Floating shares	115,755,329	36.19%
Total Shares	319,823,191	100.00%

Given the relevant shareholder structure, calculated on the basis of 319,803,191 ordinary shares outstanding at 31st December 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 Aedes SIIQ S.p.A. share at a price of Euro 0.69 each for every 3 warrants held.



Treasury shares

At 31st December 2017, Aedes held 30,000 ordinary shares to support the liquidity provider activities of Intermonte SIM S.p.A..

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

² 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 DIRECTORS' REPORT ON OPERATIONS

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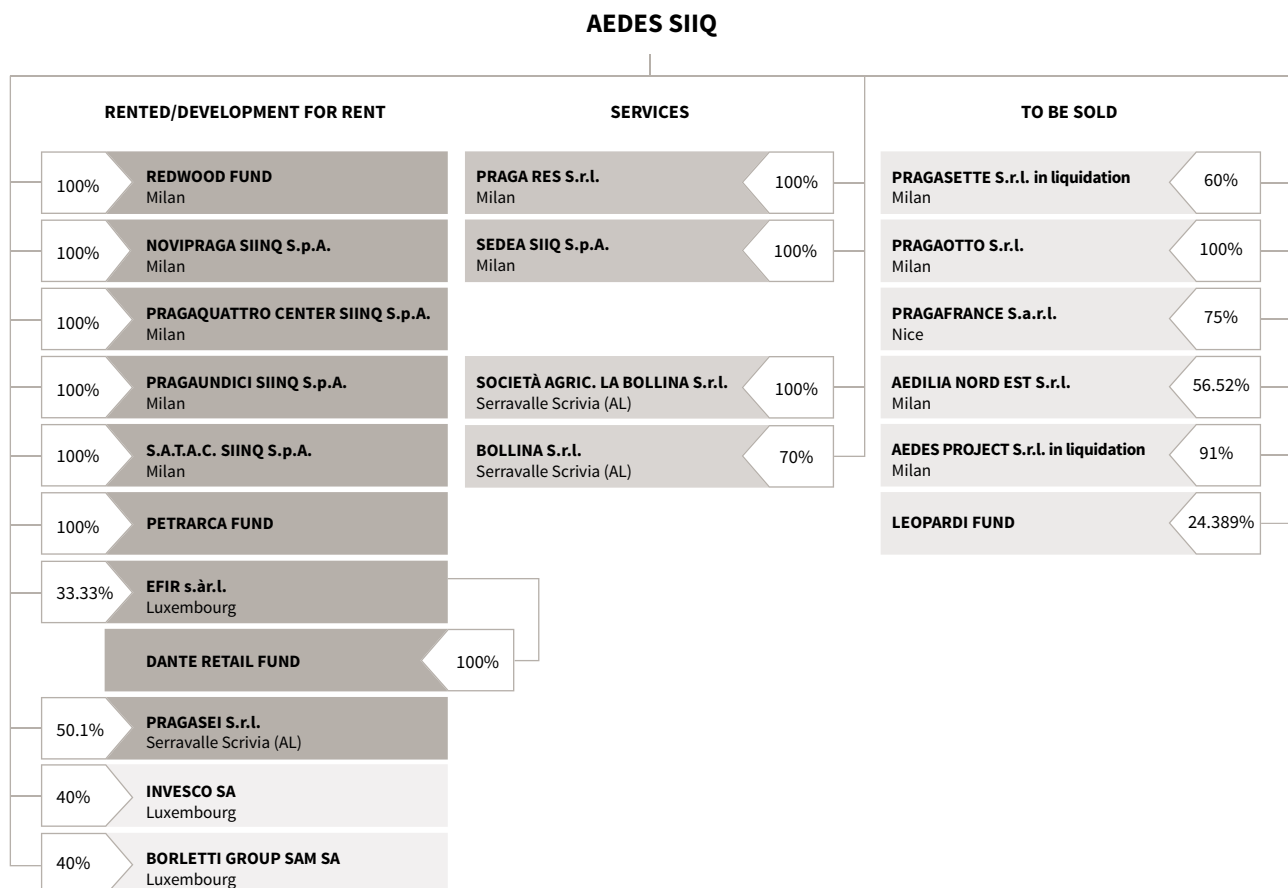


2.1 Group Structure

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/REIT Regime), Aedes switched to SIIQ/REIT status on 1st January 2016, adopting the name Aedes SIIQ S.p.A..

Aedes is an ancient name that has its roots in Latin, 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 simplified structure of the Group at 31st December 2017 was as follows:



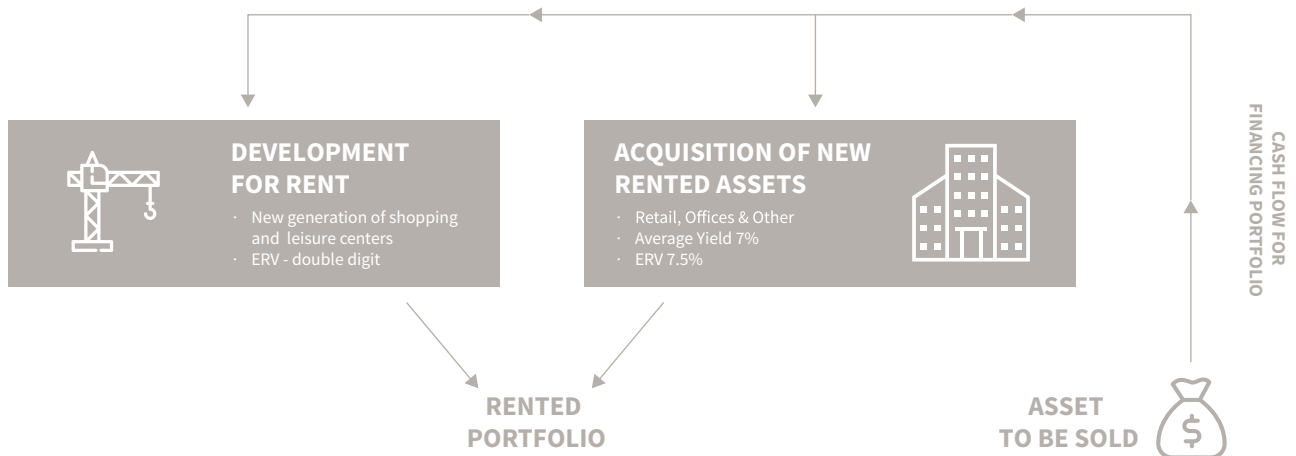
2.2 Strategy and business model

The Aedes strategy aims to create and maintain in the medium to long term a revenue property portfolio for commercial purposes of use, mainly retail and Office purposes, with a sustainable use of debt such as to generate cash flows consistent with the SIQ/REIT model.

This strategy continues to revolve around divesting non-strategic and non-performing assets and allocating financial resources available in the income-generating revenue and development portfolios, with an “all-round” business model: from planning, to development and revenue generation, with a constant eye not only on creating value for the Company and its shareholders, but also on creating added value for the communities involved.

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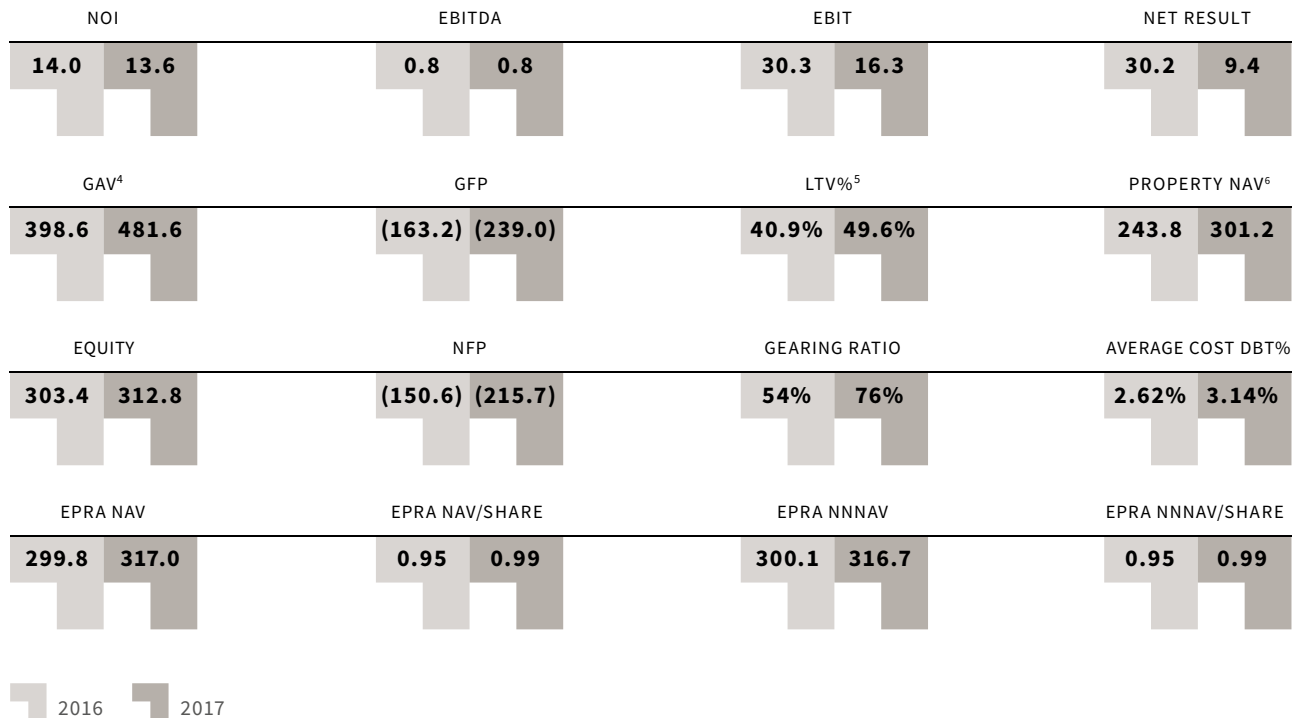
DIRECTORS' REPORT ON OPERATIONS



Additionally, Aedes provides services exclusively to Group companies (asset management, administration and finance). The subsidiary Praga Res S.r.l. performs Project and Construction Management activities, mainly for Group companies, in order to maintain greater control over investments.

2.3 Performance Measures

FINANCIAL HIGHLIGHTS³



MARKET PERFORMANCE⁷

Aedes share on the Stock Exchange

In the opening months of 2017, the performance of the Aedes share (AE.IM) was basically in line with the market index, while underperforming its main competitors. The share then turned bullish from the second half of April to end October and outperformed the market, maintaining a steady course in November and December.

The chart below shows the trend of the Aedes share versus its main competitors and the market index⁹.

³ Figures in Euro millions

⁴ Consolidated data

⁵ PFL / GAV. Taking into account the debt allocated only on real estate the LTV ratio is 37.5%

⁶ Consolidated data

⁷ Source Bloomberg

⁸ Beni Stabili SIIQ and IGD SIIQ

⁹ FTSEMIB Index



Key statistic and price trend of the Aedes share:

Price at 30 th December 2016: Euro 0.3860	Maximum price: Euro 0.5390 (7 th November 2017)
Price at 29 th December 2017: Euro 0.4680	Minimum price: Euro 0.3035 (6 th July 2017)
Change YoY: 21%	Average price YoY: Euro 0.3879

Market capitalization at 29th December 2017:
Euro 149.7 million



Warrant performance

Following the issue of shares arising from the capital increase with pre-emption rights in 2015, 86,956,536 2015-2020 Aedes Warrants were allocated without charge. The capital increase with pre-emption rights of up to Euro 40,000,006.56 at a price of Euro 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 Euro 20,000,003.28, at a price of Euro 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 30th June 2015, with an initial price of Euro 0.0503. The chart below shows the 2015-2020 Aedes Warrant in 2017.



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

2.4 Net Asset Value

At end 2017, the EPRA NNNAV of the Aedes Group amounted to Euro 316.7 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:

(Euro/000)	31/12/2017	31/12/2016
Outstanding shares (*)	319,773,191	316,303,191
EPRA Net Asset Value		
Equity from IFRS	313,201	296,408
NAV		
Includes:		
Revaluation of investment property	0	0
Revaluation of Properties under Development	15	120
Revaluation of other investments (property investments)	1,584	1,525
Revaluation of inventory	1,919	1,415
Excludes:		
Fair value of derivative financial instruments	238	375
EPRA NAV	316,957	299,843
EPRA NAV per share	0.99	0.95
Fair value of derivative financial instruments	(238)	(375)
Fair value of financial debt	(24)	650
EPRA NNNAV	316,695	300,118
EPRA NNNAV per share	0.99	0.95

(*) 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 reporting date, would have an antidilutive effect. Their calculation was, therefore, deemed unnecessary.

With a NNNAV per share of Euro 0.99 and a NAV per share of Euro 0.99, the price of the Aedes share has offered a considerable discount so far (approximately -60%). The Company has already launched a series of activities, including the re-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 to increase the visibility of the share and allow the gradual approximation of its price to the NNNAV.

In relation also to Consob recommendation no. DIE/0061944 of 18th July 2013 on the preparation of the Consolidated Financial Statements at 31st December 2017, the Group, subject to certain exceptions specified below, made use of the services of CB Richard Ellis as primary independent valuer 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 valuer, 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.

As the entire property assets of the Group are subject to appraisal by independent valuers, the directors have not identified any second-level indicators of impairment.

2.5 Performance in the Year

RESULTS

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

Description (Euro/000)	31/12/2017	31/12/2016	Change
Gross rental revenue	17,387	15,120	2,267
Income from sale of properties	878	(87)	965
Income from sale of non-real estate inventory	1,174	1,129	45
Margin from sale of investments	198	(3)	201
Other revenue	979	3,244	(2,265)
Total Revenue	20,616	19,403	1,213
Net losses from vacancies	(766)	(526)	(240)
IMU, other taxes and insurance on properties	(3,389)	(2,703)	(686)
Opex	(626)	(807)	181
Commissions and fees	(1,322)	(933)	(389)
Other non-rechargeable costs	(923)	(445)	(478)
Total direct external costs	(7,026)	(5,414)	(1,612)
Net Operating Income	13,590	13,989	(399)
Direct personnel expense	(2,767)	(2,176)	(591)
Internal direct capitalized costs on properties	1,556	1,059	497
Total direct costs	(1,211)	(1,117)	(94)
HQ personnel expense	(3,153)	(3,174)	21
Consultancy	(2,910)	(3,152)	242
G&A	(5,531)	(5,759)	228
Internal capitalized costs on non-real estate inventory	1	21	(20)
Total General Expenses	(11,593)	(12,064)	471
EBITDA	786	808	(22)
Fair value adjustment of investment property	20,874	29,773	(8,899)
(Write-down)/reversal of inventory	(1,836)	(771)	(1,065)
Amortization, depreciation, provisions and other impairment losses	(48)	(2,470)	2,422
Income/(charges) from associates	(3,445)	3,009	(6,454)
EBIT (Operating profit)	16,331	30,349	(14,018)
Financial income/(charges)	(6,160)	(3,588)	(2,572)
EBT (Profit before taxes)	10,171	26,761	(16,590)
Taxes/tax charges	(420)	3,071	(3,491)
Profit/(loss) from continuing operations	9,751	29,832	(20,081)
Gains/(losses) after taxes from assets and liabilities held for sale	(375)	382	(757)
Profit/(loss)	9,376	30,214	(20,838)
Result - Minorities	(287)	1,107	(1,394)
Result - Group	9,663	29,107	(19,444)

EBITDA, basically in line with 2016, saw, nonetheless, an increase in revenue and a sharp growth in the recurring component.

2017 closed with a profit of Euro 9.4 million (Euro 9.7 million of which attributable to the owners of the Parent) versus a profit of Euro 30.2 million (Euro 29.1 million of which attributable to the owners of the Parent) in 2016.

The result achieved in 2017 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 disposal strategy on non-core assets and investments, on 16th June 2017, a deed was concluded for the disposal of the interests in the subsidiary Golf Club Castello Tolcinasco SSD S.r.l.. The result of the company up to the disposal date and the effects of the disposal have been classified under "Gains/(losses) after taxes from assets and liabilities held for sale". For comparative purposes, the corresponding result of the prior period has also been classified under the item.

FINANCIAL POSITION

The financial position of the Group at 31st December 2017 is summarized as follows:

Description (Euro/000)	31/12/2017	31/12/2016	Change
Fixed capital	485,596	398,367	87,229
Net working capital	46,806	61,727	(14,921)
Invested capital	532,402	460,094	72,308
Equity attributable to the owners of the Parent	313,201	296,408	16,793
Equity attributable to minorities	(385)	6,953	(7,338)
Total equity	312,816	303,361	9,455
Other non-current (assets) and liabilities	3,857	6,115	(2,258)
Non-current payables to banks and other lenders	174,227	113,866	60,361
Current payables to banks and other lenders	64,743	49,362	15,381
Cash and cash equivalents	(23,241)	(12,610)	(10,631)
Total net financial debt	215,729	150,618	65,111
Total funding sources	532,402	460,094	72,308

Fixed capital

The item amounted to Euro 485.6 million versus Euro 398.4 million at 31st December 2016 and is composed mainly of:

- investment property and other tangible fixed assets of Euro 432.4 million versus Euro 344.2 million at 31st December 2016. The change of Euro 88.2 million is attributable mainly to the acquisition of the Serravalle Retail Park and the office towers in Via Richard, Milan, and to investments in properties of Euro 19.7 million and fair value adjustments in the year;
- capital investment in associates and joint ventures of Euro 53.1 million versus Euro 54.0 million at 31st December 2016; the reduction is attributable mainly to the distribution of the share capital of the associate Dante Retail Fund and to adjustments in the period;
- other financial fixed assets of Euro 0.1 million, in line with the figure at 31st December 2016;
- intangible fixed assets basically nil, in line with the figure at 31st December 2016.

Net Working Capital

Net working capital amounted to Euro 46.8 million versus Euro 61.7 million at 31st December 2016, and consists of:

- inventory of Euro 50.2 million versus Euro 56.3 million at 31st December 2016; the change is attributable to the disposal of assets and write-downs in the year;
- trade and other receivables of Euro 21.6 million versus Euro 27.0 million at 31st December 2016. The change is attributable mainly to the collection in 2017 of a tax receivable of Euro 6.4 million, referring to the substitute tax pursuant to Law no. 226/2005 claimed as refund in prior years;
- trade and other payables of Euro 25.0 million versus Euro 21.6 million at year-end 2016.

Invested capital

As a result of the above changes, invested capital increased from Euro 460.1 million at 31st December 2016 to Euro 532.4 million at end 2017. Invested capital is funded by equity of Euro 312.8 million (59%), by net financial debt of Euro 215.7 million (40%), and by other net non-current liabilities of Euro 3.9 million (1%).

Consolidated equity

Consolidated equity amounted to Euro 312.8 million versus Euro 303.4 million at 31st December 2016. The upward change of Euro 9.4 million is attributable, for Euro 9.4 million, to the result of the period, for Euro 1.6 million, to the sale of treasury shares held in portfolio, for Euro 1.7 million, to the purchase of the remaining 35% in the Petrarca Fund and, for Euro 0.1 thousand, to actuarial losses.

This item is composed of Euro 313.2 million from equity attributable to the owners of the Parent (Euro 296.4 million at end 2016) and of Euro -0.4 million to minorities (Euro +7.0 million at end 2016); the reduction is explained mainly by the abovementioned acquisition of the minority interests in the Petrarca Fund.

Other non-current assets and liabilities

The item closed the year at Euro -3.9 million versus Euro -6.1 million at end 2016. It is composed as follows:

- liabilities of Euro 1.1 million from the provision for severance indemnity (Euro 1.0 million in 2016);
- net tax assets of Euro 2.3 million (Euro 2.5 million in assets at end 2016) as the imbalance between deferred tax assets and the provision for deferred taxes;
- liabilities of Euro 5.1 million (Euro 6.0 million at end 2016) relating to provisions for risks, primarily for contractual obligations (Euro 0.3 million versus Euro 0.7 million at end 2016), for tax risks (Euro 2.4 million versus Euro 2.5 million at end 2016), provisions related to the management of property assets (Euro 0.1 million versus Euro 0.2 million at end 2016) and provisions for future liabilities (Euro 2.3 million versus Euro 2.6 million at end 2016);
- assets from net non-current receivables of Euro 0.2 million (Euro 1.2 million in net payables at end 2016);
- net liabilities of Euro 0.2 million from the fair value measurement of derivatives (Euro 0.4 million at end 2016).

Consolidated net financial debt

The net financial debt of the Group at 31st December 2017 amounted to Euro 215.7 million versus Euro 150.6 million at 31st December 2016. The change is attributable mainly to the new loan agreements concluded with banks, in addition to the bonds placed in 2017 and the shareholder loan received from Augusto S.p.A..

The net financial debt in 2017 is the result of the difference between gross payables of Euro 238.9 million and bank deposits of Euro 23.2 million, versus gross payables of Euro 163.2 million and bank deposits of Euro 12.6 million at the end of the prior year.

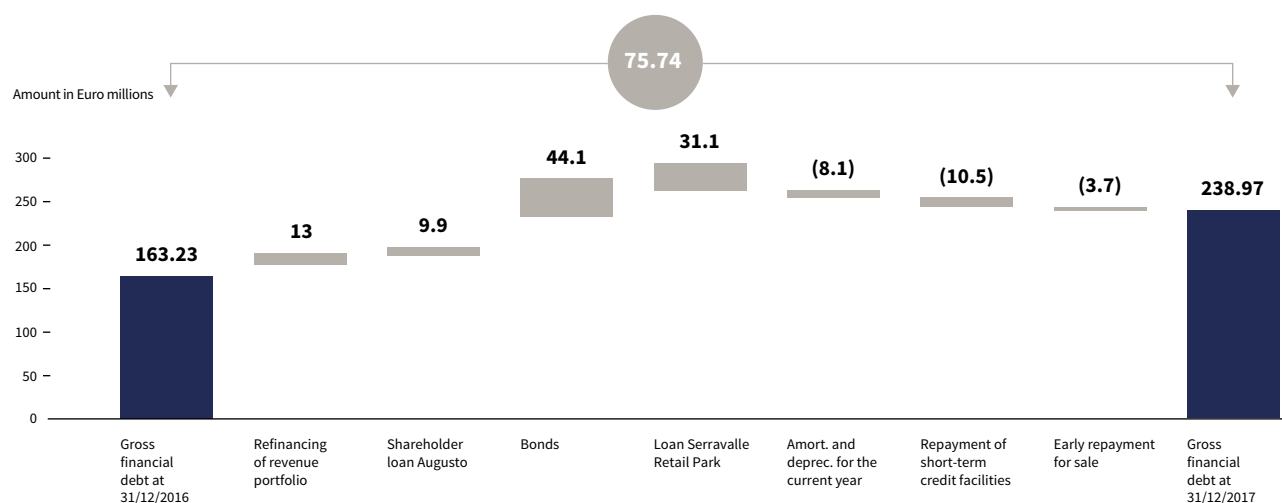
The table below shows the net financial debt of the Group at end 2017 versus the end of the prior year:

	NFP (Euro/000)	31/12/2017	31/12/2016	Change
A	Cash on hand	23,241	12,610	10,631
B	Cash equivalents	0	0	0
C	Securities	0	0	0
D	Total cash and cash equivalents (A) + (B) + (C)	23,241	12,610	10,631
E	Current financial receivables	0	0	0
F	Current payables to banks	(64,262)	(47,798)	(16,464)
G	Current portion of non-current financial liabilities	(145)	0	(145)
H	Other current financial liabilities	(336)	(1,564)	1,228
I	Total current financial liabilities (F) + (G) + (H)	(64,743)	(49,362)	(15,381)
J	Net current financial debt (I) + (E) + (D)	(41,502)	(36,752)	(4,750)
K	Non-current payables to banks	(118,990)	(97,107)	(21,883)
L	Bonds issued	(43,992)	0	(43,992)
M	Other non-current financial liabilities	(11,245)	(16,759)	5,514
N	Non-current net financial debt (K) + (L) + (M)	(174,227)	(113,866)	(60,361)
O	Net financial debt (J) + (N)	(215,729)	(150,618)	(65,111)

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DIRECTORS' REPORT ON OPERATIONS

The increase in gross debt is due mainly to the net effect of new loans taken out, and to current amortization and reimbursements for property sales in the period, as explained in the chart below.



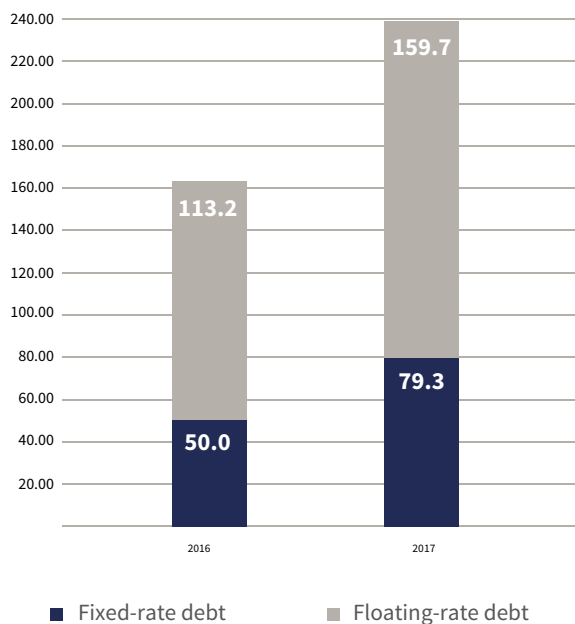
Specifically, the effects on the change in the debt are ascribable to:

a) decreases for a total of Euro 22.3 million, attributable to:

- (i) repayments of short-term credit facilities of approximately Euro 10.5 million;
- (ii) repayments for period amortizations of approximately Euro 8.1 million and
- (iii) early repayments for the sale of properties of approximately Euro 3.7 million;

b) increases of Euro 98.1 million, attributable to:

- (i) Euro 44.1 million for the issue of two bonds;
- (ii) Euro 31.1 million for a new loan taken out secured by a mortgage and by a pledge on interests in Novipraga SIIINQ S.p.A. for the refinancing of the Serravalle Retail Park and the financing of the development costs of Phase C;
- (iii) Euro 13.0 million for the refinancing of part of the revenue property portfolio; and
- (iv) Euro 9.9 million for the new shareholder loan received from Augusto S.p.A..



At 31st December 2017, the percentage of the floating-rate gross debt amounted to 66.8% of the Group's overall financial exposure versus 69.4% of the floating-rate debt at 31st December 2016.

The portion of debt not exposed to interest rate risk is due to the subscription by Aedes in November 2015 of an Interest Rate Collar, with 0% strike rates for floor and 1% for cap, with a notional amount of Euro 50 million and bullet maturity in December 2020.

The purpose of the hedge contract is to reduce the rate risk on the overall debt of the Group.

Additionally, the Company issued a fixed-rate bond worth Euro 29.3 million at year end.

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

(Euro/000)	2017	2016	Change
Investment property: mortgages	138.1	84.1	54.0
Investment property: leasing	0	16.7	(16.7)
GFP Investment property	138.1	100.9	37.3
Properties under development: mortgages	13.1	9.0	4.1
Properties under development: other loans	8.0	14.6	(6.6)
GFP properties under development	21.1	23.6	(2.5)
GFP Subtotal investments	159.3	124.5	34.8
Inventory: mortgages	21.1	30.4	(9.3)
GFP Subtotal inventory	21.1	30.4	(9.3)
GFP property portfolio	180.4	154.8	25.6
Other bank payables	2.8	6.8	(4.0)
Other payables	55.7	1.6	54.1
Gross financial position	239.0	163.2	75.7

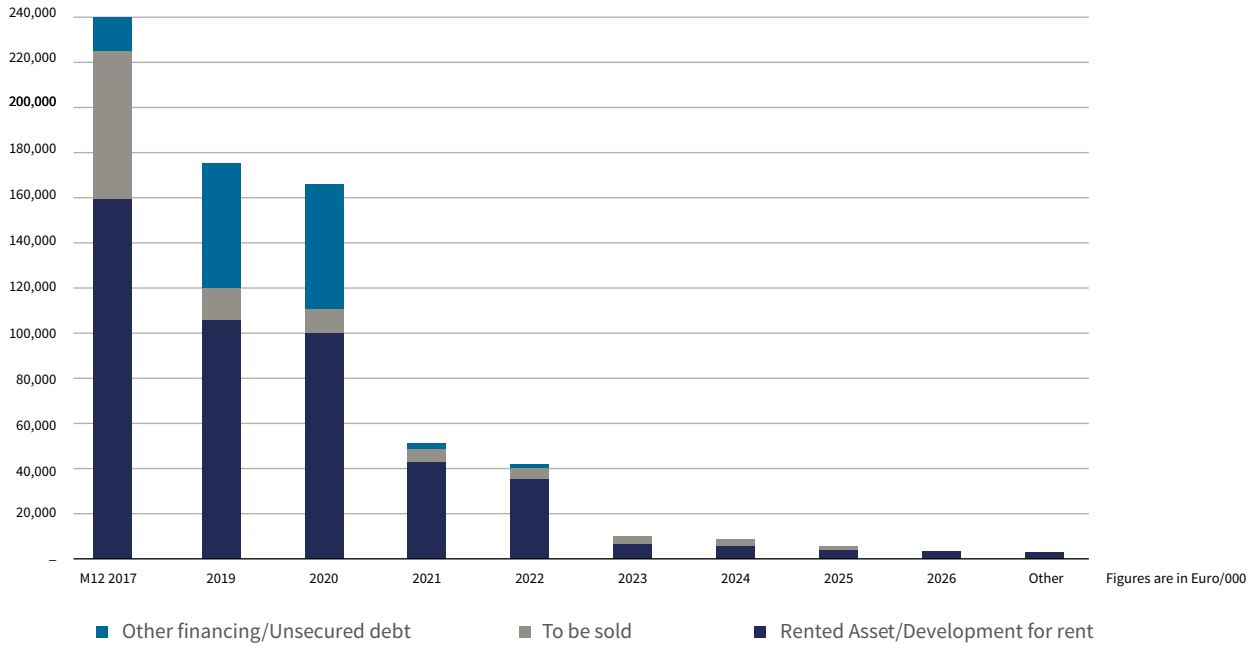
At 31st December 2017, the gross debt has an average duration of 2.63 years.

The short-term financial debt of the Group at 31st December 2017 amounted to Euro 64.7 million versus Euro 49.3 million at 31st December 2016, with a net increase of Euro 15.4 million. Out of the Euro 64.7 million in short-term maturities, approximately Euro 42.5 million refer to the balloon instalment of a loan maturing on 31st December 2018 held by the Petrarca Fund.

At the date of approval of the draft financial statements and the consolidated financial statements, there are no significant events regarding the applicability of the contractual covenants that set limits to the use of financial resources within the existing exposure.

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

DURATION



2.6 EPRA Performance Measures

The table below summarizes the main EPRA performance measures (EPM).

	EPRA – performance measure	Definition	2017	2016	Reference
1.	EPRA EARNINGS (Euro/000)	Net adjusted income from operations	(7,569)	(3,935)	this paragraph
2.	EPRA NAV (Euro/000)	Net Asset Value, which includes investment property at fair value and excludes fair value of financial instruments	316,957	299,843	this paragraph
3.	EPRA NNNAV (Euro/000)	Adjusted EPRA NAV to include fair value of financial instruments and financial payables	316,695	300,118	this paragraph
4.	(I) EPRA NET INITIAL YIELD (%)	Ratio between annualized lease rents, net of non-recurring charges, and gross market value of investment property	4.4%	4.7%	this paragraph
	(II) EPRA 'TOPPED-UP' NIY (%)	Ratio between stabilized lease rents, net of non-recurring charges, and gross market value of investment property	4.5%	5.1%	this paragraph
5.	EPRA VACANCY RATE (%)	Ratio between market value (ERV) of vacant space and market value of the entire portfolio	37.23%	17.81%	this paragraph
6.	EPRA COST RATIO (including costs for vacant properties) (%)	Ratio between operating costs of the company and lease rents	127%	132%	this paragraph
	EPRA COST RATIO (excluding costs for vacant properties) (%)		111%	112%	this paragraph

EPRA EARNINGS

(Euro/000)	31/12/2017	31/12/2016
Earnings per IFRS income statement	9,663	29,107
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	19,038	29,460
Profits or losses on disposal of investment properties, development properties held for investment and other interests	752	0
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	125	(87)
Changes in fair value of financial instruments and associated close-out costs	137	(507)
Acquisition costs on share deals and non-controlling joint venture interests	0	0
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	(3,389)	4,969
Minorities in respect of the above	569	(793)
EPRA Earnings	(7,569)	(3,935)
Basic number of shares	319,773,191	316,303,191
EPRA Earnings per Share (EPS)	(0.024)	(0.012)
Company specific adjustments:		
Provisions for risks	351	(1,602)
Company specific Adjusted Earnings	(7.920)	(2.333)
Company specific Adjusted EPS	(0.025)	(0.007)

The diluted EPRA EPS is not meaningful since the outstanding warrants, being out of the money at the reporting date, would have an antidilutive effect. Their calculation was, therefore, deemed unnecessary.

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

EPRA NAV (Net Asset Value) and EPRA NNNAV (Triple Net Asset Value)

(Euro/000)	31/12/2017	31/12/2016
Outstanding shares (*)	319,773,191	316,303,191
EPRA Net Asset Value		
Equity from IFRS	313,201	296,408
NAV		
Includes:		
Revaluation of investment property	0	0
Revaluation of properties under development	15	120
Revaluation of other investments (property investments)	1,584	1,525
Revaluation of inventory	1,919	1,415
Excludes:		
Fair value of derivative financial instruments	238	375
EPRA NAV	316,957	299,843
EPRA NAV per share	0.99	0.95
Fair value of derivative financial instruments	(238)	(375)
Fair value of financial debt	(24)	650
EPRA NNNAV	316,695	300,118
EPRA NNNAV per share	0.99	0.95

(*) 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 reporting date, would have an antidilutive effect. Their calculation was, therefore, deemed unnecessary.

“Revaluation of properties under development” includes the difference between the carrying amount (cost) and their fair value.

“Revaluation of other investments (property investments)” includes the difference between the carrying amount (cost) and the fair value of property booked under inventory in the financial statements of associates and joint ventures.

“Revaluation of inventory” includes the difference between the carrying amount (cost) and the fair value.

“Fair value of derivative financial instruments” represents the net value of derivative instruments recognized in the financial statements (liabilities in both 2017 and 2016).

“Fair value of financial debt” is equal to the difference between the book value and its fair value, which is negative in 2017 and positive in 2016.

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

(Euro/000)	31/12/2017	31/12/2016
EPRA NIY and ‘topped-up’ NIY		
Investment property – wholly owned	430,139	341,509
Trading property (including share of JVs)	51,466	57,126
Less: developments	(125,419)	(109,659)
Completed property portfolio	356,186	288,976
Allowance for estimated purchasers’ costs	14,247	11,559
Gross up completed property portfolio valuation	370,433	300,535
Annualised cash passing rental income	19,104	16,871
Property outgoings	(2,777)	(2,732)
Annualised net rents	16,327	14,139
Add: notional rent expiration of rent free periods or other lease incentives	328	1,145
Topped-up net annualised rent	16,655	15,285
EPRA NIY	4.4%	4.7%
EPRA “topped-up” NIY	4.5%	5.1%

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EXECUTIVE SUMMARY 2017

“Notional rent expiration of rent free periods” relates mainly to incentives granted to a number of tenants.

Excluding from “Rented Assets” the properties subject to renovation and the properties “to be sold” intended for disposal:

- EPRA NIY would be 5.8% in 2017 and 5.8% in 2016.
- EPRA “topped up” NIY would be 5.9% in 2017 and 6.3% in 2016.

The information in the above table refers to the consolidated property assets.

EPRA VACANCY RATE

(Euro/000)	31/12/2017	31/12/2016
EPRA Vacancy Rate		
Estimated rental value of vacant space	9,996	3,424
Estimated rental value of the whole portfolio	26,845	19,228
EPRA Vacancy Rate	37.23%	17.81%

The figures in the table refer solely to the share of the revenue portfolio and are marked significantly by the Petrarca portfolio.

In 2017, the deterioration is explained by the entry of new assets whose vacancy is on average higher than in 2016.

While the entire portfolio in 2016 was eligible to be held for revenue generation and, as a result, the vacancy rate gave a clear picture of the situation, in 2017 the properties subject to renovation should be excluded from the calculation; this would result in a vacancy rate of 14.0%, improving by 21.3% versus the prior year. It should be noted that the table above takes into account only “Rented Assets”, that is, properties held for revenue generation to be kept in the portfolio, excluding properties “to be sold” intended for disposal.

EPRA COST RATIO

(Euro/000)	31/12/2017	31/12/2016
EPRA Cost Ratios		
Includes:		
Administrative/operating expense line per IFRS income statement	(23,966)	(24,130)
Net service charge costs/fees	1,891	1,306
Other operating income/recharges intended to cover overhead expenses less any related profits	232	2,910
EPRA Costs (including direct vacancy costs)	(21,843)	(19,914)
Direct vacancy costs	(2,777)	(2,976)
EPRA Costs (excluding direct vacancy costs)	(19,066)	(16,938)
Gross Rental Income less ground rents – per IFRS	17,233	15,105
Gross Rental Income	17,233	15,105
EPRA Cost Ratio (including direct vacancy costs)	127%	132%
EPRA Cost Ratio (excluding direct vacancy costs)	111%	112%

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Costs incurred are capitalized on the book value of the property investment, only when they are likely to generate future economic benefits and their cost can be measured reliably. Other maintenance and repair costs are booked in the income statement when incurred. For details, reference should be made to the following table showing property related capex.

PROPERTY PORTFOLIO - COMPLETED ASSETS

Euro/000								
Information on completed investment properties								
Sub-portfolio	GLA (sqm)	Average rent per sqm	Annualised net rent	ERV	Net rental income	Fair Value	WALT	% of reversion
Retail	94,689	93	8,843	9,462	8,008	115,410	7.76	7.00%
Office	96,019	104	9,979	10,904	7,572	185,000	2.74	9.27%
Other uses	5,566	28	156	156	91	4,310	2.91	0.00%
	196,274		18,978	20,522	15,671	304,720		

Information on each major completed investment property				
Location	GLA (sqm)	Type of property	% of ownership	Form of ownership
Milan Via Agnello	4,406	Office	100%	Whole ownership
Rome Via Veneziani	16,745	Office	100%	Whole ownership
Milan Via San Vigilio	9,793	Office	100%	Whole ownership
Catania Via Etnea	7,935	Retail	100%	Whole ownership
Santa Vittoria D'Alba Roero Center - Phase B	9,113	Retail	100%	Whole ownership
Agrate Brianza Centro dir. "Colleoni" – Palazzo Andromeda	13,592	Office	100%	Whole ownership
Cinisello Balsamo Via Gorky	22,104	Office	100%	Whole ownership
Milan Via Roncaglia	8,214	Office	100%	Whole ownership
Serravalle Retail Park - Phase A+B	27,655	Retail	100%	Whole ownership
Milan Via Richard	16,325	Office	100%	Whole ownership
	135,882			

LIST OF MAIN TENANTS

Top 10 tenants	%
NCTM	18%
UNIEURO	17%
BP PROPERTY MNGT	14%
COIN GROUP	12%
WIND	9%
HUAWEI	9%
CALZATURE PITTARELLO GLG	7%
METRO CASH & CARRY	6%
PEONIA MOBILI	4%
ABBOTT MEDICAL ITALIA	4%

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PROPERTY PORTFOLIO UNDER DEVELOPMENT

Euro/000												
		Breakdown of GLA according to regions		Breakdown of GLA according to usage								
Type of property	GLA (sqm)	Italy (Piedmont)	Abroad	Retail	Productive	Entertainment	Services	Office	Cost to date (Euro/000)	Cost to completion (Euro/000)	ERV at completion	% of the development which has been let as of 31/12/2017
Retail	177,059	177,059	0	123,300	2,252	17,273	0	34,234	115,405	287,879	33,563	0%
Other	80,214	80,214	0	0	80,214	0	0	0	9,330	35,410	n.a.	0%
	257,273	257,273	0	123,300	82,466	17,273	0	34,234	124,735	323,289		

Information on each major development asset							
Location	GLA (sqm)	Type of property	Breakdown of GLA according to usage (sqm)				
			Retail	Productive	Entertainment	Services	Office
Serravalle Outlet Village - Phase 7	4,149	Retail	3,551	598	0	0	0
Serravalle Retail Park Phase C	18,412	Retail	16,758	1,654	0	0	0
Roero Center - Phase C	6,300	Retail	6,300	0	0	0	0
Caselle Designer Village	145,052	Retail	95,779	0	17,273	0	32,000
Praga Business Park	3,146	Retail	912	0	0	0	2,234
	177,059		123,300	2,252	17,273	0	34,234

The following is the reconciliation between the value of cost to date shown in the table above and the carrying amount of the properties under development:

Cost to date (Euro/000)	124,735
Lots and building capabilities	668
Balance sheet properties under development (Euro/000)	125,403

Information on each major development asset							
Location	Cost to date (Euro/000)	Cost to completion (Euro/000)	ERV at completion (Euro)	% of the development which has been let as of 31/12/2017	Expected date of completion	% of ownership	Status
Serravalle Outlet Village - Phase 7	8,300	17,591	2,155	0%	Jun-18	100%	P.d.C. withdrawable
Serravalle Retail Park Phase C	20,725	14,109	n.a.	0%	May-18	100%	Under construction
Roero Center - Phase C	1,750	6,396	756	0%	Jun-18	100%	P.d.C. withdrawable
Caselle Designer Village	77,580	249,284	29,954	0%	Mar-22	100%	Town-planning agreement concluded
Praga Business Park	7,050	500	698	0%	Jun-18	100%	Town-planning agreement concluded
	115,405	287,879	33,563				

LIKE-FOR-LIKE RENTAL GROWTH

Euro/000					
Like-for-Like rental growth					
Sub-portfolio	Market value 2017	Net Rental Income 2016	Lfl growth	Net Rental Income 2017	Lfl growth %
Retail	71,310	5,280	(557)	4,723	-11%
Office	160,300	7,232	340	7,572	5%
Other	4,310	53	38	91	72%
	235,920	12,565	(179)	12,386	-1%

The table shows, broadly speaking, that net lease rents were basically steady in 2017.

The difference of Euro 68,800 thousand between market value of the Like-for-Like portfolio (Euro 235,920 thousand) and the total rented portfolio (Euro 304,720 thousand) is attributable to the fair value at 31st December 2017 of the properties purchased in 2017, and refers to the purchase of the Serravalle Retail Park and two office towers in Via Richard, Milan.

CAPEX

Property related capex	Euro/000
Acquisitions	53,511
Development	16,711
Like-for-Like portfolio	2,625
Other	364
Total capital expenditure	73,211

The above information refers to the consolidated property assets.

Capital expenditure includes overheads and operating expenses of Euro 1,556 thousand, related almost entirely to Development investments.

Purchase-related investments refer to the purchase of the Serravalle Retail Park (Euro 38,416 thousand) and of the two office towers (Euro 15,095 thousand) in Via Richard, Milan.

Development capex refers mainly to the projects regarding the Serravalle Retail Park, Serravalle Outlet Village, Caselle Designer Center, Lotto 10B and Nuovo Ramo Trasversale.

Investments on the Like-for-Like portfolio refer mainly to the property in Via Gorky, Cinisello Balsamo.

Other investments refer to properties held for sale and classified under Inventory, relating to improvements to the properties held in portfolio.

2.7 Property portfolio

OWNED ASSETS

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

Revenue portfolio (or “rented”)

Namely existing rented assets or project developments intended to maintain revenue.

This category includes the following product segments:

- Retail: comprising rented assets and revenue developments for commercial use (mainly stores, parks and shopping centers);
- Offices: comprising rented assets and revenue developments intended for tertiary-office use;
- Other Uses: comprising rented assets and revenue developments, with intended use other than the previous, including hotels;

These investments can also be classified, depending on the development stage, in:

- “rented assets” and
- “revenue developments” (o “development for rent”), namely property development projects intended to build up the rented assets 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 vehicles”) and real-estate funds.



The table below shows the pro-rata owned property assets by product implementation phase at 31st December 2017:

Euro/000	GAV				NAV			
	Consolidated	Not consolidated Funds & JV	Total Portfolio	% on Total Portfolio	Consolidated	Not consolidated Funds & JV	Total Portfolio	% on Total Portfolio
Retail	115,410	87,467	202,877	34.0%	62,199	37,095	99,294	28.6%
Office	185,000	534	185,534	31.1%	101,910	273	102,183	29.5%
Other Uses	4,310	-	4,310	0.7%	2,496	-	2,496	0.7%
Rented Assets	304,720	88,001	392,721	65.8%	166,605	37,368	203,973	58.8%
Retail Development for Rent	115,405	-	115,405	19.3%	97,147	-	97,147	28.0%
Other Uses Development for Rent	9,330	-	9,330	1.6%	6,440	-	6,440	1.9%
Development for Rent	124,735	-	124,735	20.9%	103,587	-	103,587	29.9%
Sub Total Portfolio Rented/ for rent	429,455	88,001	517,456	86.7%	270,192	37,368	307,560	88.7%
Office	3,700	-	3,700	0.6%	1,924	-	1,924	0.6%
Other Uses	47,210	28,142	75,352	12.6%	28,232	9,051	37,283	10.8%
Sub Total Portfolio to be sold	50,910	28,142	79,052	13.3%	30,156	9,051	39,207	11.3%
Total Group Portfolio	480,365	116,144	596,509	100.0%	300,348	46,418	346,767	100.0%
Minorities	GAV				NAV			
Praga France Sarl (25%)	1,240				850			
Total Consolidated Portfolio	481,605				301,198			

At 31st December 2017, the property assets owned by the Aedes Group, pro rata, amounted to a market value of Euro 596.5 million, including minorities and real-estate funds, up by approximately 19% versus the figure in 2016 (Euro 501.0 million).

Consolidated GAV (Gross Asset Value), amounting to Euro 481.6 million, rose by Euro 83 million versus 31st December 2016, of which Euro 16.0 million on a Like-for-Like basis, and Euro 67.0 million for net purchases. Specifically, property portfolios were purchased in 2017 for the amount of Euro 68.8 million, while properties were sold or deconsolidated for the amount of Euro 1.8 million. As a result of the purchases made in 2017, the Group has lease contracts in place for a total of Euro 19 million on an annual basis, versus leases of Euro 18 million on an annual basis in the Group's portfolio at 31st December 2016.

Regarding the property portfolio held by the Parent and by subsidiaries, additional details are shown as follows¹:

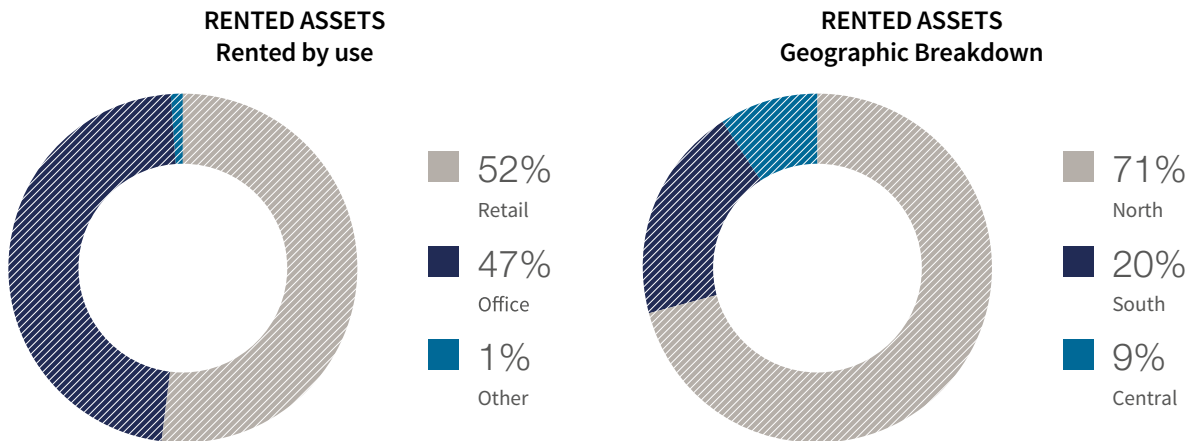
Category	Method of accounting	Book value	Market Value
Inventory	IAS 2		
Fixed assets: Properties under Development	IAS 40 - Cost		
Fixed assets: Investment properties	IAS 40 - Fair Value	304,720	304,720
Rented Assets		304,720	304,720
Inventory	IAS 2		
Fixed assets: Properties under Development	IAS 40 - Cost	124,735	124,735
Fixed assets: Investment properties	IAS 40 - Fair Value		
Development for Rent		124,735	124,735
Subtotal Portfolio Rented/for Rent		429,455	429,455
Inventory	IAS 2	49,531	51,466
Fixed assets: Properties under Development	IAS 40 - Cost	668	684
Fixed assets: Investment properties	IAS 40 - Fair Value		
Subtotal Portfolio to be sold		50,199	52,150
Total Portfolio		479,654	481,605

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

“Revenue” Portfolio - Rented Assets

At 31st December 2017, the pro-rata share of the Group's rented assets at market value was Euro 392.7 million, of which 78% owned directly or through companies and funds within the scope of consolidation, and 22% through joint ventures and other real-estate funds.

The breakdown by use shows that 52% consists in Retail properties, 47% in Office properties, and the remaining 1% in properties for Other Uses.



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

The geographical areas of investments in rented assets are Northern Italy (71%), Southern Italy (20%), and Central Italy (9%).

The leverage on rented assets is 45.3% on average, in line with the targets set by the Group for the core investments of the SIIQ/REIT model.



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

Revenue portfolio - Development for Rent

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

On 30th March 2017, a town-planning agreement was concluded with the Municipality of Caselle Torinese on the development of the Caselle Open Mall project, located in the Municipality's area and held through the 100% owned subsidiary Satac SIINQ S.p.A..

In November, Aedes SIQ S.p.A. – in partnership with iP2 Entertainment, a leader in the development of indoor theme parks – signed an agreement with iP2 Entertainment Holdings III INC and National Geographic Partners LLC lasting over 10 years from the opening of the Caselle Open Mall, for the in-mall construction and management of the first “Family Edutainment Centre” in Europe, which will operate under the National Geographic brand.

In 2017, work also continued on building Phase C of the Serravalle Retail Park (through the wholly-owned subsidiary Novipraga SIINQ S.p.A.), due to be opened in the first half of 2018.

At 31st December 2017, the market value of the pro-rata share of the Group's investments in properties under development amounted to Euro 124.7 million, all held directly.

The leverage is on average lower than the rest of the portfolio and stands at 17.0%. As in 2017 for Phase C of the Serravalle Retail Park, further 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.



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

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

Asset	SPV	Location	Intended use	Planned town-planning building capacity (m ²)	Administration and implementation status
Serravalle Outlet Phase 7	Pragaundici SIINQ S.p.A	Serravalle S. (AL)	Commercial	4,510	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licences 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 Ligure (AL)	Commercial	19,035	Master plans approved. Executive town-planning tools approved. Town-planning agreements concluded with the Municipalities of Serravalle and Novi Ligure. Commercial licences obtained. Positive outcome of environmental audit. Building permits obtained. Buildings under development and infrastructure work.
Roero Retail Park - Phase C	Aedes SIQ S.p.A.	S. Vittoria d'Alba (CN)	Commercial	6,396	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licences obtained. Positive outcome of environmental audit. Building permits application submitted (currently ready to be issued).
Caselle Open Mall	Satac SIINQ S.p.A.	Caselle T. (TO)	Commercial Office	153,000	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licences obtained. Positive outcome of environmental audit. Building permits application submitted.

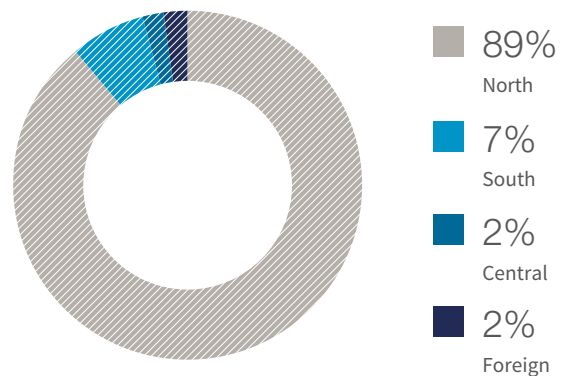
“To Be Sold” Portfolio

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.

The Portfolio to be sold is owned 64% directly and through subsidiaries, and the remaining 36% through joint ventures and real-estate funds. Leverage at end 2017 stands at an average 40.8%.



**PORTFOLIO TO BE SOLD
Geographic Breakdown**





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

SERVICES AREA

The property services of the Aedes Group are mainly of the captive kind, aimed at controlling the Group's investments and supporting the target companies. The provision of property services is performed in particular by the following companies:

Aedes SIIQ S.p.A.

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

Praga RES S.r.l

Service company, resulting from the merger of Praga Service Real Estate S.r.l. and Praga Construction S.r.l., active in the organization and development of master plans, project and construction management, preparation and verification of executive plans and agreements, coordination and development of building permits, management of commercial licences and environmental audits, chief engineer/tenant coordinator, facility management, mainly at intra-group level.

2.8 Business outlook

In 2017, a year devoted primarily to the disposal of part of the non-strategic portfolio, the gradual refinancing of the property portfolio, the acquisition and enhancement of rented assets, further progress on major development projects intended to strengthen the portfolio of rented assets, consistent with the SIIQ/REIT strategy and the updating of the Plan, the Group basically fulfilled these targets.

Specifically:

- the town-planning agreement for the Caselle retail project has been drawn up and all applications relating to the building permits have been submitted;
- the acquisition and ensuing merger of Retail Park One S.r.l. into Novipraga SIIQ S.p.A. pushed forward the development of Phase C of the Serravalle Retail Park;
- property acquisition activities continued with the acquisition of Towers C3 and E5 in Via Richard, Milan;
- the acquisition of 100% of the units of the Petrarca Fund was finalized, enabling further integration and synergies of its portfolio with the development and marketing activities of Aedes SIIQ S.p.A.;
- the agreement for investment in “The Market”, San Marino, was signed. The agreements include, *inter alia*, a call option granted to Aedes for the purchase of the entire project, exercisable in 2022 at market value;
- investments and real estate inventory were sold, generating income of Euro 10.4 million.

With regard to the SIIQ/REIT regime, and in light of the financial position and results of operations of the Parent Company at 31st December 2017, the second reference year for verifying the parameters set by the Special Regime of SIIQs/REITs, mention should be made that the asset and profit requirements were met a year ahead of the legally-prescribed grace period.

Upon publication of the consolidated half-yearly report (2nd August 2017), the Company also issued its guidance to 2023 on overall investment and performance objectives. These objectives remain unchanged. Whether or not they are fully or partly achieved also depends on factors outside the Company’s control, such as the economic cycle, trends in the property market, trends in the accessibility of credit and trends in capital markets.

Management will continue to pay the utmost attention to market opportunities, planning the further growth of the Group in the best possible way.



2.9 Significant events

MARCH 2017

Transactions in the year

On **30th 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 SIQ will develop an Open Mall of over 113,000 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.

APRIL 2017

Transactions in the year

On **11th 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 Euro 56 million on an owned portfolio worth approximately Euro 111 million.
The loan is granted in two tranches of Euro 52 million and Euro 4 million: approximately Euro 39 million drawn down to repay existing loans and to cover the costs of the transaction; approximately Euro 17 million to finance the renovation of guarantee assets and for 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 **12th April 2017**, Aedes SIQ S.p.A. concluded an agreement with professional investors on the issue of a non-convertible bond of Euro 15 million, finalized on 20th April 2017 and fully subscribed at 31st December 2017.
The bond has an 18-month maturity, with the possibility of extending the loan for a further 18 months, at a 3-month Euribor rate plus a 5% spread.

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

APRIL 2017

Company events in the year

On **27th April 2017** the Shareholders' Meeting of Aedes SIQ S.p.A. approved by majority the Parent Company's financial statements and presented the consolidated financial statements of the Aedes SIQ Group at 31st 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.

MAY 2017**Transactions in the year**

On **23rd 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 Euro 39.1 million.

The acquisition was made through a loan of Euro 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.

JUNE 2017**Transactions in the year**

On **21st 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 31st 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.

JULY 2017**Company events in the year**

On **20th 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 1st August 2017.

AUGUST 2017**Company events in the year**

On **3rd August 2017**, the deed of merger by incorporation of Cascina Praga SIIINQ S.p.A. and Redwood S.r.l. into Aedes SIIQ S.p.A. was entered in the Company Register.

SEPTEMBER 2017**Transactions in the year**

On **12th September 2017** BG Asset Management S.A., as Leading Sponsor, together with Dea Holding S.r.l. and VLG Capital S.r.l., concluded an agreement for the inclusion of Aedes SIIQ, with a 40% share and for an initial investment totaling approximately Euro 5.6 million, in the capital of the companies involved in "The Market". The project will cover a total retail space of at least 25,000 m² of GLA. The development deadline is scheduled by 2020. Specifically, under the agreements, which include, inter alia, a call option granted to Aedes for the purchase of the entire project, exercisable in 2022 at market value, the Aedes Group will handle the project, construction and asset management aspects, while the promoters will focus on marketing and launch of the center.

SEPTEMBER 2017**Company events in the year**

On **27th September 2017** the Shareholders' Meetings of Retail Park One S.r.l. and Novipraga SIIINQ S.p.A. approved the merger by incorporation of Retail Park One S.r.l. into Novipraga SIIINQ S.p.A.. The merger deed was entered in the Company Register on 27th December 2017. Legally effective as of 31st December 2017. For accounting and tax purposes, the transactions of Retail Park One S.r.l. have being recorded in the financial statements of the incorporating entity Novipraga SIIINQ S.p.A., effective as of 1st October 2017.

OCTOBER 2017 Transactions in the year

On **25th October 2017**, Aedes SIIQ S.p.A., BG Asset Management S.A. (Borletti Group), Dea Holding S.r.l. and VLG Capital S.r.l. signed the closing of the investment agreements on “The Market San Marino”, following the agreements concluded on 12th September 2017.

Specifically, Aedes subscribed the share capital increases it was reserved for a total of Euro 2.7 million, for the acquisition of a 40% share in the capital of the company appointed to act as General Partner of the project.

NOVEMBER 2017 Transactions in the year

On **28th November 2017** Aedes SIIQ S.p.A. signed the preliminary contract for the purchase from the Obelisco Real-Estate Fund, managed by InvestiRE SGR S.p.A., of two office towers located in Via Richard, Milan.

The two properties, Torre C3 and Torre E5, cover a total area of approximately 15,000 m² and will be completely renovated.

The overall investment – including both the purchase price and capex for renovations – will be approximately Euro 35 million, with rent upon completion expected to total Euro 3.5 million. The investment was finalized on **28th December 2017**.

DECEMBER 2017 Transactions in the year

On **6th December 2017**, a further investment agreement was concluded with BG Asset Management S.A. (Borletti Group), Dea Holding S.r.l., VLG Capital S.r.l. and Yesgo SARL, on the entire equity commitment of the initiative, with an investment for Aedes of Euro 23.6 million (of which Euro 2.7 million already paid in 2017 for its 40% interest), with the option for Aedes to review part of the commitment.

On **18th December 2017**, the “Aedes SIIQ S.P.A. 5% 2017 - 2019” bond issued on 20th December 2017 was successfully placed on the Extramot-PRO market; its characteristics are the following:

- Total nominal value: Euro 30 million
- Unit value of each bond Euro 50,000
- Maturity: 18 months extendable for a further 18 months at the discretion of the issuer
- Fixed gross half-year coupon of 5% for the first 18 months and, if extended, of 5.5% for the following 18 months.

The issue attracted the interest of a significant pool of professional investors, confirming their confidence in the Group's growth strategy.

DECEMBER 2017 Transactions in the year

On **18th December 2017**, Aedes SIIQ S.p.A. concluded an agreement with UniCredit S.p.A. to take out a mortgage loan of Euro 45.1 million to refinance Phase A and B of the Serravalle Retail Park for Euro 32 million, and to finance the development of Phase C for approximately Euro 13.1 million.

The loan will repay the bridge loan granted by a pool of banks upon closing of the purchase of Phase A and B of the Serravalle Retail Park for Euro 27 million, as well as a short-term loan of Euro 4 million on Phase C of the Serravalle Retail Park development project.

DECEMBER 2017
Transactions in the year

The loan is divided into two tranches: the first, of Euro 32 million, was granted on **19th December 2017**; the second tranche will be granted in 2018 for a total of Euro 13.1 million. The loan has a 5-year term at a rate equal to the 6-month Euribor plus 2.75% and as such will improve the average duration of the Aedes Group's debt. The Company has also underwritten the remaining Euro 5 million of the bond issued in April 2017.

On **21st December 2017**, Aedes SIIQ S.p.A. completed the purchase of the remaining 35% in the Petrarca Fund, with the transfer of the interests held by IFM Italy Office Fund GmbH & Co. KG (20%) and by Ivg Logistics Holding S.A. (15%) to Aedes SIIQ. As a result, Aedes SIIQ comes to own 100% of the Petrarca Fund, which owns 5 office properties in Milan and the Milanese suburbs, one of which is currently in the process of sale to third parties. The consideration for the purchase of the interests, equal to Euro 1.65 million, was fully paid.

EVENTS AFTER YEAR END

On **28th February 2018**, in line with a framework agreement concluded in December 2017, Aedes SIIQ signed the lease contract for the entire tower located in Viale Richard 3, Milan, with WPP Marketing Communications (Italy) S.r.l., a company of the WPP Group – a leading international communications corporation whose parent WPP PLC is listed on the NYSE. The lease will have a 9-year term, renewable for a further 6 years, with an annual rent of Euro 1.8 million.



3 SUMMARY OF THE SUSTAINABILITY REPORT

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3.1 Aedes Group approach to sustainability



Established in 1905 and listed on the Milan Stock Exchange since 1924, Aedes SIQ is a leading property company operating in Italy and positioned as a Commercial Property Company, developing its property assets through investments in the retail and office segment.

In keeping with this strategy, Aedes SIQ has a well-structured shareholder base and a solid ethical system based on a sustainable business from an operating, financial, social and environmental perspective. This system represents a set of dynamic rules constantly oriented towards the incorporation of best practices at European level to be followed by personnel.

The ethical conduct of Aedes SIQ is hinged upon the Code of Ethics and compliance with its values, in which it recognizes and bases its activity:

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

Business risks and uncertainties could impact negatively on the Group's strategy and goals, so it is vital to put in place legal protection and solid structures to manage the risks promptly and proactively.

SUSTAINABILITY RISK ANALYSIS

In 2017 the Aedes Group continued its corporate social responsibility programme, which began in late 2016. Building on last year's experience, it has gained awareness on how its business is directly involved in the three domains of sustainability: economic, social and environmental. This awareness grew stronger in 2017, leading to an improvement in recognizing the sustainability implications of its core business activities. Today, the principles of responsibility form an integral part of company procedures and of the internal risk assessment process.

MAIN SUSTAINABILITY RISKS



In 2016, the process had kicked off with a preliminary exhaustive analysis of Aedes SIIQ business risks, in order to examine them in terms of sustainability and understand the main effects on Group vulnerabilities; the results identified no risks that could impact significantly on business. These topics were monitored continuously and scrupulously throughout 2017, in order to ensure the necessary continuity and detect any deviations.

Regarding **town-planning and administrative risk**, the business licences conform to current planning instruments and have valid commercial licences. Additionally, with regard to works, building permits have been issued without any significant problems, in compliance with the procedures. While no known causes of actual risk exist at this time, the development projects, nonetheless, remain subject to the assessments of the competent authorities involved in administrative proceedings.

The business of Aedes SIIQ is closely tied to dealings with local government, and one of the main risks identified involves **delays in work and in the fulfilment of the obligations towards local governments**. The push back of deadlines from the schedule shared with the local governments, in fact, could engender adverse effects on the financial position of the Group, also considering the possibility of their leading to enforcement actions on a number of the sureties given, with potential payment of infrastructure charges.

Lastly, in accordance with environmental sustainability, monitoring of the **risks associated with environmental topics** represents a crucial point. From this perspective, the Group applies, to its properties and property developments, the international standards for environmental management in order to reduce the environmental risks associated with its activities.

Despite such attention, Aedes SIIQ could be exposed to risks of liability for environmental damage, with a possible impact on its financial position and results of operations. While no environmental issues have arisen from intangible fixed assets to date, with a view to preventing risks, in 2017 the Group initiated an ad hoc waste disposal programme within the area held by one of the Group companies.

For the full monitoring of Group risks and activities, the Board of Directors of Aedes SIIQ has set up an internal **Control, Risk and Related Party Transactions Committee**, in accordance with the corporate governance requirements laid down by the Italian Stock Exchange.

Composed of independent non-executive members, the Committee has been entrusted with consultative and proposal-making functions, together with those set out in the Corporate Governance Code.

MATERIALITY ANALYSIS

In 2017, the Aedes Group checked that the materiality analysis carried out at the end of 2016 was still up to date. The materiality analysis has the purpose of identifying strategic priorities not only in the economic, but also in the social and environmental spheres, in order to define the topics to be reported in the Sustainability Report, in accordance with the standards adopted, the GRI Sustainability Reporting Standards (2016).

The process leading to the drafting of the Materiality Matrix shown below is structured in **three main phases**:

- the relevant issues have been identified through the analysis of internal and external documentation, taking account not only of the GRI Guidelines, the EPRA Guidelines and industry-specific publications, but also of the benchmark with main peers and competitors.

In December 2016, the Group's first-line management received a questionnaire which deals thoroughly with each issue considered relevant in the construction and real-estate field: the work group was asked to identify priorities, by assigning scores to the different issues identified and the main matters to report in the area of sustainability, irrespective of the organization's current ability to provide comprehensive and complete reporting.

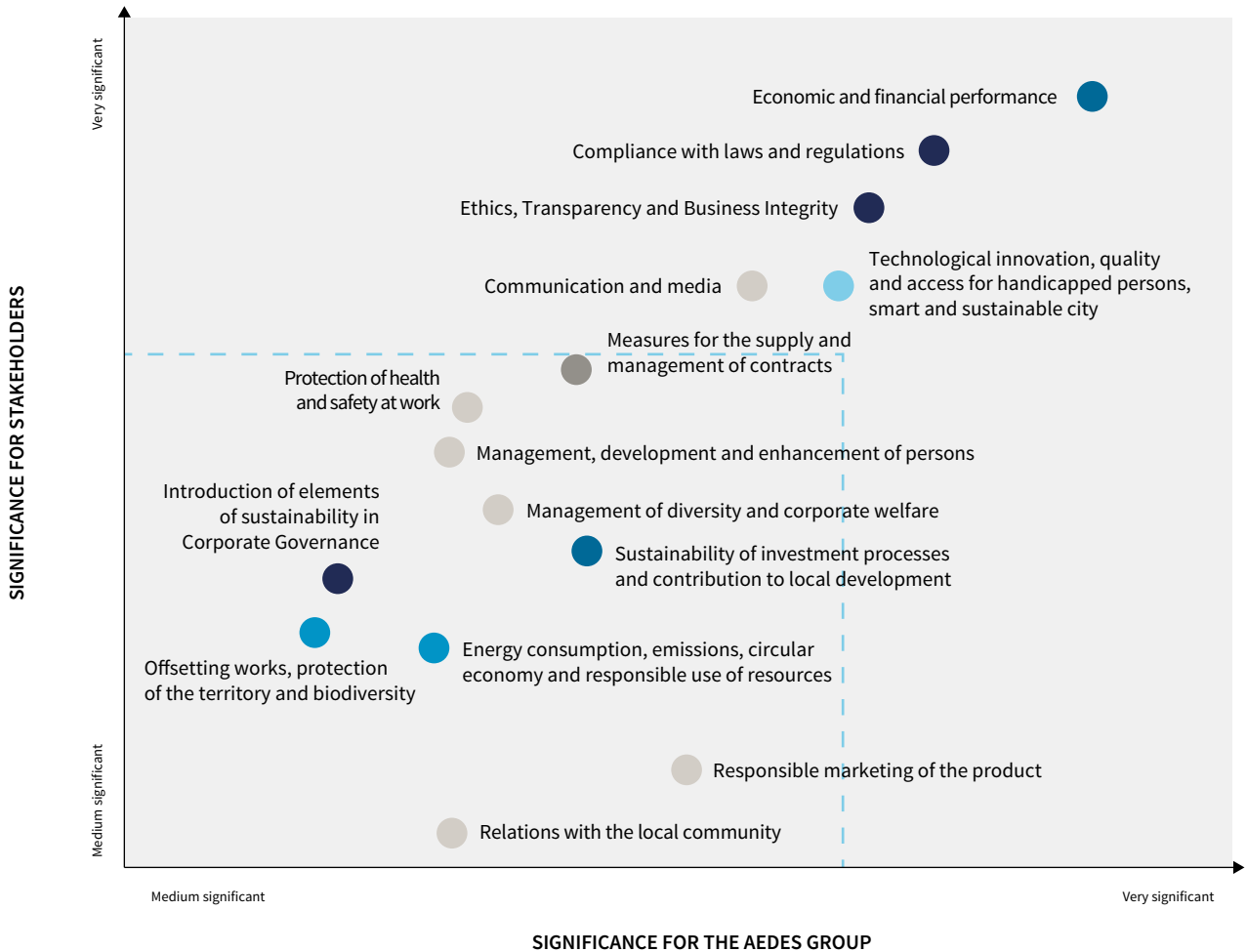
The materiality analysis took account not only of the views of Aedes SIIQ, but also of the perspective of the stakeholders, asking them to assign scores to the issues and identify themselves with all those individuals or groups of individuals who influence or are influenced by Group activities;

- the issues that received an average rating equal to or greater than 3, on a scale of 1 to 5, are accounted for in the Report, together with other topics which, while not having exceeded the threshold of high significance, are considered important in the relationship with the various stakeholders;
- two changes were made in 2017 from last year's matrix. Firstly, it was decided to move the item "Technological innovation, quality and accessibility of buildings, smart and sustainable city" to the more significant quadrant – both for the Group and for its stakeholders.



The decision was due to growing focus on these topics, which have led to significant choices in the techniques adopted to carry out the company's projects, as described in greater detail below. The second change concerned the item "Communications and media" item, which was also moved to the more significant quadrant as it is a fundamentally important activity for the Aedes Group, which firmly believes in transparent communication and the need to communicate freely with its stakeholders.

THE MATERIALITY MATRIX OF THE AEDES GROUP



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

The materiality analysis is, by definition, an evolutionary process as it identifies the areas in which the Aedes Group needs to address its own decisions; as the context develops and with the gradual involvement of interest groups, the assessment of risks and opportunities related to the sustainability scenario, and consequently the **materiality matrix**, will be subject to periodic review.

3.2 Economic responsibility



ECONOMIC VALUE

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

The Aedes Group's main objective is to create a steady and strong economic status in order to achieve solid financial balance. On 2nd August 2017, the Board of Directors of Aedes SIIQ approved the updates to the guidelines of the Business Plan disclosed to the market on 28th September 2016, and authorized the Chief Executive Officer and the Chairman to assess their actual feasibility on the markets.

In 2017, the Company embarked on a path of growth and consolidation of a "commercial" portfolio, focusing on new generation retail and office assets, with the aim of maintaining, in the medium and long term, a property portfolio capable of generating recurring cash flows typical of the SIIQ/REIT model, with returns above the industry average. Under the 2018-2023 Plan, Aedes intends to continue this process, while also increasing its focus on social and environmental topics in all its activities.

Specifically, the Group will continue to acquire existing revenue-generating 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 centers 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 its capital structure.

Strategic Plan

Following the updates to the Guidelines of the 2017-2021 Business Plan, the Company has identified the short and medium-term objectives related to the 2018-2023 scenarios.

Specifically:

- Financial balance from leasing in 2018.
- Property Gross Asset Value in 2023 of approximately Euro 1.6 billion, with the creation of in-house developments and acquisition of revenue portfolios.
- Loan To Value equal to approximately 50%.
- Occupancy rate >95%.

Occurrence of the assumptions underlying the 2018-2023 business plan scenarios, hence their full or partial fulfilment, will also depend to a great extent on factors beyond the control of the Company. The degree of uncertainty increases as the time span of forecasts widens, above all as regards the performance of the economy and of the markets (the property market in particular).

In 2017, the economic value generated by the Aedes Group amounted to **Euro 37.7 million**, which represents the total wealth created by the Group and shared by the different stakeholders.

Distribution of the economic value generated by the Aedes Group				
(Euro/000)	2017		2016	2015
	Values	%	Values	Values
Economic value generated by the Group	37,695		49,285	39,732
Revenue from sales and services	38,881		42,659	27,506
Contributions	-		-	-
Contributions to investments financed	-		-	-
Other income	1,319		2,680	12,304
Financial income	940		937	1,058
Result of companies measured at equity	- 3,445		3,009	- 1,136
Economic value distributed by the Group	49,145	130.4%	46,374	35,494
Reclassified operating costs	35,660	72.6%	39,528	25,380
Costs for raw materials and services	25,385		35,444	24,227
Other reclassified operating costs	10,320		4,126	1,195
Costs for investments financed	-		-	-
Remuneration to staff	5,920	12.0%	5,350	4,603
Remuneration to lenders	7,100	14.4%	4,525	5,334
Remuneration to shareholders	-	0.0%	-	-
Remuneration to Public Administration	420	0.9%	- 3,071	135
Remuneration to the Community	45	0.1%	42	42
Economic value retained by the Group	- 11,450	-30.4%	2,911	4,238
Depreciation, amortization and fair value adjustments	- 20,826		- 27,303	1,882
Result for the year allocated to reserves	9,376		30,214	6,120

CLIENT RELATIONS AND RESPONSIBLE COMMUNICATION

Ethics and communication are the cornerstones of the healthy and transparent business of the Aedes Group: acting and operating in compliance with ethics means conducting business in an ethical way shared by all personnel.

A clear-cut position that is the sheer expression of the Group's values; the Company, in fact, engages periodically with its stakeholders, abiding by the principles of transparency, clarity and reliability, in an ethical and increasingly cutting-edge context.

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

Firstly, the Group guarantees its presence at **many of the major sectoral events** to strengthen its role within the network. These events include **"RE Italy"**, a half-year fixture organized in January and June by Monitorimmobiliare with the Italian Stock Exchange and the support of Assoimmobiliare and Federimmobiliare, dedicated to Real Estate-SIIQ/REIT Funds, Law Firms, Retail, Advisors, Investors, Services, Credit Institutions and Public Properties. In March 2017, the Group took part in **MIPIM** - The International Property Market, the world's leading event which brings together the most influential international players from property sectors (such as offices, residential, retail, healthcare, sports, logistics and industry), held every year at the Palais des Festivals in Cannes.

In September, the Group attended **"Forum di previsioni e strategie"**, the event organized by Scenari Immobiliari in Santa Margherita Ligure. This is a key event for operators in the retail sector, giving them the opportunity to learn, get up-to-date information and exchange opinions with the various market players and companies in Italy and abroad.

Finally, in November 2017, Aedes SIIQ participated as an exhibitor at **MAPIC**, the international trade fair for the retail and shopping center sectors. Business meetings were organized during the fair with the Chairman and Chief Executive Officer, alongside Group executives and advisors. The Company presented the COM – Caselle Open Mall project, the center to be built between Turin and Caselle airport. A press conference was organized on this subject at the Company's stand to present the project. The agreement with National Geographic ensured excellent media coverage, with over 50 reports on national newspapers and websites.

Since 2016 the Group has also been a member the **European Public Real Estate Association** (EPRA) and has been actively participating in its activities.

EPRA: European Public Real Estate Association

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

The activities of EPRA reflect its mission to promote, develop and represent public real estate in Europe: the underlying goal is to promote confidence and encourage greater investment in real estate listed in Europe.

EPRA Awards 2017

The 2017 EPRA Awards were awarded following a detailed analysis of the financial statements of the 102 European real-estate companies listed on the FTSE EPRA/NAREI Developed EMEA Index at 31st March 2017, to verify the level to which they met EPRA's Best Practice Recommendations on the clarity and transparency of the information provided. Part of the award's aim is to improve the quality of financial reporting and increase transparency in the sector. Performance is evaluated by Deloitte (an independent partner of EPRA) and is divided into 6 measures:

- EPRA results
- NAV
- NNNAV
- Net Initial Yield
- Vacancy rate
- Cost ratios

The awards are divided into Gold, Silver, Bronze and Most Improved.

The Group received the **2017 EPRA BPR Gold Award** for the 2016 annual report, which the European Public Real Estate Association awards to the real-estate companies that were best at complying with the Best Practice Recommendations (BPR). Aedes SIIQ not only successfully passed all 6 performance measures (sufficient to be awarded Silver), but also scored more than 80% in the assessment. This confirmed Aedes SIIQ's exceptional compliance with the BPR, allowing it to earn the Gold award.

In addition to committing to implementing the accounting, reporting and corporate governance practices set out by the EPRA, ensuring high-quality information to investors, the Aedes Group also aligns its strategies with the **Best Practice Recommendations on Sustainability Reporting** established by EPRA to ensure that companies in the sector provide full non-financial reporting to their stakeholders. The Best Practice Recommendations pertain to two main areas: firstly, the "Sustainability Performance Measures" contained in the various sections of the report (as described in section 3.7 of this Report – "Reporting Standards Used") and, secondly, the "Overarching Recommendations", which are outlined below.

Organizational boundaries and Coverage	All information included in this Sustainability Report is accompanied by a description of the relevant reporting boundary. The information can be found in the notes or in the GRI table.
Estimation of landlord-obtained utility consumption	The information reported does not include estimates.
Third Party Assurance	The Sustainability Report is not subject to independent third-party assurance.
Boundaries – reporting on landlord and tenant consumption	The reporting boundary on consumption data only includes properties in use by Group companies.
Normalisation	This Report only discloses energy intensity based on a unit relevant to the Group: the square metre.
Segmental analysis (by property type, geography etc.)	Section 3.5 of this Report provides a breakdown of the types of properties in the Group's portfolio.
Disclosure on own offices	Section 3.5 of this Report provides details on the energy consumption of the Group's offices.
Narrative on performance	All the quantitative information contained in this Report is linked to qualitative information that provides further details and enables understanding of time trends.
Location of EPRA sustainability performance measures in companies' reports	The information for the Performance Measures is contained in the correlation table in section 3.7 of this Report.
Reporting period	This Report contains data for the two-year period 2016-2017. Where available, figures for 2015 have also been shown.
Materiality	The Materiality Matrix of the Aedes Group is provided in section 3.1 of this Report, together with a description of how the matrix was composed.

Corporate communication is a key activity for the Aedes Group, by means of which the Company discloses to the financial market and the industry all the important information they need to understand and take cognizance of the Company.

In an increasingly dynamic digital world, the Group is open to direct and interactive dialogue, and has strengthened its identity on the major social networks, communicating its vision of the future and its strategic positioning. This also contributes to engagement with and promotion of the community and local events – which is one of the most important aspects of “sustainability”. The main terms of sharing and communication developed around the business are as follows:

➤ **Media Relations**

Traditional press office activities envisage the sending of press releases, the organization of interviews with Top Management by financial journalists, as well as press conferences. In 2017, Aedes SIQ strengthened its public relations activity through interviews published in industry press and national dailies with the Chief Executive Officer and the Chairman, enhancing the Group's new strategy following its switch to SIQ/REIT status.

A comparative analysis shows that between **2016 and 2017, the number of reports in traditional and online media increased by +290% and +151%, respectively**, referring to the press releases issued by Aedes and official interviews, not including mentions in the local Piedmontese media relating to the Serravalle Retail Park and the Serravalle Outlet. For 2018, Media Relations is aiming to consolidate and, where possible, improve its results, including through interviews with Management on corporate matters and products.

➤ Social Networks

Aedes uses the major social networks to keep a constant spotlight on the Company's dynamics and on the property industry in general. These channels enable further circulation of Aedes's press releases, as well as articles and/or interviews regarding Top Management and the Italian Real Estate sector. To attract followers' attention to the special features of the properties in the Group's portfolio, "storytelling" initiatives have been deployed for the main properties in the "Rented" and "Development for rent" portfolios.

In 2017 there was a total of:



436 tweets



363 posts on Facebook



302 posts on LinkedIn

Beginning in May 2017, the Aedes SIQ Group has also increased its activities on the social media pages of "La Bollina", boosting the number of interactions and posts per week. In particular, activities have focused on publicising events held by "La Bollina" during the year and distributing information about the wines it produces, while retaining a constant focus on the environment surrounding the winery.

These activities totaled:



156 tweets



117 posts on Facebook



110 posts on Instagram

➤ Investor Relations

Investor relations gravitates around communication to analysts and institutional and retail investors (small shareholders) on the strategy and the main property and financial transactions carried out, which can help increase knowledge of the Company.

Financial communication

With a view to economic sustainability, it is crucial for the Group to strengthen its operating and financial identity, by communicating its business results to all stakeholders in a transparent manner, making it easier for them to understand the results achieved and the long-term goals.

The Group returned on the financial market in early 2016, becoming a Property Investment company listed on the stock exchange, asserting its willingness to engage constantly with the market and its rules in a transparent and structured fashion. 2017 was a year of consolidating the initial work and planning carried out in 2016.

Communications with the financial market remained active through the **Investor Relations** unit, set up voluntarily to ensure timely and direct management of relations with investors and small shareholders. Agreements were renewed to reappoint Intermonete SIM S.p.A. as the Liquidity Provider and Specialist on the Aedes share, in order to provide greater visibility to and enhance the value of the share.

As **Specialist, Intermonte SIM S.p.A.** is responsible for preparing a number of research papers each year and managing the Investor Roadshows. Accordingly, four research papers were published on Aedes SIIQ shares, setting out all the key information about the Group's business model and strategy. At the end of the year, the stock was given an "outperform" rating and a target price of Euro 0.66, highlighting the strong discount on both the stock market price and the NAV.

In 2017, there was an **increase in the number of meetings with institutional investors** organized by Intermonte SIM. Specifically, an initial event in Milan was attended by 10 Italian institutional investors, while a second event at the end of the year numbered 12 such investors. Aedes SIIQ also participated in a conference organized by Intermonte in Paris in June, holding 5 one-to-one meetings with foreign institutional investors. The Group's strategic and business models were presented at the public events, together with an update on the main points of the 2018-2023 Business Plan and on the property and financial transactions finalized in 2017, in compliance with the short and long-term objectives set out in the Plan. Aedes SIIQ's share performance was highly volatile. However, the market price of the share was stabilized by improved results as disclosed to the market in price-sensitive press releases, Intermonte's positive research, and news of the addition of the property sector to PIR (individual investment) schemes under the Italian Budget 2018. The share is currently trading between Euro 0.48 and Euro 0.50. Liquidity also improved, with an increase in the average volume of daily trades (between 1.5 and 3 million).

The operating and financial situation is disclosed to the outside community thanks also to the **company website**, in the "Investor Relators" section, which publishes and makes available:

- the presentations used at industry **workshops, roadshows and conference calls** to disclose results to the financial community;
- all price-sensitive press releases already published through official channels;
- the Group's financial reports, Executive Summaries and interim reports;
- all updates on the Group's property portfolio and NAV;
- all other documents, tables and graphs that have changed during the year.

The aim of providing updated information through the website – in both Italian and English – is to ensure the correct transparency and continuity of information for all stakeholders.

Executive summaries

These are documents containing content drawn from financial statements and addressed to small investors, through a specific structured dialogue with the creation of a dedicated mailbox as a direct communication channel.

3.3 Responsibility towards the community and the territory



CREATING VALUE AND INITIATIVES FOR THE TERRITORY

It is crucial for the Aedes Group to create value that is shared with the community in which it operates, promoting an ongoing and constructive dialogue to understand the needs and priorities of those who live the territory. Against this backdrop, it should be noted that operating costs include a generous portion dedicated to donations, sponsorships and contributions that go to the community, culture and sport.

The total amount - Euro 63,244 - increased by approximately 40% versus 2016 (Euro 45,352), proof again of Aedes's commitment towards the territory.

The amount can be broken down as follows:

- sponsorship of sporting, cultural, scientific and social events: Euro 48,044;
- contributions to the community: Euro 3,000;
- charitable donations: Euro 12,200.

The proximity to the community is witnessed specifically by the enthusiastic support of cultural and sporting initiatives organized by the local community, in particular with regard to:

- schools and training institutes;
- municipalities, such as Serravalle Scrivia and Pieve Emanuele;
- sports and cultural associations such as the Basket Club of Serravalle Scrivia, Associazione Culturale Libarna and the Italian Environmental Fund.

RESPONSIBLE MANAGEMENT OF TENDERS

The processes involving the **qualification and selection of business partners**, suppliers and General Contractors, are those set out by the internal procedures of the Aedes Group. Specifically, it should be noted that one of the Group's subsidiaries, Praga Res S.r.l., acts as General Contractor while also providing professional services for the property industry (Project & Construction management). General Contractor operations will end with the closure of the Serravalle work site (June 2018).

The appointment conditions usually applied envisage the so-called **integrated turnkey contract** method, namely, executive **planning** and subsequent **construction**, by means of selection through private negotiations.

The Group's business is complementary to a wide variety of activities and services, which allows interaction with multiple suppliers dealing with raw materials, manpower, technical, administrative, tax and specialist advisory. To address the various financial and professional relations, the Group has put in place specific procedures to regulate and coordinate the **management of professional assignments to third parties**, which describe and govern the rules of conduct, the procedures and the criteria for managing such assignments, subject to the principles of transparency, fairness and traceability of the decision-making process.

As for the **management of the procurement of general goods and services**, an ad hoc procedure is in place to:

- ensure optimization of the supplier portfolio, in order to minimize the total cost of supply;
- maximize synergies of Group companies, strengthening the bargaining power with suppliers;
- ensure appropriate relations among the various company functions involved in the different procurement processes, in order to optimize the technical and commercial components relating to procurement;
- ensure the supply of materials, goods and services according to the quality and quantity set;
- ensure valid documentation for tax purposes;
- enable effective accounting, in order to ensure compliance with the statutory regulations and adequate company disclosure;
- streamline payment and storage procedures.

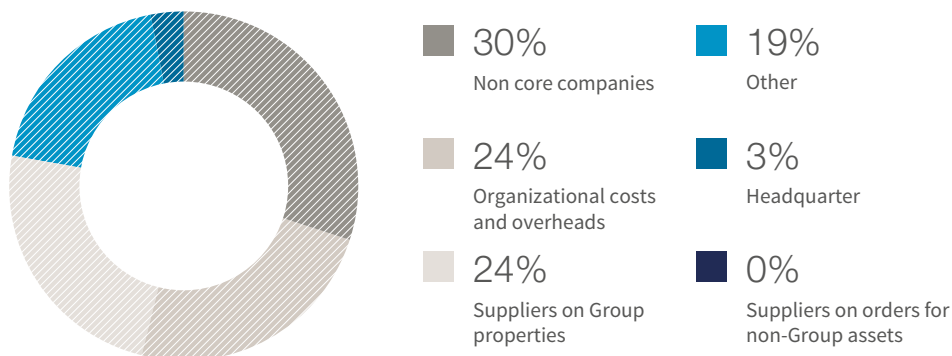
The Group has also adopted a **selection process of independent valuers** for the purpose of carrying out assessments on the property assets of the Group, which provides for specific activities in terms of personnel involvement, selection and assignment of positions, rights and obligations of the parties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

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

At end 2017, the Aedes Group held dealings with approximately **950 suppliers** of materials and services.

The major third-party suppliers of the Aedes Group are split up in the reporting period based on their impact on the categories below:

MAJOR THIRD-PARTY SUPPLIERS OF THE GROUP DIVIDED BY COST CATEGORIES



The major third-party suppliers of the Aedes Group can be split up by the following projects/areas of activity:

Type of project	No. of suppliers	Percentage
Non core companies	372	30%
Organizational costs and overheads	293	24%
Other	232	19%
Suppliers on Group properties	294	24%
Headquarter	34	3%
Suppliers on orders for non-Group assets	2	0%
Grand total	1,227	100%
of which inter-project suppliers	273	22%
Total suppliers	954	

Responsible management of the relationship with suppliers

The Aedes Group promotes a participatory dialogue with all local authorities and institutions to work together to improve the quality of life of citizens and safeguard the natural heritage of the territories in which the Group operates. Such an intention is reflected in the commitment to manage **relationships with suppliers in an ethical and responsible manner**, as the choice of good partners plays a crucial role in the sustainability of the business and the territory. As part of this, the Group has for example organized meetings with industry associations in Caselle Torinese to discuss and explain the ongoing work, as well as periodic interviews with the local press to ensure transparency and correct information.

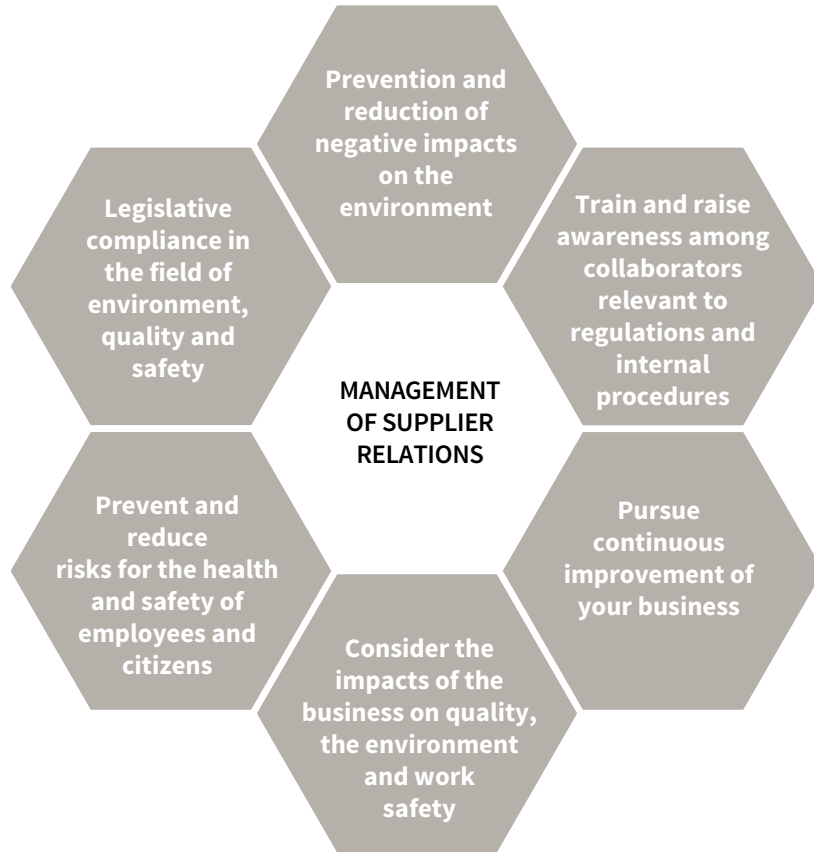
The assessment and selection of suppliers is based on the **analysis** of their **potential** to meet the supply requirements including in compliance with the laws on health and safety in the workplace. This is a so-called **“preventive”** assessment, based on specific technical criteria such as the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

For this reason, the qualification and assessment of suppliers are regulated by the verification of technical, economic and organizational quality requirements, by compliance with environmental and safety laws and with corporate social responsibility, including acceptance of the Group’s Code of Ethics.



This intent, which is tied to the aim of developing local sustainability values, translates into the following commitments:

AEDES COMMITMENTS IN THE RELATIONSHIP WITH SUPPLIERS



The **projects and activities of the Group**, such as the Serravalle Retail Park, have a significant **impact** on the territory, both in terms of **employment**, as it is able to provide job opportunities to employees and suppliers, and in **commercial** terms, by connecting the commercial offering of tenants with the needs of the local population, expanding leisure opportunities for the residents. With this in mind, in the contract for the Serravalle Retail Park expansion works (in progress in the municipalities of Serravalle and Novi Ligure - Province of Alessandria), 50% of suppliers/subcontractors have operations in the Province of Alessandria and their turnover for 2017 accounts for approximately 75% of total supplies/subcontracts.

Additionally, the project aims to take the best possible contemporary and smart approach in communication and interactivity with visitors. The digital Totem and Smart Square projects have been developed alongside.

The Totem will be the new landmark of the Serravalle Retail Park, stemming from the concept of “totem-sculpture” and amplifying it with the dynamism and multiplicity of visual content that a digital screen can provide. At the top of the totem, there will not be just one sign but all those of the shopping complex, plus various kinds of messages, news and general information. The Smart Square aims to act as a new meeting point, as recognizable and identifiable as an old town square, where visitors can play with high-quality and engaging virtual applications. In addition, the playful but artistic approach of the square will be further emphasized by games where visitors can win prizes involving the cafes and restaurants around the piazza. The Smart Square will not only feature a LED wall, but all its “accessories” (lighting, sound system, seats, etc.) will complement this innovative and technological approach. Constant engagement with municipal authorities is crucial when developing business; the Group, in fact, manages the planning and construction phase meticulously and professionally.

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

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



3.4 Responsibility towards people

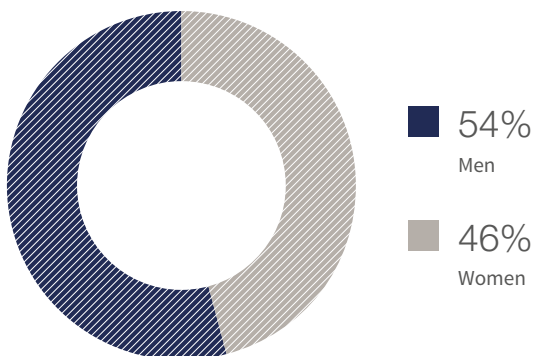


MANAGEMENT, DEVELOPMENT AND ENHANCEMENT OF INDIVIDUALS

People are at the heart of a healthy and solid company, which is why the Aedes Group considers it is essential to have a workforce of exceptionally skilled human resources, capable of providing professional expertise and added value, to address and overcome the challenges posed by the market.

The Group adopts a management and human resource development policy aimed at **enhancing people** and encouraging their **professional growth** and **career development**, in the belief that the Company’s results are closely linked to the ability of its people to devote their energies to achieving results.

AEDES GROUP EMPLOYEES BY GENDER



At 31st December 2017, the Aedes Group has a workforce of **61 employees**, of whom 54% are men and 46% women. The Group’s workforce also includes other **3 persons** who work with the Group in various capacities.

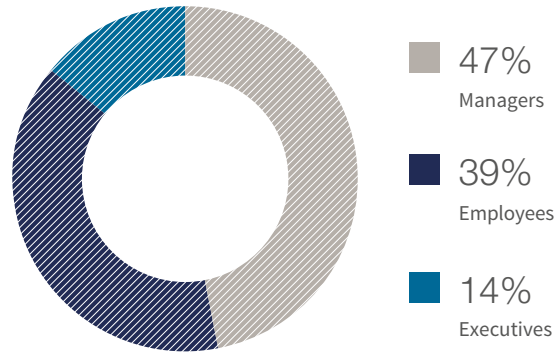
In 2017, **10 new employees** joined the Group, representing an inbound turnover rate of approximately 16.39%, while the number of outbound employees amounted to 10, with a rate equal to approximately 16.39%.

AEDES GROUP INBOUND AND OUTBOUND EMPLOYEES BY GENDER AND AGE GROUP

No. of staff	No of inbound employees - 2017					No of outbound employees - 2017				
	<30	30-50	>50	Total	Turnover %	<30	30-50	>50	Total	Turnover %
Men	1	3	2	6	18.2%	1	4	1	6	18.2%
Women	1	2	1	4	14.3%	0	4	0	4	14.3%
Total	2	5	3	10	16.4%	1	8	1	10	16.4%

As for the breakdown of Aedes SIIQ Group's personnel by professional category, Executives account for 15% of the Group's population, Managers for 47% and Employees for the remaining 38%. Executives and Managers are all employed in the main business locations.

AEDES GROUP EMPLOYEES BY PROFESSIONAL CATEGORY



BREAKDOWN OF EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER

No. of staff	31.12.2017			31.12.2016			31.12.2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives	5	4	9	4	4	8	4	4	8
Managers	17	12	29	17	11	28	11	11	22
Employees	11	12	23	14	15	29	13	16	29
Total	33	28	61	35	30	65	28	31	59

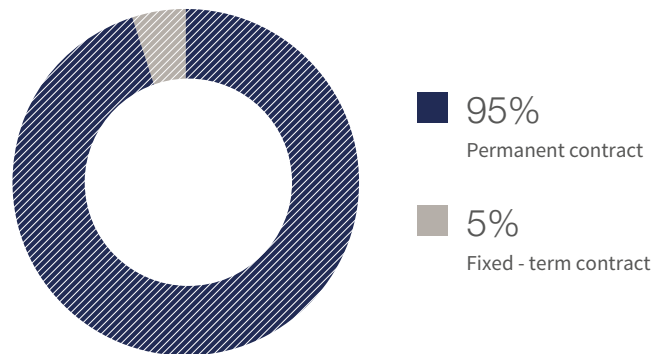
3% of the workforce is composed of employees under the age of 30, 84% are aged between 30 and 50 and 13% are over 50.

BREAKDOWN OF EMPLOYEES BY GENDER AND AGE GROUPS (NO. OF PERSONS)

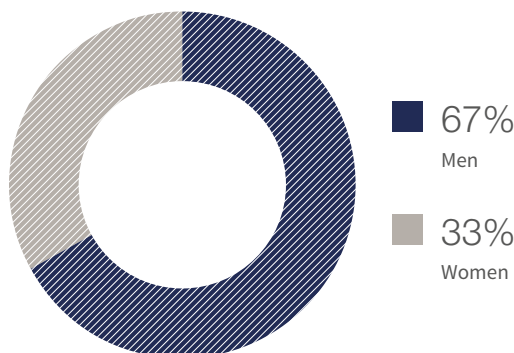
No. of staff	31.12.2017			31.12.2016			31.12.2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 30	1	1	2	3	1	4	4	1	5
30 – 50	29	22	51	27	25	52	19	25	44
Over 50	3	5	8	5	4	9	5	5	10
Total	33	28	61	35	30	65	28	31	59

Ensuring a steady and lasting employment relationship is an important requirement for the Group, both as a driver for its employees and as an essential element for growth and economic development. For this reason, **95% of resources** are on a **permanent contract** and 5% on a fixed-term contract.

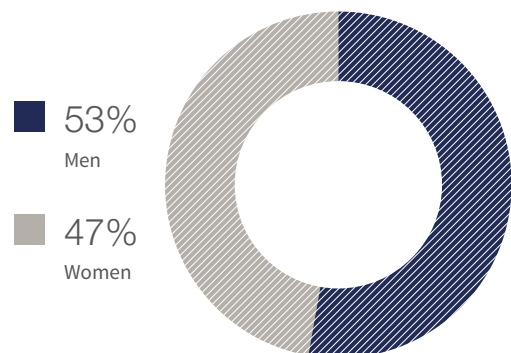
BREAKDOWN OF EMPLOYEES BY TYPE OF CONTRACT



BREAKDOWN OF FIXED-TERM EMPLOYEES BY GENDER



BREAKDOWN OF EMPLOYEES WITH A PERMANENT CONTRACT BY GENDER



Aedes SIIQ S.p.A. considers personnel **training** a fundamental lever for ongoing improvement of its employees, which in turn generates **added value** to the overall business of the Group.

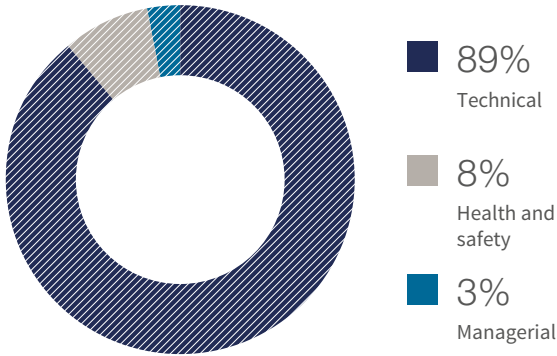
In 2017, the Human Resources Department conducted a thorough **analysis of the training requirements of employees**, in collaboration with their Managers, to better understand workforce requirements.

The analysis process started with an **assessment of the skills** required by each job role, in order to identify gaps and provide targeted training and development. The first results of the analysis of the training paths were seen starting from the second of 2017; for 2018, an additional path is expected with rich possibilities of implementation. During the year, the Group provided over **1,954 hours of training** to its personnel; specifically, 28% of total hours involved Employees, 51% Managers, and 21% Executives.

The **training areas** identified are **occupational health and safety, technical areas** (e.g. training on the use of IT tools, the property business, budgeting, project management and BIM) and **managerial** areas (e.g. staff management and leadership). Specifically, the Group devoted 160 hours to training in health and safety,

1,730 hours to technical and language training, such as market abuse, property finance, management control, project management, Microsoft Office tools, the teaching of English and, finally, 64 hours to management training, oriented towards the management of human resources and leadership.

HOURS OF TRAINING BY SUBJECT AREAS IN 2017



2017 saw a follow-up on the **Leadership Evolution project** addressed to the **Aedes Top Management**, in order to assess progress in the managerial skills acquired in the opening phase of the project, reflect further on the different leadership styles, exploring, by comparing and expanding prospects, different ways of generating synergy and confidence, and promoting a sharing process and transversality of communication to increase collaboration and the motivation of people. Along the path, focus was placed on the issues of management and employee motivation, delegation skills, effective (positive/negative) feedback, listening and empathy.

The Company also invested heavily in **language training** for its employees in 2017, organizing one-to-one English courses for Executives and group courses for Managers and Employees. In 2017, with a view to ongoing improvement in the resource enhancement and development process, the Group, in collaboration with Management, established a Performance Management Process (PSM). Aedes SIIQ sees performance assessment an important and strategic contributor to achieving company objectives. PSM's main aims are to evaluate employee achievements in relation to assigned objectives, examine organizational methods to increase efficiency, and increase the quality of people's working life. This helps to reach various objectives, improving the internal milieu and encouraging teamwork.

TARGETS OF THE ASSESSMENT PROCESS



The project will be launched in the early months of 2018. It will involve the entire company workforce and be divided into three phases:



This process marks Aedes's continued commitment to the people of the Group.

DIVERSITY AND COMPANY WELFARE

For Aedes SIIQ, human resources are at the heart of the Company, which is why it stands at the forefront in ensuring **fair and merit-based treatment**, guaranteeing a professional work environment in compliance with equal opportunities, **free of discrimination** of race, gender, age, sexual orientation, physical or mental disability, nationality, religion, political allegiance or union membership.

Aedes recognizes and guarantees **gender equality** within the organization, both in terms of equal grade and remuneration, and promotes the participation of women at the highest levels of governance.

The Company is, in fact, governed by a Board of Directors composed of 9 members, and ensures gender equality guaranteeing the minimum presence required by the laws and regulations from time to time in force.

Aedes has put in place procedures governing the management, development and enhancement of people.

Specifically on this last point, in addition to the provisions in the **National Collective Employment Contract** applied to the workforce, additional benefits are provided for employees:

- insurance coverage for occupational and non-occupational accidents for the entire population;
- supplementary Fasdac health insurance policy for Executives;
- lunch vouchers;
- supplementary health policy;
- daily top-up, paid by the Company, of the keys supplied to employees for the purchase of coffee/tea or other beverage;
- gifts on the occasion of employee birthdays and births;
- 20 hours per year of additional permits for health services;
- coverage paid by the Company for up to 100% of sickness events.

In order to facilitate lunch breaks, a break area has been set up, not only with the traditional vending machines, but also with an equipped kitchen. The Company is considering whether to provide additional medical insurance on top of the contractually provided funds (Quas and Fondo Est) for all its employees and their families.

WORKPLACE HEALTH AND SAFETY

The Aedes Group considers the health, safety and physical and mental integrity of people the most precious asset to be protected at all times of life, at work, at home and in their leisure time.

For the Group, it is essential to develop and promote a strong **safety culture** among all its employees, as each person is responsible for his/her own health and safety and that of those with whom he/she interacts.

The Company addresses this responsibility thanks to measures to protect against risks, such as their assessment, investment in personnel training, stringent selection of suppliers, maintenance levels and ongoing control.

Training and information for workers is a fundamental tool to prevent risks to **health and safety**, which is why the Company undertakes to devote **239 hours of training** to such a complex issue.

Only 1 accident was recorded in **2017**, which occurred at the end of 2016 and resulted in **11 days of absence**.

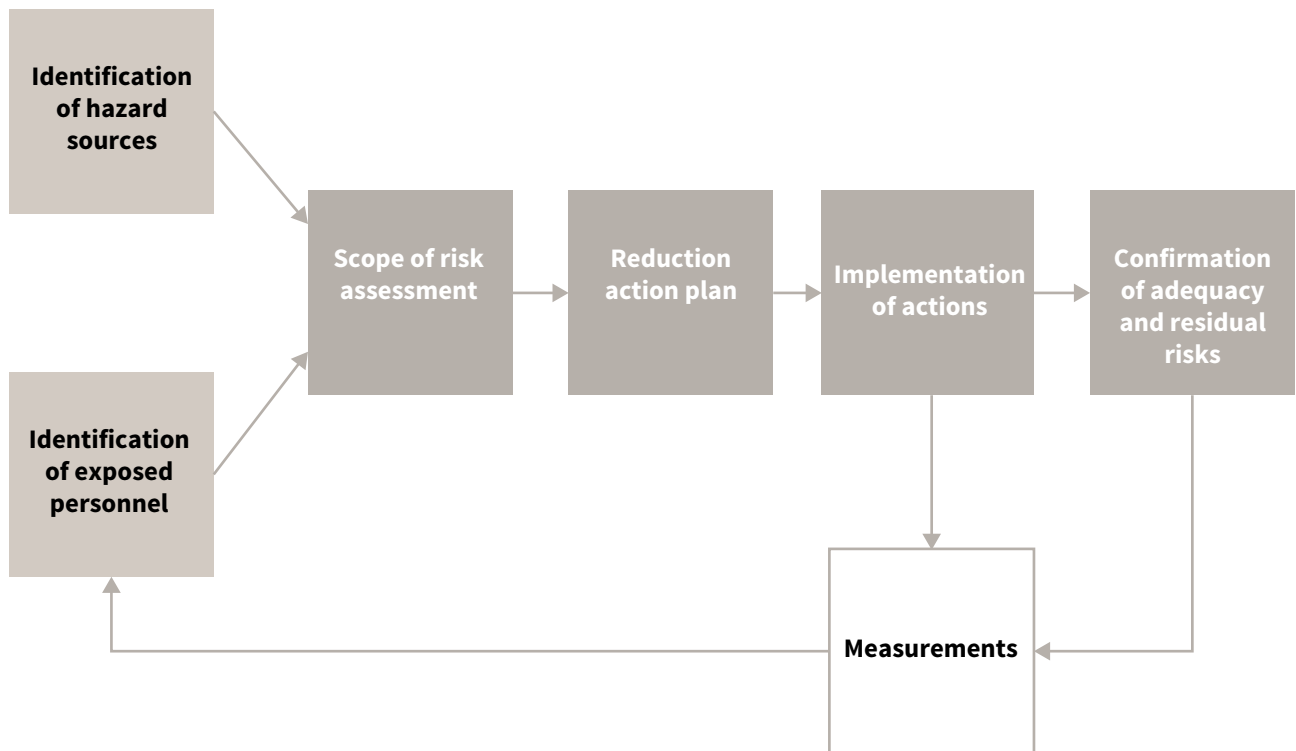
The Company has put in place a series of procedures for the protection of the health and safety of employees in the workplace and identified, trained and appointed the key players to support the business needs, such as first aid and fire prevention officers, Executives and Managers.

The Aedes Group has prepared the **Risk Assessment Document (RAD)** and will ensure its periodic regulatory compliance with legal requirements and company structure.

The objectives of this document are the identification of all the necessary measures to safeguard the safety and health of workers, through the prevention of occupational risks, protection from employment risks and training of personnel.

The assessment, monitoring and reduction of risk is structured as an ongoing activity, permanent over time.

Specifically, **risk assessment** within the Aedes Group follows a formal and stringent **procedure**, based on the following flow:





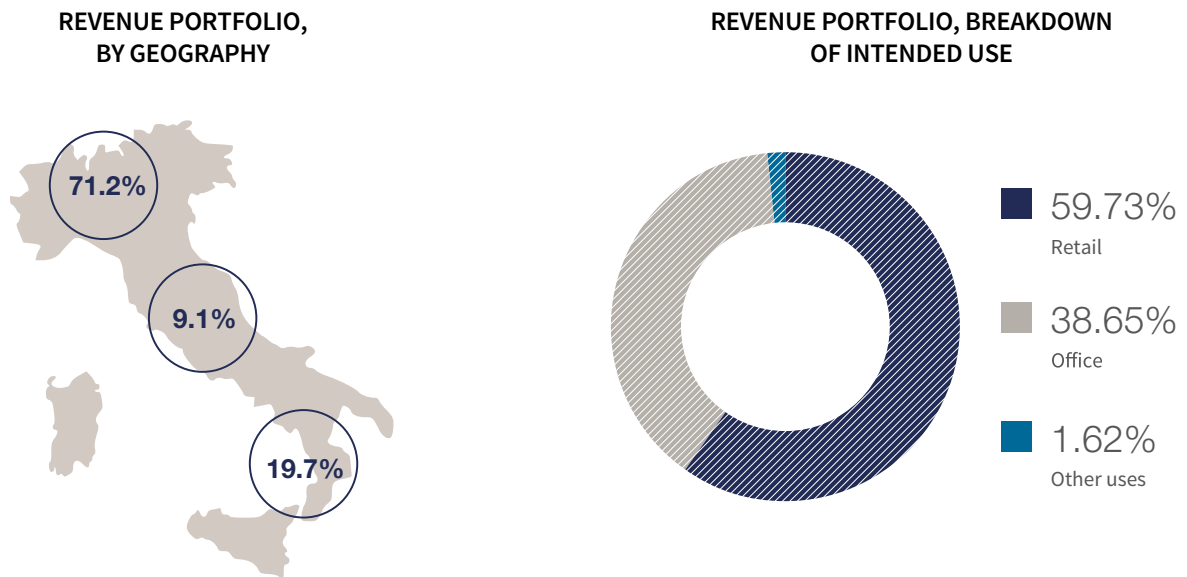
3.5 Responsibility towards the environment



ENVIRONMENTAL SUSTAINABILITY POLICY

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

The table below shows the geographical breakdown and intended use of the Group's revenue portfolio.



PROPERTY ASSETS OWNED BY THE AEDES GROUP

The Group's business is divided into two main areas, which make it easier to understand its approach.

The first business area pertains to the **Property & Facility Management** and **Investment & Asset Management** functions, which manage two types of property portfolios:

- “rented assets”, which include Retail properties for commercial use (shops, parks and shopping centers), Office properties for service - office use (business offices) and Other-use properties for uses other than those listed above (hotels, clinics, residences for the elderly, logistics and shopping centers);
- properties “for sale” (or “to be sold”): this category includes assets intended for sale in the short/medium term, either in bulk or piecemeal.

In addition to office properties and tourist-accommodation (hotels), the function manages about fifteen commercial properties that are part of the “Redwood” Real Estate Fund purchased at the end of 2016, while the Serravalle Retail Park shopping center and two Torri Richard in Milan were acquired in 2017. **Project & Facility Management** is also responsible for managing the building that houses Aedes SIIQ headquarters, which is rented from a third party.

The **Investment & Development Management** area manages the developments for “revenue” – the property development projects mainly for Retail use added to the Group's portfolio – and the “lands to be sold”. This area also manages the Technical Property Services falling under the project management and General Contractor activities performed by Praga Res S.r.l., revolving mainly around captive property services, aimed at controlling the Group's investments and supporting the target companies.

In the Development Areas, it may be possible to devise management and efficiency policies and implement a long-term monitoring plan.







With regard to the Aedes Group's activities involving properties managed by **Property & Facility Management**, however, the specific characteristics of each type need to be outlined, as this influences the potential ways of improving their efficiency:

1. **Owned properties leased to third parties:** as these are properties for private use, it is often difficult to set up reporting systems on water and energy consumption, assess any initiatives to improve efficiency or qualification interventions. These activities have to be agreed with the tenant, are not covered in the lease agreements and could also have an impact on the operations of the tenants. Regardless, monitoring properties' energy consumption and analyzing what actions can be taken to achieve greater efficiency should be seen as a constructive and well-intentioned commitment that forms part of company operations and also involves engaging with tenants. For example, in the second half of 2017, the Serravalle Golf Hotel underwent energy reconditioning, a major agreement was signed with a property in Catania, and a further agreement with a building in Tavagnacco (Udine) is currently being finalized.

2. **Owned property intended to be leased to third parties but currently vacant:** no consumption is recorded for these properties, subject only to conservative maintenance. Possible energy efficiency and upgrade initiatives are currently being evaluated. As there is no need to take account of the tenant's operations, these initiatives could be particularly targeted and significant. They could also be integrated into commercial lease agreements, because monitoring consumption and efficiencies could be beneficial both for the future tenant and for the property, depending on the provisions of the lease agreement. For example, the level of efficiency achieved could act as a target on which future rent increases could be based.
3. **Owned properties for sale:** since these properties are not expected to remain in the Aedes Group's portfolio, it is difficult and pointless to develop a system for reporting on water and energy consumption and any efficiency initiatives. Indeed, the costs incurred for such initiatives would not be amortizable and would be difficult to monetize in sale negotiations.
4. **Properties of company headquarters leased to Aedes SIQ by third parties:** in these properties, Aedes SIQ acts as lessee. A reporting system on water and energy consumption can be developed and possible efficiency initiatives can be considered, subject to agreement with the owner. It remains difficult to carry out significant upgrade work, which could have an impact on the activities of the Aedes Group and also may not be permitted under commercial lease agreements. However, it is worth considering entering into an agreement with the owners of the properties on work and initiatives to improve energy efficiency. Furthermore, as a way to monitor their effectiveness, activities to control consumption will also continue.

Initiatives for better management of consumption and for the implementation of efficiency measures

Different energy consumption management and efficiency policies can be developed for property assets owned by the Aedes Group, depending on the condition of the various assets. The initiatives launched or planned during 2017 were aimed at pursuing and achieving the following short- and/or medium-term objectives.

 <p>Reduction of energy usage for air conditioning in buildings</p>	<ul style="list-style-type: none"> • Improving and intensifying dialogue with tenants, to find out what problems they are encountering and prevent potentially critical situations, planning maintenance work to avoid the need for emergency intervention • Periodically checking the condition, functioning and controls of the heating and air conditioning systems in the buildings in order to reduce the energy consumption deriving from sub-optimal scheduling of operating hours and to plan any upgrades
 <p>Reduction of electricity consumption</p>	<ul style="list-style-type: none"> • Gradually replacing existing luminaires with LED systems that have greater technical resistance and lower energy impact • Using advanced technologies to monitor the functioning of electrical components of lighting systems
 <p>Reduction of water consumption</p>	<ul style="list-style-type: none"> • Design systems to reduce consumption of drinking water for irrigation purposes in the green areas under the buildings owned by the Group • Refurbishing toilet facilities
 <p>Use of recycled materials</p>	<ul style="list-style-type: none"> • Carefully selecting high quality materials certified by recognized authorities • Raising user awareness

ENVIRONMENTAL IMPACTS OF AEDES GROUP SITES

The Group currently manages two construction projects through Praga Res S.r.l.. The first site is for Phase C of the expansion of the “Serravalle Retail Park”, which is located in Serravalle Scrivia (Alessandria), with 45,000 m² of surface area straddling the municipalities of Serravalle Scrivia and Novi Ligure. Electricity usage for the activities carried out at this site totals approximately 54 megawatts, while drinking water consumption totals approximately 110 cubic meters. The second site is for the renovation and expansion of the Carrefour shopping center in Nichelino (Turin), which covers an area of approximately 90,000 m². There is no direct energy consumption in this case, as construction site activities are carried out with industrial partners by establishing consortiums over which we do not have control.

Regarding other environmental issues – i.e. the management of water resources, logistics and waste – Praga Res S.r.l. has not adopted any specific procedures and instead follows the Group’s general procedures.

MEASURING ENVIRONMENTAL IMPACTS

The Aedes Group deems environmental sustainability as a fundamental topic and, in the context of its planning and operational management, strives to minimize the environmental footprint of its business and of the assets forming the Group’s property assets, and to comply with all relevant legislative and regulatory requirements.

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

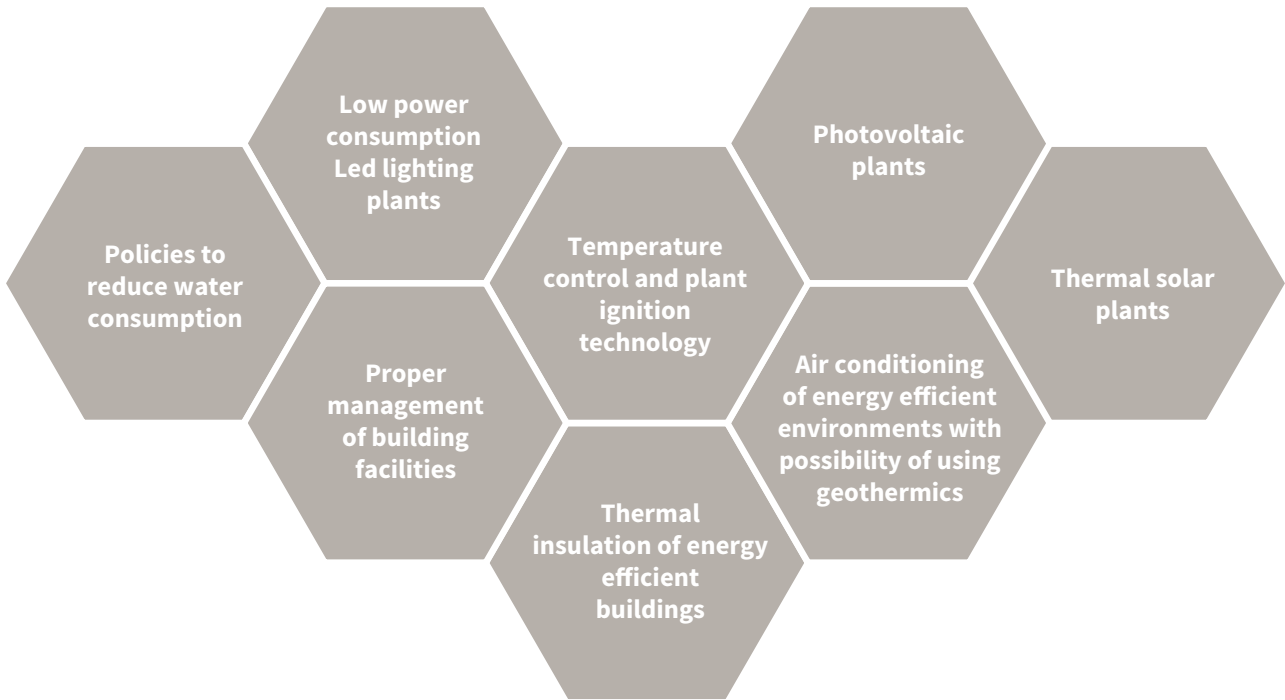
- efficient use of resources, optimizing the use of energy and natural resources;
- waste recovery and recycling;
- protection of biodiversity and ecosystems;
- containment of atmospheric emissions;
- investments for growing sustainable mobility.

Boundary of reporting of environmental data

The reporting scope for the following information is limited to the spaces that house the offices of Aedes SIIQ, Praga Res S.r.l. and Azienda Agricola La Bollina. In 2017, the secondary office was used only occasionally, as the entire staff have been transferred to the main office since the end of 2015.

Management of energy consumption, emissions and efficiency measures

The Group undertakes to protect the environment and restrain the use of natural resources through an environmental responsibility policy and planning of sustainable development measures:



With regard to areas owned, the Aedes Group undertakes to manage information and awareness policies on its virtuous behaviour towards energy consumption, through ad hoc training of personnel and suitable communication campaigns and signage for the use of services by clients. The group focuses a great deal on monitoring actual consumption, which is obtained from the bills sent by energy suppliers.

Aedes' commitment to environmental issues was reflected in a decrease in natural gas consumption, partly attributable to paying greater attention to the design of the air conditioning system. Overall, the secondary office in Serravalle consumed different amounts of energy versus 2016, as the new site offices (portacabins) are cooled by electrically powered "split" air conditioners.



3.6 Responsibility in property management



MANAGEMENT OF PROPERTY ASSETS













Property assets are managed internally by the **Property and Facility Management** Department, created in 2017 following the decision by the Aedes Group to insource the Property & Facility service for its property portfolio. This department is responsible for the administrative, technical and maintenance management of the numerous property assets held by the Group which include office, commercial and residential use properties.

Property & Facility Management

The Department develops and manages every property enhancement and utilization path set by Asset Management, dealing with the administrative, property and maintenance technique management of the assets forming the property portfolio of the Group. The Department holds the legal, administrative, technical and functional skills needed to manage every type of lease or rental relationship. It also manages the payment of all the property-related taxes, and the task of verifying correct application of tax rates and tax categories. It takes stock of the assets and develops the specifications for their safekeeping.

The Department works side by side also with the internal area of the Company - **Investment & Asset Management** - and its leadership in order to provide maintenance activities on time and on budget. Lastly, it plays a significant role in the selection of suppliers and contractors used in maintenance operations for the implementation of assigned works, in accordance with Policies, Regulations and procedures, ensuring compliance with the provisions contained in Legislative Decree no. 231/2001.

Property & Facility Management activities

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

In addition to the above activities, **Property & Facility Management**, together with **Investment & Asset Management**, manage, control and monitor the direct coordination of the following activities carried out by the relevant subjects in charge:

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

These departments, in the ordinary use of a building, also manage a large number of services, processes and activities for the building itself, its spaces and the people who use them.

In detail, they directly control and monitor the coordination of the following activities carried out by the relevant subjects in charge:

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

Property assets under development are, instead, managed within the Company, thanks to **Project Management**, the Department that provides support and coordination of activities contributing to the implementation of work along the building chain.

Project Management

Project Management plans and manages, from a technical and economic perspective, construction and related activities in order to support the Group's property development interventions.

It works side by side with the Company's internal areas, such as Investment & Asset Management and Investment & Development Management and the relevant Departments, in the planning phases of operations, to ensure the feasibility of their interventions on time and on budget.

Lastly, it plays a significant role in the selection of suppliers and contractors for the implementation of assigned works, in accordance with Policies, Regulations and procedures, ensuring compliance with the provisions contained in Legislative Decree no. 231/2001.

From planning and construction up to the verification of the completion of works and technical-bureaucratic testing, the Department monitors all activities and ensures performance quality and cost control.

The activity develops at an early stage, with the drafting of a specific analysis, and then continues with appropriate site audits, by preparing appropriate reports, certification of the "State of Progress of Work" and final tests on work completion.

Additionally, it assists **Investment & Development Management** in its project coordination activities aimed at obtaining permits to start construction work.

Investment & Development Management

This is a key role in the Company, which is responsible for planning, directing and coordinating the activities and for performance in terms of the enhancement of property development projects in the portfolio.

An area strongly connected with all the business phases and with various internal and external players, such as advisors, financial entities involved and retailers, with the aim of optimizing property development enhancement and promoting retail property development projects.

3.7 Reporting standard used

The Aedes Group has prepared this Sustainability Report for the second year, with the aim of setting a path of increasingly transparent communication of the performance achieved by the Group from a sustainability perspective in 2017.

“Sustainability” is the ability of an organization to achieve the development of its business in compliance with the values of environmental and social compatibility, participating in the definition of well-being and progress, with positive repercussions on all its stakeholders.

This report has been prepared in accordance with the guidelines “GRI Sustainability Reporting Standards” published in 2016 by the Global Reporting Initiative (GRI), in accordance with the application-level “Core”. The disclosure is limited to the areas identified as material (i.e. significant) for the Group and its stakeholders in terms of ESG - Environmental Social Governance - impacts.

The Sustainability Report relates to the Aedes Group and the data collection scope is restricted to the following companies:

- Aedes SIIQ S.p.A.
- Bollina S.r.l.
- Petrarca Fund
- Redwood Fund
- Novipraga SIINQ S.p.A.
- Pragafrance S.ar.l.
- Pragaquattro Center SIINQ S.p.A.
- Pragaotto S.r.l.
- Pragasette S.r.l. in liquidation
- Pragaundici SIINQ S.p.A.
- Praga Res S.r.l.
- Sedea SIIQ S.p.A.
- Satac SIINQ S.p.A.
- Società Agricola La Bollina S.r.l.

The reporting period refers to the period from 1st January 2017 to 31st December 2017 and, where possible, by way of comparison, data relating to prior periods are shown.

The document contains appropriate notes if the data collection scopes are different from those indicated in the present methodological note (information relating to environmental data).

TABLE OF GRI INDICATORS

GRI Standards		Chapter	Notes
GENERAL DISCLOSURES			
Organizational profile			
GRI 102-1	Name of the organization	3.7	
GRI 102-2	Activities, brands, products, and services	2.3	
GRI 102-3	Location of headquarters	3.7	
GRI 102-4	Location of operations	3.5	
GRI 102-5	Ownership and legal form	2.3	
GRI 102-6	Markets served	2.11, 3.5	
GRI 102-7	Scale of the organization	1.3, 2.3	
GRI 102-8	Information on employees and other workers	3.4	
GRI 102-9	Supply Chain	3.3	
GRI 102-10	Significant changes to the organization and its supply chain	3.7	
GRI 102-11	Precautionary principle or approach	2.11, 3.1	
GRI 102-12	External initiatives	3.1	
GRI 102-13	Membership of associations	3.3	
Strategy			
GRI 102-14	Statement from senior decision-maker	1.1	
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	3.1	
Governance			
GRI 102-18	Governance structure	1.2, 2.3	
GRI 102-22	Composition of the highest governance body and its committees	3.4	
GRI 102-24	Nominating and selecting the highest governance body	2.14, 3.4	
GRI 102-25	Conflicts of interest	3.1	
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	3.1	
GRI 102-41	Collective bargaining agreements	3.4	
GRI 102-42	Identifying and selecting stakeholders	3.1	
GRI 102-43	Approach to stakeholder engagement	3.1	
GRI 102-44	Key topics and concerns raised	3.1	
Reporting practice			
GRI 102-45	Entities included in the consolidated financial statements	3.7	
GRI 102-46	Defining report content and topic boundaries	3.1	
GRI 102-47	List of material topics	3.1	
GRI 102-48	Restatements of information	3.7	
GRI 102-49	Changes in reporting	3.7	
GRI 102-50	Reporting period	3.7	
GRI 102-51	Date of the most recent report	3.7	
GRI 102-52	Reporting cycle	3.7	
GRI 102-53	Contact point for questions regarding the report	3.7	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	3.7	
GRI 102-55	GRI Content Index	3.7	
GRI 102-56	External assurance	-	The Sustainability Report will not be subject to external assurance

GRI Standards		Chapter	Notes
SPECIFIC STANDARD DISCLOSURE			
ECONOMIC PERFORMANCE			
Material Topic – Economic Performance			
GRI 103-1	Explanation of the material topic and its boundary	3.2	
GRI 103-2	The management approach and its components	3.2	
GRI 103-3	Evaluation of the management approach	3.2	
GRI 201-1	Direct economic value generated and distributed	3.2	
GRI 201-4	Financial assistance received from government	3.1	The Aedes Group did not receive any funding from Public Administration
Material Topic – Market Presence			
GRI 103-1	Explanation of the material topic and its boundary	3.2	
GRI 103-2	The management approach and its components	3.2	
GRI 103-3	Evaluation of the management approach	3.2	
GRI 202-2	Proportion of senior management hired from the local community	3.4	
Material Topic - Procurement Practices			
GRI 103-1	Explanation of the material topic and its boundary	3.3	
GRI 103-2	The management approach and its components	3.3	
GRI 103-3	Evaluation of the management approach	3.3	
GRI 204-1	Proportion of spending on local suppliers	3.3	The supplier data collection system will be extended to the entire scope of the Group by 2019
Material Topic - Anti-corruption			
GRI 103-1	Explanation of the material topic and its boundary	3.1	
GRI 103-2	The management approach and its components	3.1	
GRI 103-3	Evaluation of the management approach	3.1	
GRI 205-3	Confirmed incidents of corruption and actions taken	-	In 2017, no complaints of corruption cases were reported
Material Topic - Anti-competitive Behavior			
GRI 103-1	Explanation of the material topic and its boundary	3.1	
GRI 103-2	The management approach and its components	3.1	
GRI 103-3	Evaluation of the management approach	3.1	
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	In 2017, no legal actions were instigated in response to anti-competitive and anti-trust conduct and monopolistic practices
ENVIRONMENTAL TOPICS			
Material Topic – Materials			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 301-1	Materials used by weight or volume	3.5	
Material Topic – Energy			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 302-1	Energy consumption within the organization	3.5	
GRI 302-4	Reduction of energy consumption	3.5	

GRI Standards		Chapter	Notes
Topic – Water			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 303-1	Water withdrawal by source	3.5	
Material Topic – Biodiversity			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	3.5	
Material Topic – Emissions			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 305-1	Direct (Scope 1) GHG emissions	3.5	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	3.5	
Material Topic – Effluents and Waste			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 306-1	Water discharge by quality and destination	3.5	
GRI 306-2	Waste by type and disposal method	3.5	
Material Topic – Environmental Compliance			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 307-1	Non-compliance with environmental laws and regulations	-	In 2017, no significant fines were received
Material Topic – Supplier environmental assessment			
GRI 103-1	Explanation of the material topic and its boundary	3.5	
GRI 103-2	The management approach and its components	3.5	
GRI 103-3	Evaluation of the management approach	3.5	
GRI 308-1	New suppliers that were screened using environmental criteria	-	The supplier data collection system will be extended to the entire scope of the Group by 2019
SOCIAL TOPICS			
Material Topic – Employment			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 401-1	New employee hires and employee turnover	3.4	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	3.4	

GRI Standards		Chapter	Notes
Topic - Labor/Management Relations			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 402-1	Minimum notice periods regarding operational changes	3.4	
Material Topic - Occupational Health and Safety			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	3.4	
GRI 403-3	Workers with high incidence or high risk of diseases	-	In 2017, no occupational diseases were reported
Material Topic - Training and Education			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 404-1	Average hours of training per year per employee	3.4	
Material Topic - Diversity and Equal Opportunity			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 405-1	Diversity of governance bodies and employees	1.2, 2.3, 3.4	
GRI 405-2	Ratio of basic salary and remuneration of women to men	3.4	
Topic - Non-discrimination			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 406-1	Incidents of discrimination and corrective actions	-	In 2017, no incidents related to discriminatory practices were reported
Topic - Rights of Indigenous Peoples			
GRI 103-1	Explanation of the material topic and its boundary	3.3	
GRI 103-2	The management approach and its components	3.3	
GRI 103-3	Evaluation of the management approach	3.3	
GRI 411-1	Incidents of violations involving rights of indigenous peoples	-	In 2017, no incidents of violation of the rights of local communities were reported
Material Topic - Local Communities			
GRI 103-1	Explanation of the material topic and its boundary	3.3	
GRI 103-2	The management approach and its components	3.3	
GRI 103-3	Evaluation of the management approach	3.3	
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	3.3	

GRI Standards		Chapter	Notes
Material Topic - Supplier Social Assessment			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 414-1	New suppliers that were screened using social criteria	-	The data collection system on the criteria for the assessment of suppliers will be extended to the entire scope of the Group (by 2019)
Topic – Public Policy			
GRI 103-1	Explanation of the material topic and its boundary	3.4	
GRI 103-2	The management approach and its components	3.4	
GRI 103-3	Evaluation of the management approach	3.4	
GRI 415-1	Political contributions	-	The activities of Aedes SIIQ do not envisage the funding of political parties
Material Topic - Marketing and Labeling			
GRI 103-1	Explanation of the material topic and its boundary	3.2	
GRI 103-2	The management approach and its components	3.2	
GRI 103-3	Evaluation of the management approach	3.2	
GRI 417-3	Incidents of non-compliance concerning marketing communications	-	In 2017, no complaints regarding cases of noncompliance were reported
Material Topic – Socioeconomic Compliance			
GRI 103-1	Explanation of the material topic and its boundary	3.1	
GRI 103-2	The management approach and its components	3.1	
GRI 103-3	Evaluation of the management approach	3.1	
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	-	In 2017, no significant fines were received for non-compliance with laws or regulations

Table of comparison: GRI standards – EPRA Sustainability Performance Measures			
EPRA Sustainability Performance Measures		GRI Standard	Chapter
Environmental indicators			
Elec – Abs	Total electricity consumption	302-1	3.5
Elec – LfL	Like-for-like total electricity consumption	302-1	3.5
DH&C – Abs	Total district heating & cooling consumption	302-1	3.5
DH&C – LfL	Like-for-like total district heating & cooling consumption	302-1	3.5
Fuels – Abs	Total fuel consumption	302-1	3.5
Fuels – LfL	Like-for-like total fuel consumption	302-1	3.5
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	305-1	3.5
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	305-2	3.5
Water-Abs	Total water consumption	303-1	3.5
Water-LfL	Like-for-like total water consumption	303-1	3.5
Waste-Abs	Total weight of waste by disposal route	306-2	3.5
Waste-LfL	Like-for-like total weight of waste by disposal route	306-2	3.5
Social			
Diversiti-Emp	Employee gender diversity	405-1	3.4
Diversity-Pay	Gender pay ratio	405-2	3.4
Emp-Training	Training and development	404-1	3.4
Emp-Dev	Employee performance appraisals	404-3	3.4
Emp-Turnover	Employee turnover and retention	401-1	3.4
H&S-Emo	Employee health and safety	403-2	3.4
H&S-Asset	Asset health and safety assessments	416-1	3.4
Comty-Eng	Community engagement, impact assessments and development programmes	413-1	3.3
Governance			
Gov-Board	Composition of the highest governance body	102-22	3.4
Gov-Selec	Nominating and selecting the highest governance body	102-24	2.14, 3.4
Gov-Col	Process for managing conflicts of interest	102-25	3.1



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