AEDES SIIQ
COMMERCIAL PROPERTIES

Half-Year Financial Report
at 30 June 2018
113° financial year

CONTENTS

1. COMPANY PROFILE

1.1 Governance

Board of Directors

Giuseppe Roveda
Chief Executive Officer

Carlo A. Puri Negri
Chairman

Benedetto Ceglie
Vice-Chairman
(4)

Alessandro Gandolfo
Independent Director

Giacomo Garbuglia
Director
(1)

Adriano Guarneri
Director
(1)

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

Rosanna Ricci
Independent Director
(2) (3)

Serenella Rossano
Independent Director
(2) (3)

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

Board of Statutory Auditors

Roberta Moscaroli
Standing Auditor
(1)

Cristiano Agogliati
Chairman
(1)

Philipp Oberrauch
Standing Auditor
(1)

(1) Supervisory Body

Independent Auditors

Deloitte & Touche S.p.A.

1.2 Shareholder structure

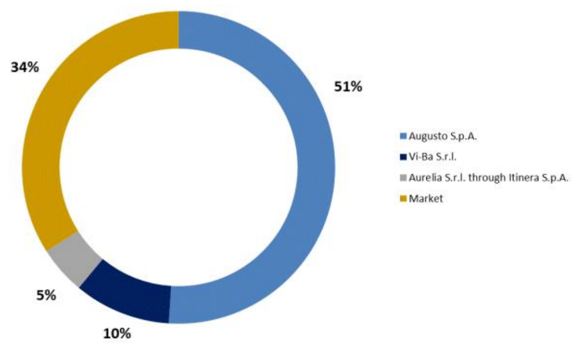
There were no changes in first half 2018 in the amount of the share capital of Aedes SIIQ S.p.A. and in the number of shares issued.

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

The table below shows the list of shareholders who hold more than 5 (five) percent of the issued share capital[1] at 30 June 2018, based on Consob communications[2] and the updated Shareholders' Register, as well as on other information available to the Company at that date.

Shareholder	shares	% of share capital
Augusto S.p.A.	163,752,436	51.20%
Vi-Ba S.r.l.	31,700,000	9.91%
Aurelia S.r.l. through Itinera S.p.A.	16,935,541	5.30%
Market	107,415,214	33.59%
Total Shares	**319,803,191**	**100.00%**

Given the relevant shareholder structure, calculated on the basis of 319,803,191 ordinary shares outstanding at 30 June 2018, 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 € 0.69 each for every 3 warrants held.



Treasury shares

At 30 June 2018, Aedes held 123,000 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

2.1 Performance Measures

- Financial Highlights[3][4]

NOI		EBITDA		EBIT		NET RESULT	
6.1	6.7	0.2	1.4	5.8	4.4	2.9	0
2017	2018	2017	2018	2017	2018	2017	2018

GAV[5]		GFP		LTV %[6]		PROPERTY NAV[7]	
481.6	447.3	(239.0)	(195.6)	49.6%	43.7%	301.2	310.0
2017	2018	2017	2018	2017	2018	2017	2018

EQUITY		NFP		GEARING RATIO		AVERAGE COST DBT%	
312.8	311.3	(215.7)	(179.2)	76%	63%	3.14%	3.26%
2017	2018	2017	2018	2017	2018	2017	2018

EPRA NAV		EPRA NAV/SHARE		EPRA NNNAV		EPRA NNNAV/SHARE	
317.0	316.1	0.99	0.99	316.7	315.0	0.99	0.99
2017	2018	2017	2018	2017	2018	2017	2018

- Market performance[8]

AEDES SHARE ON THE STOCK EXCHANGE

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

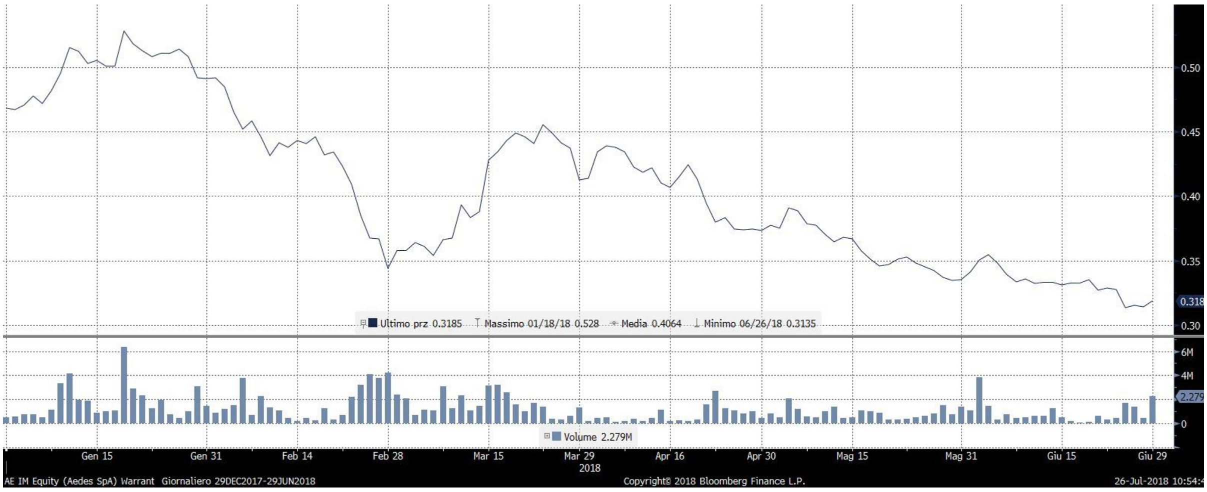
[3] Figures in Euro millions.
[4] The income statement figures refer to the situation at 30 June 2017 and 2018; the balance sheet figures refer to the situation at 31 December 2017 and at 30 June 2018.
[5] Consolidated figures.
[6] GFP / GAV. Taking account of the debt allocated on properties alone, the LTV ratio stands at 30.7%.
[7] Consolidated figures.
[8] Source Bloomberg
[9] Beni Stabili SIIQ and IGD SIIQ
[10] FTSEMIB Index

Key statistics and price trend of the Aedes share:

Price at 29 December 2017: *€ 0.4680*
Price at 29 June 2018: *€ 0.3185*
Change in the period: *-32%*

Maximum price: *€ 0.5280* *(18 January 2018)*
Minimum price: *€ 0.3135* *(26 June 2018)*
Average price: *€ 0.4064*

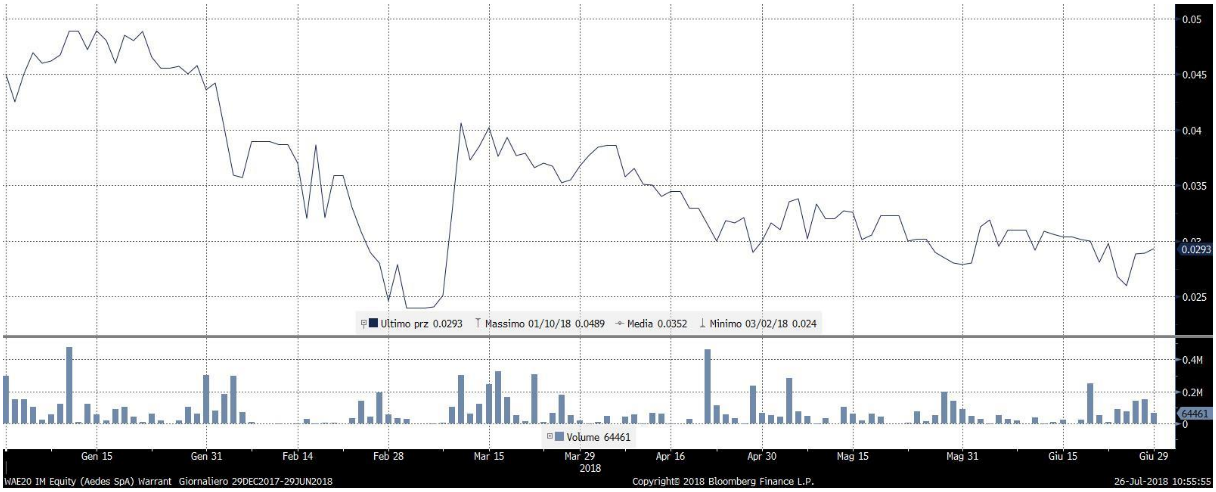
Market capitalization at 29 June 2018: € 101.9 million



<u>WARRANT PERFORMANCE</u>

Following the issue of shares arising from the capital increase with pre-emption rights, 86,956,536 2015-2020 Aedes warrants were allocated without charge. The capital increase with pre-emption rights of up to € 40,000,006.56 at a price of € 0.46 per share provided, in fact, for the issue of up to 86,956,536 Aedes ordinary shares, combined with as many free warrants, and for a concurrent capital increase of up to € 20,000,003.28, at a price of € 0.69 per share, including premium and, therefore, for a maximum of 28,985,512 Aedes ordinary shares to service the exercise of the warrants.

Trading of the 2015-2020 Aedes warrant began on 30 June 2015, with an initial price of € 0.0503. The chart below shows the 2015-2020 Aedes warrant in the first six months of 2018.



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 € 0.69 each for every 3 warrants held.

2.2 Net Asset Value

At 30 June 2018, the EPRA NNNAV of the Aedes Group amounted to € 315 million, including the pro-rata share of equity held through joint ventures, real-estate funds and associates measured at equity, taking account of the market value of the properties owned by them.

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

(Euro/000)	30/06/2018	31/12/2017
Outstanding shares (*)	*319,680,191*	*319,773,191*
EPRA Net Asset Value		
IFRS equity attributable to the owners of the parent	311,839	313,201
NAV		
Includes:		
Revaluation of investment property	0	0
Revaluation of Properties under Development	1,565	15
Revaluation of other investments (property investments)	1,618	1,584
Revaluation of inventory	227	1,919
Excludes:		0
Fair value of derivative financial instruments	891	238
EPRA NAV	**316,140**	**316,957**
EPRA NAV per share	***0.99***	***0.99***
Fair value of derivative financial instruments	(891)	(238)
Fair value of financial debt	(266)	(24)
EPRA NNNAV	**314,983**	**316,695**
EPRA NNNAV per share	***0.99***	***0.99***

(*) net of treasury shares

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

With a NNNAV per share of € 0.99 and a NAV per share of € 0.99, the price of the Aedes share has offered a considerable discount so far (over 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 18 July 2013, for the preparation of the Condensed Consolidated Half-Year Financial Report at 30 June 2018, the Group, subject to certain exceptions specified below, made use of the services of CB Richard Ellis as primary independent expert in order to carry out appraisals on the property portfolio to support the Directors in their assessments. It should be noted that, for the Group's property portfolio held through the Petrarca Fund, the Group appointed K2Real S.r.l. as independent expert, following the end of the three-year assignment by the Fund Management Company to CB Richard Ellis. The valuation assignments are awarded on the basis of fixed fees.

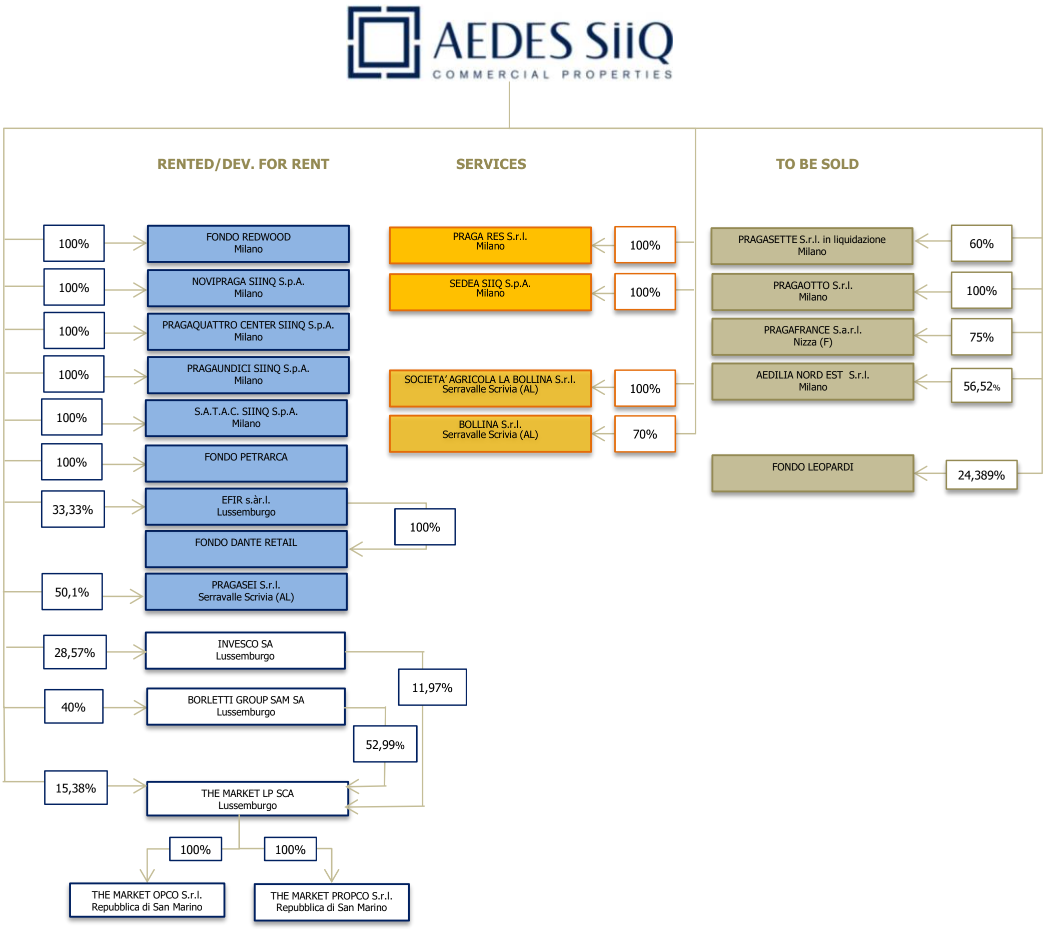
As the entire property assets of the Group are subject to appraisal by independent experts, the directors have not identified any second-level indicators of impairment.

2.3 Group Structure

Aedes SIIQ S.p.A. ("**Aedes**", the "**Company**" or "**Parent Company**"), founded in 1905, was the first real-estate company to be listed on the Milan Stock Exchange in 1924. Following the decision to join the statutory and tax regime typical of listed property investment companies (so-called SIIQ Regime), Aedes switched to SIIQ status on 1 January 2016, adopting the name Aedes SIIQ S.p.A..

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

The Group structure at 30 June 2018 was as follows:

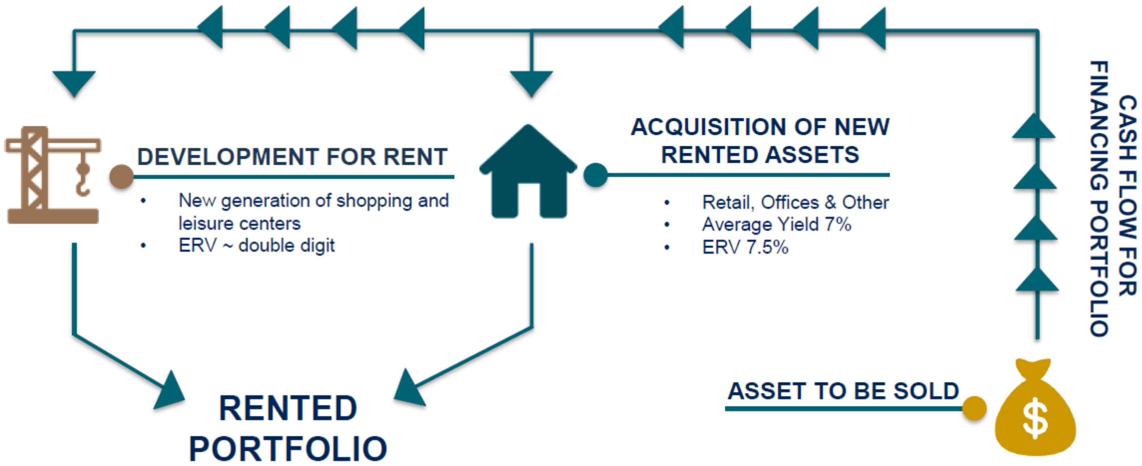


An annex to this Condensed Consolidated Half-Year Financial Report ("**Financial Report**" or "**Half-Year Report**") provides further information on investments held directly and indirectly by the Parent Company.

2.4 Strategy and business model

The Aedes strategy aims 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 SIIQ 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.



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.

2.5 Performance for the period

• Results

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

Description (Euro/000)	30/06/2018	30/06/2017	Change
Gross rental revenue	7,842	8,493	(651)
Margin from sale of properties	2,794	60	2,734
Margin from sale of non-property inventory	300	465	(165)
Other revenue	27	299	(272)
Total Revenue	**10,963**	**9,317**	**1,646**
Net losses from vacancies	(901)	(305)	(596)
IMU, other tax and insurance on properties	(1,883)	(1,592)	(291)
Opex	(414)	(333)	(81)
Commissions and fees	(717)	(812)	95
Other non-rechargeable costs	(372)	(188)	(184)
Total Direct External Costs	**(4,287)**	**(3,230)**	**(1,057)**
Net Operating Income	**6,676**	**6,087**	**589**
Direct Personnel Expense	(1,420)	(1,251)	(169)
Internal direct capitalized costs on properties	1,020	597	423
Total Direct Costs	**(400)**	**(654)**	**254**
HQ Personnel Expense	(1,438)	(1,367)	(71)
Consultancy	(1,458)	(1,487)	29
G&A	(1,970)	(2,360)	390
Total General Expenses	**(4,866)**	**(5,214)**	**348**
EBITDA	**1,410**	**219**	**1,191**
Fair value adjustment of investment property	5,372	7,881	(2,509)
(Write-down)/write-back of inventory	(90)	(961)	871
Amortization, depreciation, provisions and other impairment losse	(1,226)	(372)	(854)
Income/(expense) from associates	(1,071)	(982)	(89)
EBIT (Operating profit)	**4,395**	**5,785**	**(1,390)**
Financial income/(expense)	(4,626)	(2,425)	(2,201)
EBT (Profit before tax)	**(231)**	**3,360**	**(3,591)**
Tax/tax charges	203	(82)	285
Profit/(loss) from continuing operations	**(28)**	**3,278**	**(3,306)**
Gains/(losses) after tax from assets and liabilities held for sale	0	(421)	421
Profit/(loss)	**(28)**	**2,857**	**(2,885)**
Result - Non-controlling interests	(114)	(340)	226
Result - Group	**86**	**3,197**	**(3,111)**

EBITDA came to € 1.4 million, up versus 2017, due mainly to the gain of € 2.3 million from the disposal of a property located in Via Agnello, Milan.

The reduction in EBIT in first half 2018 versus the same period of the prior year is due mainly to lower fair value adjustments of investment property, to higher depreciation relating to fixed assets at the Company's current registered office following the decision to transfer it, with the consequent need to review useful life. Lastly, higher write-downs of trade receivables were reported.

The result in first half 2018 also comprises greater financial expense of € 2.2 million, attributable mostly to a higher average financial debt in first half 2018 versus the same period of 2017.

"Gains/(losses) after tax from assets and liabilities held for sale", equal to zero in first half 2018, had included in first half 2017 the result of Golf Club Castello Tolcinasco SSD S.r.l. up to the disposal date and the effects generated by its disposal, which took place in June 2017.

Profit attributable to the owners of the Parent came to € 0.1 million in first half 2018 versus a profit of € 3.2 million in first half 2017.

The following income statement figures are analyzed by item.

TOTAL REVENUE

Total revenue in first half 2018 amounted to € 11 million, up by 18% versus the same period of the prior year.

Revenue (Euro/000)	**30/06/2018**	**30/06/2017**	**Change**
Gross rental revenue	7,842	8,493	(651)
Margin from sale of properties	2,794	60	2,734
Margin from sale of non-property inventory	300	465	(165)
Other revenue	27	299	(272)
Total	**10,963**	**9,317**	**1,646**

Margin from sale of properties (Euro/000)	**30/06/2018**	**30/06/2017**	**Change**
Gains from disposal of investment property	*2,250*	*0*	*2,250*
Gross revenue from sale of property inventory	*5,315*	*780*	*4,535*
Cost of sales from property inventory	*(4,771)*	*(720)*	*(4,051)*
Margin from sale of properties	***2,794***	***60***	***2,734***

Margin from sale of non-property inventory (Euro/000)	**30/06/2018**	**30/06/2017**	**Change**
Gross revenue from sale of non-property inventory	*875*	*1,316*	*(441)*
Cost of sales from non-property inventory	*(575)*	*(851)*	*276*
Margin from sale of non-property inventory	***300***	***465***	***(165)***

Other revenue (Euro/000)	**30/06/2018**	**30/06/2017**	**Change**
Construction Management revenue	*232*	*6,113*	*(5,881)*
Construction Management costs	*(280)*	*(6,278)*	*5,998*
Margin from provision of Construction Management services	**(48)**	**(165)**	**117**
Project Management revenue	*(78)*	*0*	*(78)*
Project Management costs	*(104)*	*(55)*	*(49)*
Margin from provision of Project Management services	**(182)**	**(55)**	**(127)**
Sundry revenue	**257**	**519**	**(262)**
Other revenue	***27***	***299***	***(272)***

Gross rental revenue amounted to € 7.8 million versus € 8.5 million at 30 June 2017. The € 0.7 million decrease is attributable to lower lease payments on a number of properties vacated in 2018 and undergoing redevelopment (€ 1.3 million), to lower rents on properties sold in first half 2018 (€ 0.2 million) and lower rents on the property in Via Veneziani (€ 0.6 million), only partly offset by higher revenue of € 1.4 million from the Serravalle Retail Park (acquired in May 2017).

The margin from the sale of properties, amounting to € 2.8 million, includes income from the sale of investment property of € 2.3 million and of property inventory of € 0.5 million, basically nil at 30 June 2017.
The margin from the sale of non-property inventory, amounting to € 0.3 million versus € 0.5 million at 30 June 2017, includes the margin generated by the wine-growing business of Società Agricola la Bollina S.r.l. and Bollina S.r.l..

Other revenue includes the margin from Construction Management services, which amounted to € -0.1 million at 30 June 2018 (€ -0.2 million at 30 June 2017), and the margin from Project Management services, which amounted to € -0.2 million at 30 June 2018 (€ -0.1 million at 30 June 2017).

Lastly, sundry revenue amounted to € 0.3 million at 30 June 2018 versus € 0.5 million in 2017.

Direct External Costs

Direct external costs amounted to € 4.3 million at 30 June 2018 versus € 3.2 million at 30 June 2017.

Direct External Costs (Euro/000)	30/06/2018	30/06/2017	Change
Net losses from vacancies	(901)	(305)	(596)
IMU, other tax and insurance on properties	(1,883)	(1,592)	(291)
Opex	(414)	(333)	(81)
Commissions and fees	(717)	(812)	95
Other non-rechargeable costs	(372)	(188)	(184)
Total Direct External Costs	**(4,287)**	**(3,230)**	**(1,057)**

The € 1.1 million increase is attributable mainly to greater losses from vacancies and to higher property tax as a result of the growth in property assets.

Net Operating Income

Net Operating Income (Euro/000)	Property assets	Non-property assets	30/06/2018	Property assets	Non-property assets	30/06/2017	Change
Net Operating Income	6,410	266	6,676	5,727	360	6,087	589

Net Operating Income, as a result of the above items, amounted to € 6.7 million versus € 6.1 million at 30 June 2017, up by € 0.6 million.

Direct Costs

Direct Costs (Euro/000)	30/06/2018	30/06/2017	Change
Direct Personnel Expense	(1,420)	(1,251)	(169)
Internal direct capitalized costs on properties	1,020	597	423
Total Direct Costs	**(400)**	**(654)**	**254**

The increase in direct personnel expense stems from the higher costs for the development of the organizational structure. The higher capitalization is a result of the use of internal resources in development operations (Serravalle Retail Park, Torri Richard, Caselle Open Mall, etc.).

General Expenses

General expenses amounted to € 4.9 million versus € 5.2 million at 30 June 2017, down by € 0.3 million due mainly to the drop in general and administrative expenses.

General Expenses (Euro/000)	30/06/2018	30/06/2017	Change
HQ Personnel Expense	(1,438)	(1,367)	(71)
Consultancy	(1,458)	(1,487)	29
G&A	(1,970)	(2,360)	390
Total General Expenses	**(4,866)**	**(5,214)**	**348**

EBITDA

EBITDA (Euro/000)	Attività immobiliari	Attività non immobiliari	30/06/2018	Attività immobiliari	Attività non immobiliari	30/06/2017	Variazione
EBITDA	1,568	(158)	1,410	118	101	219	1,191

As a result of the above items, EBITDA amounted to a positive € 1.4 million, up by € 1.2 million versus the prior period.

Fair value adjustment of Investment Property

In first half 2018, investment property recorded net adjustments of € 5.4 million versus € 7.9 million in the prior year (which had included the revaluation of € 4.6 million in the fair value on acquisition of the Serravalle Retail Park and the revaluation of the development area located in the Municipality of Caselle, following conclusion of the town-planning agreement with the Municipality for € 3.5 million).

The fair value adjustments in 2018 are due mainly to the revaluation of a number of commercial properties, following conclusion of new business lease and rental contracts, the effects of which in terms of rents will be felt starting from the second half of 2018.

(Write-down)/Write-back of inventory

In first half 2018, the item ended at € -0.1 million (€ 1.0 million in 2017), up by € 0.9 million between the two periods.

Amortization, depreciation, provisions and other impairment losses

The item came to € 1.2 million at 30 June 2018 (€ 0.4 million in first half 2017), up by € 0.8 million. It is broken down as follows:
- amortization and depreciation of € 0.9 million versus € 0.3 million in 2017; the increase is attributable mainly to the recalculation of the useful life of the furniture and facilities at the current registered office, following the Company's decision to transfer the office, and to write-downs of trade receivables for € 0.3 million, which were basically nil in 2017;
- provisions for risks and charges equal to zero versus € 0.1 million in 2017.

Income/(Expense) from associates and joint ventures

Income from associates and joint ventures ended at € -1.1 million (€ -1.0 million at 30 June 2017), deteriorating by € 0.1 million, due mainly to the adjustment to lower market values of the assets held by the investees, in line with the policies adopted by the Group.

EBIT

As a result of the above items, EBIT amounted to € 4.4 million versus € 5.8 million in 2017.

Financial Income/(Expense)

Financial expense net of financial income, including the effects of the fair value adjustment of derivatives to hedge interest rate risk, amounted to € 4.6 million versus € 2.4 million in the prior period.
The item is composed mainly of:
- Financial income: € +0.3 million (€ +0.4 million in first half 2017);

- Financial expense: € -4.9 million (€ -2.9 million in first half 2017);
- Fair value adjustment of derivatives: basically nil (€ +0.1 million in first half 2017).

TAX/TAX CHARGES

Tax in the first six months of 2018 recorded a positive balance of € 0.2 million (basically zero in first half 2017) and is made up of:
- current tax, which was basically nil; and
- € +0.2 million from the net positive effect of deferred and prepaid tax.

Financial position

The financial position of the Group is summarized as follows:

Item	Description	30/06/2018	31/12/2017	Change
A.	Fixed capital	489,698	485,596	4,102
B.	Net working capital	5,336	46,806	(41,470)
C.=A.+B.	**INVESTED CAPITAL**	**495,034**	**532,402**	**(37,368)**
D.1	Equity attributable to the owners of the Parent	311,839	313,201	(1,362)
D.2	Equity attributable to non-controlling interests	(499)	(385)	(114)
D.=D.1+D.2	**Total equity**	**311,340**	**312,816**	**(1,476)**
E.	**Other non-current (assets) and liabilities**	**4,516**	**3,857**	**659**
F.	Non-current payables to banks and other lenders	135,213	174,227	(39,014)
G.	Current payables to banks and other lenders	60,366	64,743	(4,377)
H.	Cash and cash equivalents	(16,401)	(23,241)	6,840
I.= F+G+H	**Total net financial debt**	**179,178**	**215,729**	**(36,551)**
L.=D.+E.+I.	**TOTAL FUNDING SOURCES**	**495,034**	**532,402**	**(37,368)**

A. FIXED CAPITAL

The item amounted to € 489.7 million versus € 485.6 million at 31 December 2017 and is composed mainly of:
- investment property and other tangible fixed assets of € 428.4 million versus € 432.4 million at 31 December 2017. The € 4 million decrease is due mainly to the disposal of an asset in Via Agnello, Milan (€ 48.5 million), partly offset by capitalization on property assets for € 13.8 million, reclassification under the item of assets previously included in inventory for a total of € 26 million, and fair value adjustments for the year of € 5.4 million;
- capital investment in associates and joint ventures of € 61.3 million versus € 53.1 million at 31 December 2017; the increase is attributable mainly to the subscription of capital increases on the project named The Market for a total of € 10 million, as well as to adjustments in the period to the value of other investments with a negative balance;
- other financial fixed assets of € 0.1 million, in line with the figure at 31 December 2017;
- intangible fixed assets basically nil, in line with the figure at 31 December 2017.

B. NET WORKING CAPITAL

Net working capital amounted to € 5.3 million versus € 46.8 million at 31 December 2017, and consists of:
- inventory of € 19.6 million versus € 50.2 million at 31 December 2017; the change is attributable to the reclassification of property for a total of € 26 million, in addition to disposal of assets of € 5.3 million and write-downs for the year of € 0.1 million, net of increases for capitalizations of € 0.8 million;
- trade and other receivables of € 12.1 million versus € 21.6 million at 31 December 2017. The change is due mainly to the collection in 2018 of the receivable from the sale of Lot 10B for € 4.4 million, as well as to the change in trade receivables for orders with third parties;
- trade and other payables of € 26.4 million versus € 25.0 million at end 2017.

C. INVESTED CAPITAL

As a result of the above changes, invested capital decreased from € 532.4 million at 31 December 2017 to € 495.0 million at 30 June 2018. Invested capital is funded by equity of € 311.3 million (63%), by net financial debt of € 179.2 million (36%), and by other net non-current liabilities of € 4.5 million (1%).

D. CONSOLIDATED EQUITY

Consolidated equity amounted to € 311.3 million versus € 312.8 million at 31 December 2017. The downward change of € 1.5 million is attributable to the fair value adjustment reserve for hedging derivatives (€ -0.6 million), to the impact on opening equity from the adoption of the new IFRS 9 (€ -0.8 million), and to actuarial losses (€ -0.1 million).
This item is composed of € 311.8 million from equity attributable to the owners of the Parent (€ 313.2 million at end 2017) and of € -0.5 million to non-controlling interests (€ -0.4 million at 31 December 2017).

E. OTHER NON-CURRENT ASSETS AND LIABILITIES

Other non-current assets and liabilities closed the period at € -4.5 million versus € -3.9 million at end 2017. The item is composed mainly as follows:

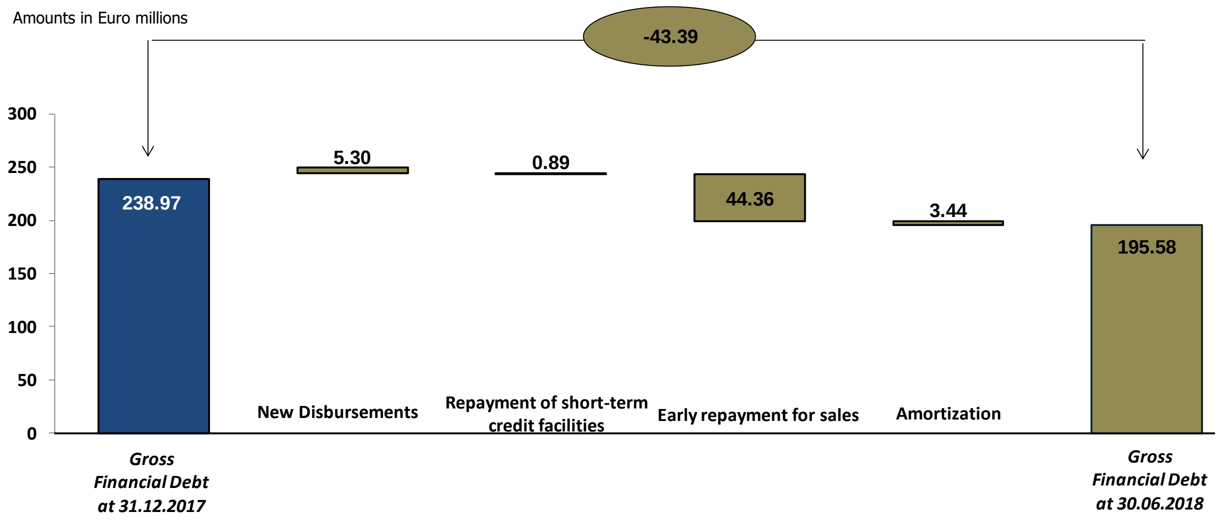
- liabilities of € 1.1 million from the provision for severance indemnity (€ 1.1 million at 31 December 2017);
- liabilities of € 5.1 million (€ 5.1 million at end 2017) from provisions for risks, mainly for contractual charges (€ 0.3 million, in line with end 2017), for tax risks (€ 2.4 million, in line with end 2017), for provisions related to management of the property assets (€ 0.1 million, in line with end 2017) and for future charges (€ 2.3 million, in line with end 2017);
- net liabilities of € 0.9 million from the fair value measurement of derivatives (€ 0.2 million at end 2017);
- net tax assets of € 2.5 million (€ 2.3 million at end 2017) as the imbalance between deferred tax assets and the provision for deferred tax;
- assets from net receivables of € 0.1 million (€ 0.2 million in net receivables at end 2017).

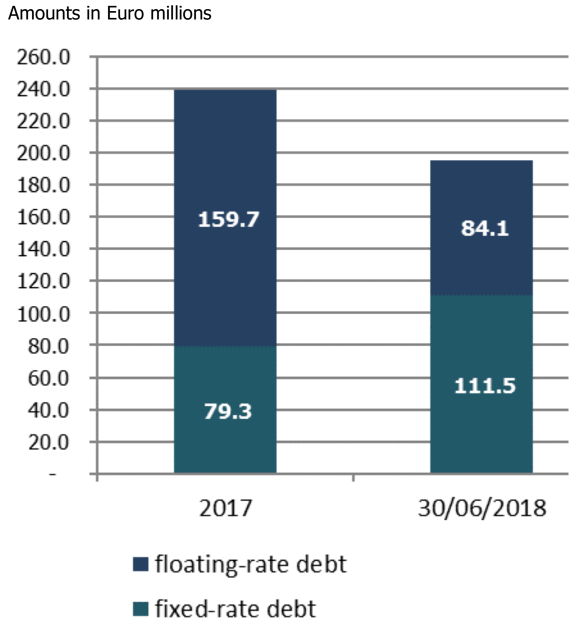
I. CONSOLIDATED NET FINANCIAL DEBT

The net financial debt of the Group at 30 June 2018 amounted to € 179.2 million versus € 215.7 million at 31 December 2017.
The net financial debt in 2018 is the result of the difference between gross payables of € 195.6 million and bank deposits of € 16.4 million (measured under IFRS 9), versus gross payables of € 238.9 million and bank deposits of € 23.2 million at the end of the prior year.
The table below shows the net financial debt of the Group at 30 June 2018 versus the end of the prior year:

	NFP (Euro/000)	30/06/2018	31/12/2017	Change
A	Cash on hand	16,401	23,241	(6,840)
B	Cash equivalents	0	0	0
C	Securities	0	0	0
D	**Liquidity (A) + (B) + (C)**	**16,401**	**23,241**	**(6,840)**
E	**Current financial receivables**	**0**	**0**	**0**
F	Current payables to banks	(59,859)	(64,262)	4,403
G	Current portion of non-current financial liabilities	(171)	(145)	(26)
H	Other current financial liabilities	(336)	(336)	0
I	**Total current financial liabilities (F) + (G) + (H)**	**(60,366)**	**(64,743)**	**4,377**
J	**Current net financial debt (I) - (E) - (D)**	**(43,965)**	**(41,502)**	**(2,463)**
K	Non-current payables to banks	(79,469)	(118,990)	39,521
L	Bonds issued	(44,388)	(43,992)	(396)
M	Other non-current financial liabilities	(11,356)	(11,245)	(111)
N	**Non-current net financial debt (K) + (L) + (M)**	**(135,213)**	**(174,227)**	**39,014**
O	**Net financial debt (J) + (N)**	**(179,178)**	**(215,729)**	**36,551**

In first half 2018, the gross financial debt decreased by € 43.3 million from € 238.9 million to € 195.6 million. The decrease is due mainly to the net effect of new disbursements for development projects and to reimbursements from property sales.





At 30 June 2018, the percentage of the floating-rate gross debt amounted to 43.0% of the Group's overall financial exposure versus 66.8% of the floating-rate debt at 31 December 2017.
The portion of debt not exposed to interest rate risk is due to (i) the subscription by Aedes in November 2015 of an Interest Rate Collar, strike rates 0% for floor and 1% for cap, notional amount € 50 million and bullet maturity in December 2020; (ii) the subscription by the subsidiary Novipraga in February 2018 of an Interest Rate Swap with Floor, strike rates 0.5965%, floor -2.75%, notional amount € 32 million and maturity in December 2022;
(iii) the issue of a fixed-rate bond with a value of € 29.5 million.

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

	30/06/2018	31/12/2017	Δ
Rented Assets: mortgage loans	*106,5*	*138,1*	*(31,7)*
Rented Assets: leasing	*0,0*	*0,0*	*0,0*
Rented Assets: other securities	*0,0*	*0,0*	*0,0*
GFP Rented	**106,5**	**138,1**	**(31,7)**
Development for Rent: mortgage loans	*15,9*	*13,1*	*2,8*
Development for Rent: other securities	*8,0*	*8,0*	*(0,0)*
GFP Development fo Rent	**23,9**	**21,1**	**2,7**
GFP Sub Total Rented Portfolio	**130,4**	**159,3**	**(28,9)**
Portfolio to be sold: mortgage loans	*7,0*	*21,1*	*(14,1)*
GFP Sub Total Portfolio to be sold	**7,0**	**21,1**	**(14,1)**
GFP Real Estate Portfolio	**137,3**	**180,4**	**(43,1)**
Unsecured debts vs Banks	**2,0**	**2,8**	**(0,9)**
Unsecured debts vs Others	**56,3**	**55,7**	**0,5**
GROSS FINANCIAL POSITION	**195,6**	**239,0**	**(43,4)**

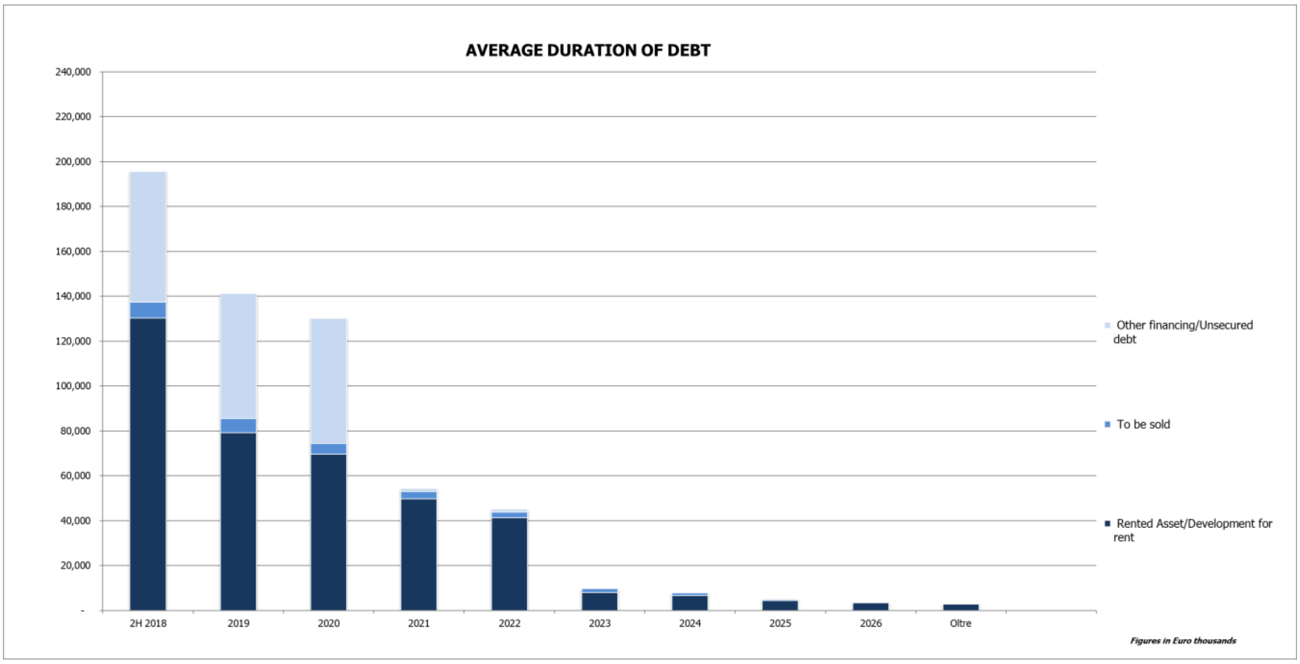
The debt has an average duration of 2.31 years at 30 June 2018 versus 2.63 years at 31 December 2017.

The short-term financial debt of the Group at 30 June 2018 amounted to € 60.4 million versus € 64.7 million at 31 December 2017, with a net decrease of € 4.3 million. Out of the € 60.4 million in short-term maturities, approximately € 40.0 million refer to the balloon instalment of a loan maturing on 31 December 2018 held by the Petrarca Fund, in relation to which negotiations have started with the lender for a possible extension.

At the date of approval of this Half-Year Report, 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 repayment plan of financial payables, broken down by nature and type of business of the funded asset.

[11] Figures in Euro millions


AVERAGE DURATION OF DEBT
240,000
220,000
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
2H 2018
2019
2020
2021
2022
2023
2024
2025
2026
Oltre
Other financing/Unsecured debt
To be sold
Rented Asset/Development for rent
Figures in Euro thousands

2.6 Glossary of terms and alternative performance measures used

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

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

- **NOI (*Net Operating Income*)**
  Equal to EBITDA gross of indirect costs. The measure's purpose is to present a situation of operating profitability before indirect and overhead costs.

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

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

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

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

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

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

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

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

- **Gross Financial Position** (GFP or gross financial debt)
  Equal to the algebraic sum of:
  - Current financial liabilities
  - Non-current financial debt

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

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

Total revenue stated in the Report	**10,963**
Revenue from chargebacks to tenants	1,182
Construction Management costs	280
Project Management costs	104
Cost of sales from property and non-property inventory	5,346
Total revenue from sales and other revenue stated in the financial statements	**17,875**

Total costs stated in the Report	**(9,553)**
Revenue from chargebacks to tenants	(1,182)
Construction Management costs	(280)
Project Management costs	(104)
Capitalized costs for purchases on stock	(860)
Total costs stated in the financial statements	**(11,979)**

Revenue from chargebacks to tenants is shown in the Directors' Report on Operations as a reduction of "Net losses from vacancies", whereas in the IFRS reporting format, it is shown under "Revenue from sales and services".

Regarding Project and Construction Management costs, it should be noted that the Directors' Report on Operations shows revenue net of direct costs, which are shown in the IFRS reporting format under "Costs for raw materials and services".

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

2.7 Actual figures versus the Plan

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

The financial results at 30 June 2018 are basically in line with the ranges envisaged in the Plan.

Taking account of the switch to SIIQ capacity, and in order to expedite the fulfilment of the property company status, on 2 August 2017, the Board of Directors approved the update of the guidelines of the Business Plan, as disclosed to the market on 28 September 2016.

DRIVERS:
In the time span of the 2018-2023 Business Plan scenarios, the Group seeks to continue the expansion and consolidation of a "commercial" portfolio by focusing on new generation retail and office assets, with the aim of maintaining, in the medium and long term, a property portfolio capable of generating recurring cash flows typical of the SIIQ/REIT model, with yields above the industry average.
The Group will continue to acquire existing revenue properties and property portfolios, including through contributions in kind, located mainly in North and Central Italy, and to develop a new generation of shopping and leisure 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.

TARGETS:
- 2023 Property GAV of approximately € 1.6 billion
- Occupancy rate >95%
- LTV equal to approximately 50%

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

2.8 Significant events

On **24 January 2018**, the Board of Directors, in implementation of the resolution of the Shareholders' Meeting held on 27 April 2017 authorizing the purchase and disposal of treasury shares, resolved to renew the programme to provide liquidity support to the Aedes SIIQ share until 27 October 2018, appointing INTERMONTE SIM S.p.A. as Liquidity Provider.

On **28 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 € 1.8 million.

On **2 March 2018**, Aedes SIIQ S.p.A. increased the fund made available to Intermonte SIM to € 200 thousand to purchase and sell Aedes SIIQ shares independently, on behalf of and at the risk of the Company.

On **27 April 2018**, the Shareholders' Meeting of the Company appointed the Board of Directors, confirming Carlo A. Puri Negri as Chairman, and the Board of Statutory Auditors.

On **27 April 2018**, the Board of Directors appointed the members of its internal Committees.

On **9 May 2018**, the Board of Directors confirmed Benedetto Ceglie as Vice Chairman and Director in charge of the internal control and risk management system, and Giuseppe Roveda as Chief Executive Officer.

On **14 June 2018**, the renovated and expanded Serravalle Retail Park was inaugurated, after its acquisition by Aedes SIIQ in 2017.

On **22 June 2018**, the Petrarca Fund sold the property located in Viale Umbria 32, Milan, for € 3.7 million, earning a margin of € 0.5 million.

On **29 June 2018**, Aedes SIIQ sold the property located in Via Agnello 12, Milan, achieving a gain of € 2.3 million.

• Events after the reporting period

No significant events took place between 30 June 2018 and the approval by the Board of Directors of the condensed consolidated financial statements.

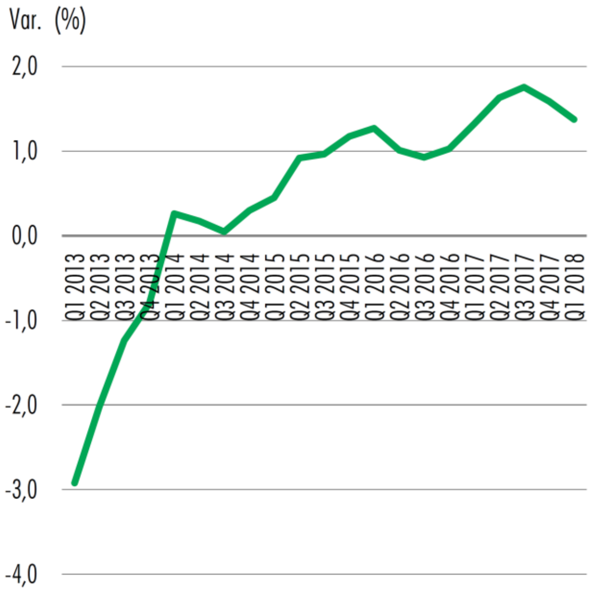
2.9 Property portfolio

- Property market trend[12]

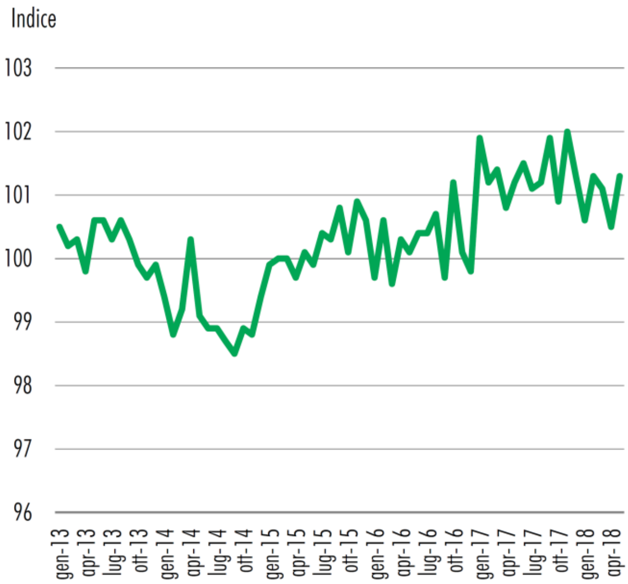
ECONOMIC OUTLOOK - ITALY

Growth continued in the Euro zone, but core inflation is expected to return to levels close to 2%. The Governing Council of the ECB considers it necessary to maintain a broadly accommodative monetary policy. This will be delivered through net bond purchases which will continue until at least September 2018, the stock of financial assets held by central banks and their reinvestment at maturity, and through forward guidance on interest rates.
According to current Bank of Italy estimates, Italian GDP growth rose to 0.3% in the first quarter, but was down year-on-year. The slowdown in industrial production was accompanied by an increase in activity in the services sector, despite less favourable signs for this sector in March as well. Economic surveys show that household and business confidence remains at cyclically high levels, consistent with continued growth in output. The performance of Italian exports was quite strong in the final quarter of last year and was moderately favourable in the first three months of 2018. The labour market continues to gradually gain strength. However, the unemployment rate remains high and wage growth is modest; the number of persons employed was up by 1.1% on the average for 2017, reaching about 10.9%.
After the recovery in March – helped by the Easter period – the number of visitors to shopping centers fell again in the second quarter of the year. Visitor numbers are expected to rise in July, driven by summer sales that still have a significant impact on visitor numbers and sales, unlike end-of-year sales. Sales decreased in line with visitor numbers, falling by 2.6% in the first six months of the year on a like-for-like basis. The decline was less marked across the entire network, which was still negative but reached -1.2%.
Three months after the elections, the League and the Five Star Movement succeeded in forming a government. A period of stability hinged on greater political certainty is now expected.

Evolution of Italian GDP



Italy retail sales index



Source: ISTAT 2Q18

RETAIL - ITALY

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

RETAIL SUPPLY

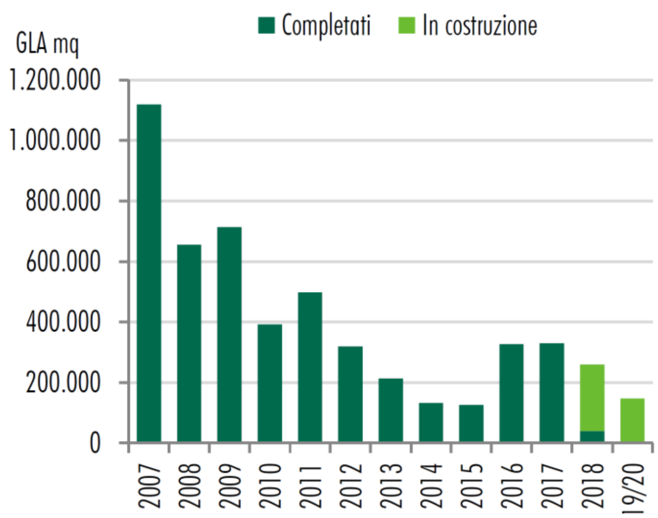
With many openings, expansions and major projects in 2017, much of the expected short-term volume was absorbed. Quality-focused projects continue, as shown by the opening of the Aura shopping center in Rome. This new generation center, covering over 17,000 m², dedicates generous space to Food & Beverage, fully reflecting the importance of this category in the most innovative centers, further emphasized by the center's location. In second quarter 2018, the expansion of Serravalle Retail Park was completed, with the first lot of phase C covering more than 10,000 m².

Retailer demand remains very high, with many brands planning to expand and just as many new brands deciding to land on the Italian market for the first time. To name a few, Xiaomi made its debut in Italy at "Il Centro" in Arese. Roncato, meanwhile, chose the high street, opening its first Italian flagship store in Via Durini, Milan. Despite Italy's culinary tradition, international food continues to gain traction in the country. Following on from Jollibee, Milan was also selected as the first location in Italy for Five Guys (Corso Vittorio Emanuele) and Wagamama (Corso Matteotti). The high street continues its upturn, with growth fueled by high tourist flows, especially in prime locations, justifying the continuous increase in prime rents, especially in Milan and Rome.

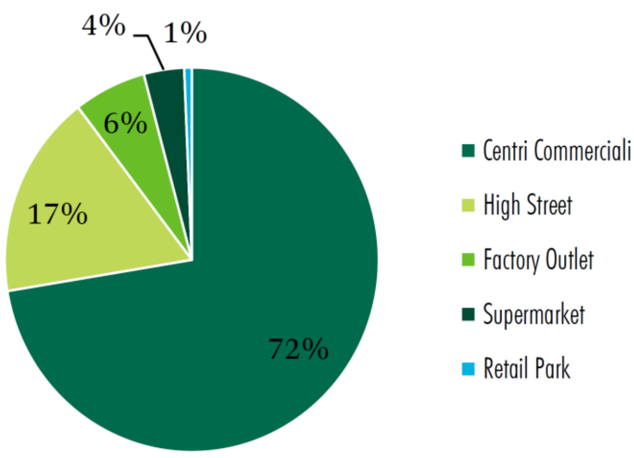
INVESTMENTS

The flow of investments in second quarter 2018 was positive, with just over a billion euro invested. Given the high volume invested in the same period of last year, this equated to a slight decrease of approximately 13%, due partly to some near-complete deals taking longer to finalize than expected. Retail transactions in the quarter only involved the high street and shopping centers. The biggest of these were: a portfolio worth € 187 million comprising 4 shopping centers, sold by Eurocommercial and purchased by IGD; the sale of the Centro Sicilia shopping center for € 140 million by MI.NO.TER. to GWM; and the sale of an H&M store in the center of Bari, worth approximately € 40 million euro, to UBS. After a complex period caused by political uncertainty that led to a slowdown in finalizing some deals, business resumed as usual. As such, the third quarter should see some significant investment activity. Unfortunately, a number of investors still have a warped image of a retail world threatened by commercial oversupply and e-commerce, which is completely unfounded in Italy. Both primary and secondary yields were steady for all retail asset classes.

Volume of new developments completed and under construction (GLA > 10,000 m²) in Italy in June 2018

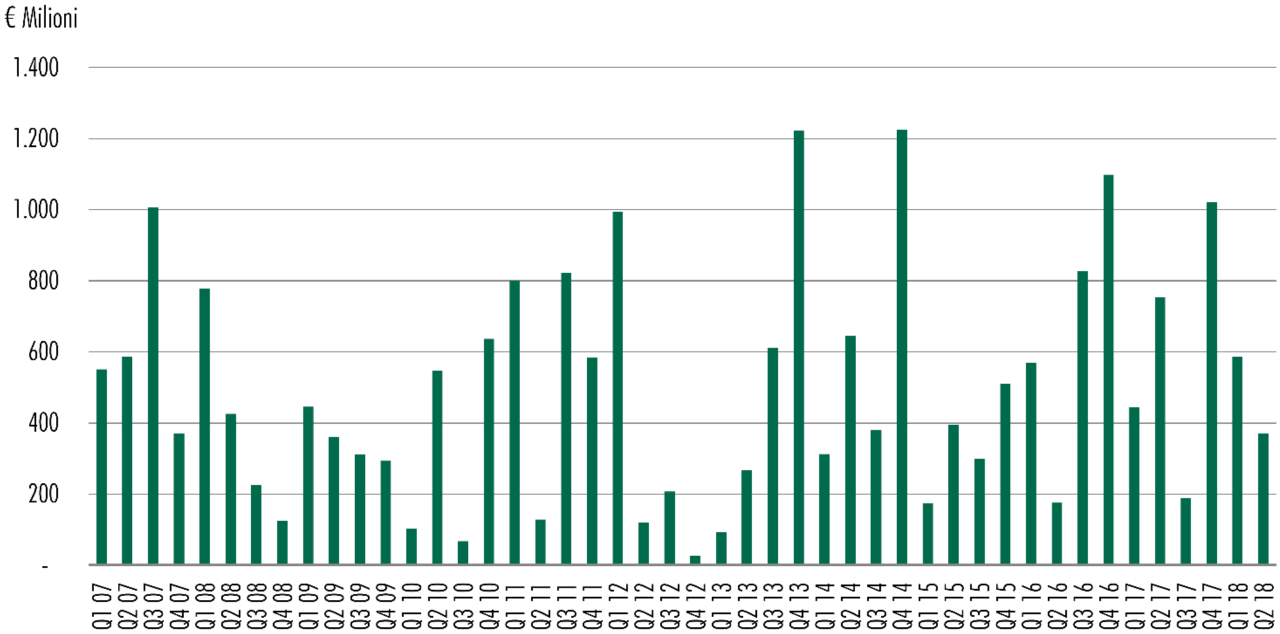


Retail investments by type of format 1H18



Source: CBRE Research, 2Q18

Retail investments scenario in Italy



Property yields in Italy, retail

Yields (%)	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
High Street Prime	3.15	3.15	3.15	3.00	3.00	3.00
High Street Secondary	4.75	4.75	4.75	4.50	4.50	4.50
Shopping Centre Prime	4.90	4.90	4.90	4.90	4.90	4.90
SC Good Secondary	5.90	5.90	5.90	5.90	6.00	6.00
Retail Park Prime	5.90	5.90	5.90	5.90	5.90	5.90
Retail Park Good Secondary	6.50	6.50	6.50	6.50	6.75	6.75

Source: CBRE Research, 2Q18

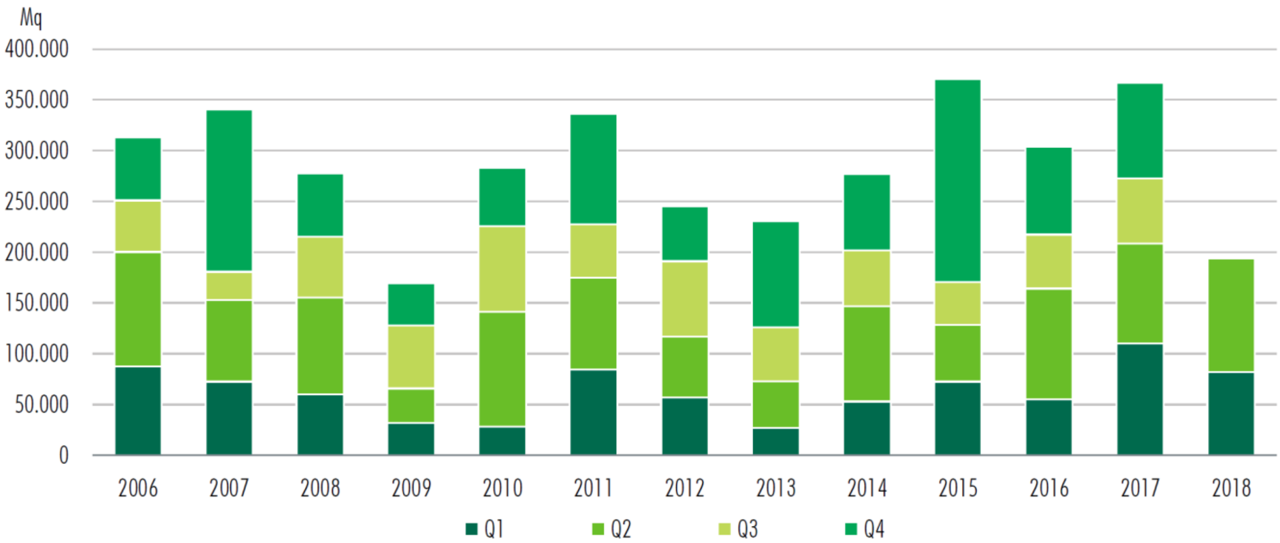
__OFFICES - MILAN__

In second quarter 2018, the volume of office investments in Milan came to approximately € 618 million, more than double the prior quarter, but down versus second quarter 2017. With about € 780 million transacted in the last six months, Milan remains a highly attractive market for investors and without doubt the leader in Italy in terms of volumes and transactions. Nevertheless, the market is suffering from a lack of quality product, reflected in the lack of big deals on individual assets, which in turn is holding back any major surge in overall volumes. Among core investors, there was an increase in domestic investors, while the most active 'value-add' investors continued to be private equity. In Milan, the prime yield fell to 3.4%, while good secondary also fell to reach 5% after a period of stability. These changes indicate a trend that is expected to continue in the second half of the year. While maintaining their focus on central areas, investors are shifting their crosshairs more and more to the City Life and Bicocca markets.

Vacancy Rate **11,2 %**
Prime Rent **560 € mq a**
Take-up **111.774 mq**
Investimenti **618 mln Euro**
Prime Net Yield **3,40%**
Completion **Nessuna**

*The arrows show change versus the prior quarter

Quarterly absorption in Milan, m²



Source: CBRE Research, 2Q18

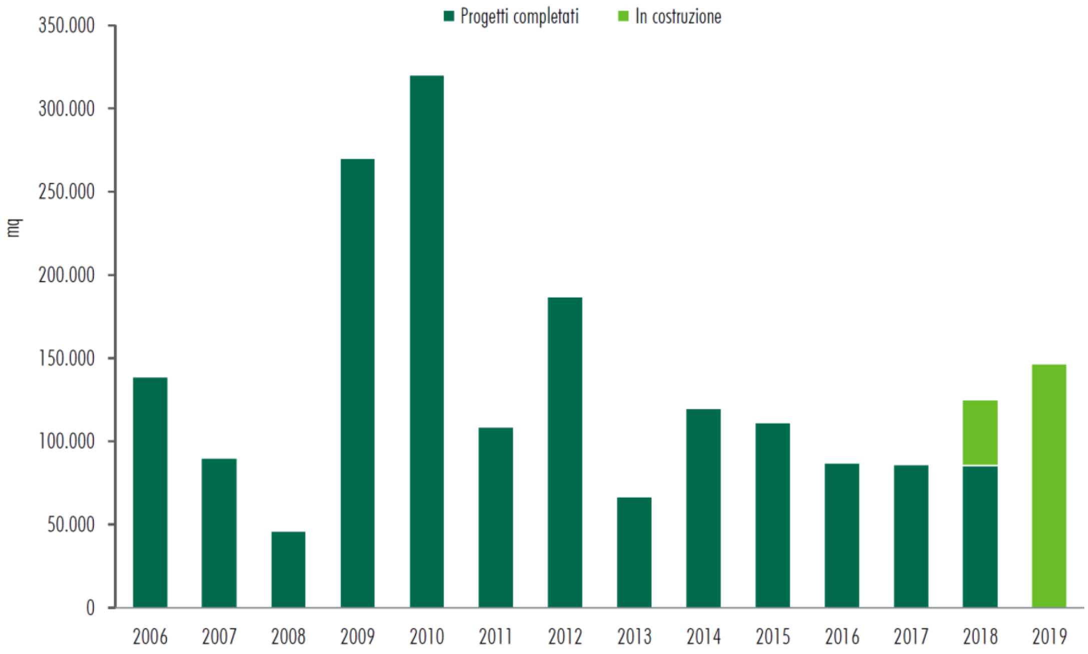
- Take-up in Q2 2018 was approximately 112,000 m², up by 36% versus the prior quarter and in line with 2017. Net take-up was positive but declining. The vacancy rate decreased to 11.2%.
- The biggest deal closed in the quarter (approximately 33,000 m²) involved a top player in the consulting sector. However, in terms of transactions, the most dynamic sectors on the market were Manufacturing & Energy (27% of transactions) and High-Tech (21.5%).
- Thanks to the completion of some major deals, take-up in the Semicentral area accounted for 43% of total take-up, followed by the Suburbs (20.5% of take-up in terms of surface area), which also proved to be the most dynamic sub-market in terms of the number of transactions finalized (26.5%).
- The most popular office sizes requested by occupiers in the quarter were those between 1,000 and 5,000 m², accounting for 50% of take-up.
- Prime rent in the Centre increased to € 410/m²/year. Prime rents kept steady in the other sub-markets.
- Prime net yields fell to 3.40% and secondary yields to 5%.
- No completions were reported in Q2 2018. However, the pipeline for the next two years is steady, with about 270,000 m² due for completion by 2020. Out of these, approximately 66% is speculative.
- Investments in the office sector were up versus Q1 2018, but failed to match the first half of 2017. However, the increasing number of deals demonstrates the good momentum of the market.

Key indicators in the Milan office sector

	H1 2017	H1 2018	**Q2 2018**
Vacancy rate (%)	12.1	11.2	**11.2**
Take-up (,000 m²)	208	193.7	**111.8**
New stock (,000 m²) (exc. Refurbishment)	22	57.4	**0.0**
Prime rent (€ m² per year)	530	560	**560**
Weighted average rent (€ m² per year)	281	290	**255**
Prime net yield (%)	3.50	3.40	**3.40**
Secondary net yield (%)	5.25	5.00	**5.00**

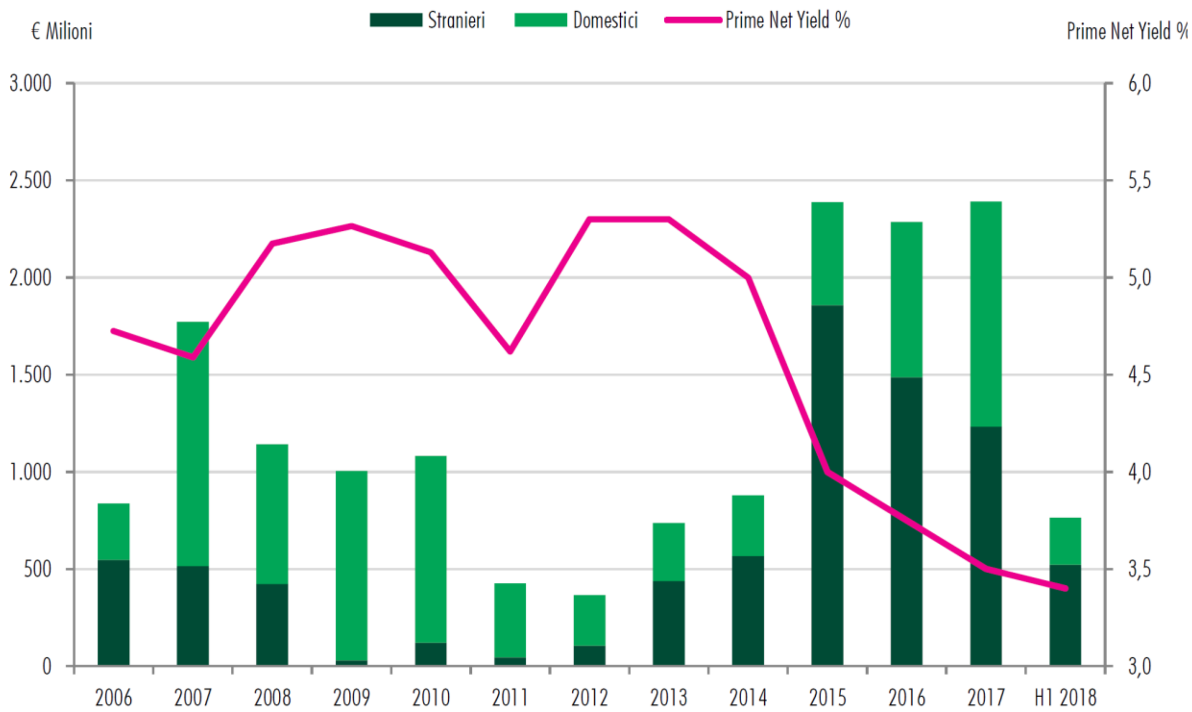
Investment volume, offices (€ MN)	897	780	**618**

Projects completed and under construction in Milan, m²



Source: CBRE Research, 2Q18

Investments by source of capital and yields for offices in Milan



Source: CBRE Research, 2Q18

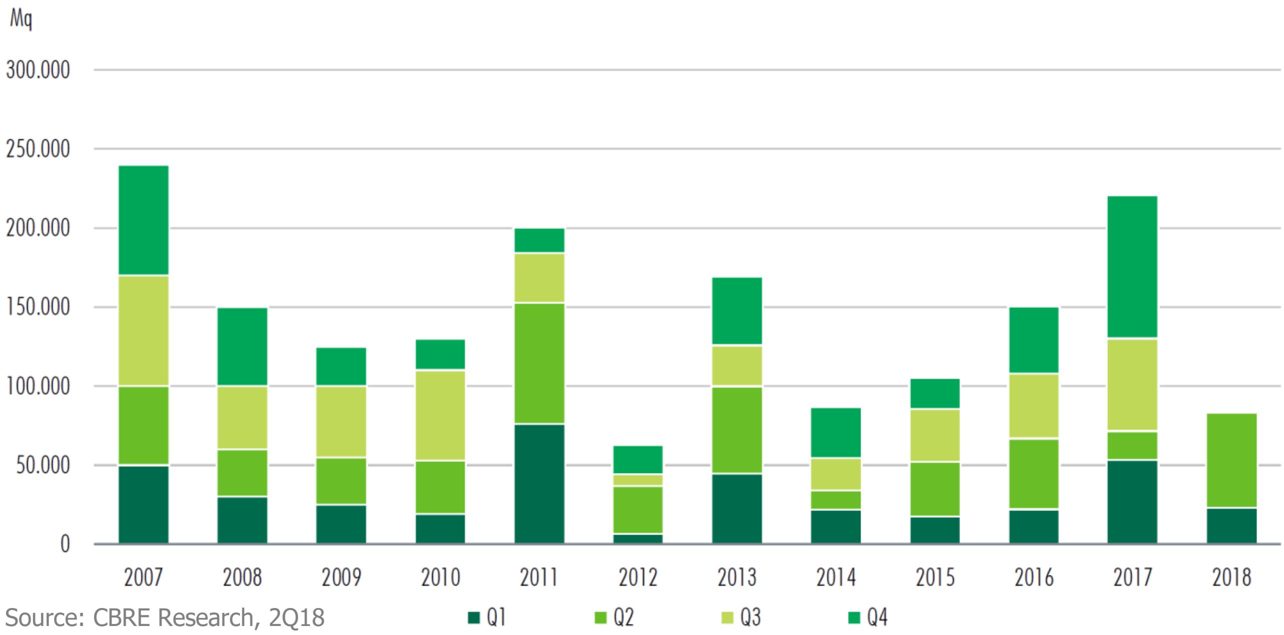
OFFICES - ROME

The Rome office sector saw investments of approximately € 208.5 million in second quarter 2018, which was three times the volume of the prior quarter, bringing the total to approximately € 276 million (down versus the approximately € 821 million in Q1 2017, which was however influenced by a large transaction for the sale of property by a Roman builder for approximately € 500 million). Domestic capital accounted for the lion's share both in the quarter (about 97%) and in the half year (85%). There were three main transactions in the quarter, relating to properties in the CBD, EUR CC and EUR Laurentina sub-markets. Despite a slow start, the second quarter saw a marked recovery and interest in the Capital remains very high, with positive expectations for the coming months. There was rising interest in value-add and opportunistic products among investors with a greater risk appetite. The prime net yield dropped to 3.90%. The outlook for the coming months is positive.

Vacancy Rate **12,5%** | Prime Rent CBD **420 € mq a** | Prime Rent EUR **340 € mq a** | Take-up **59.812 mq** | Completion **33.700 sq m**

*The arrows show change versus the prior quarter

Quarterly absorption(*) in Rome, m²



Source: CBRE Research, 2Q18

(*) Absorption figures have been amended for 2014, 2015 and 2016 to reflect changes following the signing of preliminary lease agreements that led to the cancellation of previous agreements. Specifically, this involved: Q414 (-27,000 m²); Q415 (-33,000 m²) and Q116 (-50,000 m²). In 2017, there were pre-lets of 15,600 m² for the new HQ of a leading hi-tech multinational and 43,000 m² for a leading energy multinational.

- Absorption in the second quarter amounted to 59,812 m^2 – more than double the previous quarter and more than three times the volume in Q2 2017.
- First half 2018 saw absorption of 82,916 m^2 (+16% versus H1 2017 and +24% versus H1 2016).
- The number of transactions rose sharply to 46 in Q2 (25 in the prior quarter). The half-year figure (71 units) is higher than the half-year average of the last 5 years, which shows an average of 45 transactions per quarter.
- The average surface area of the units absorbed in the quarter also increased, reaching 1,300 m^2 (+40% versus Q1 2018).
- Prime rents were steady in the CBD at € 420 per m² per year and in the EUR at € 340 per m² per year.
- Quarterly absorption was driven by 4 transactions totaling approximately 30,000 m^2 (CBD, EUR Laurentina and EUR Centro areas), equivalent to approximately 50% of total quarterly absorption.
- The Centre and the EUR remained the most dynamic areas, accounting for approximately 84% of total transactions in the quarter (+13% versus Q1 2018).

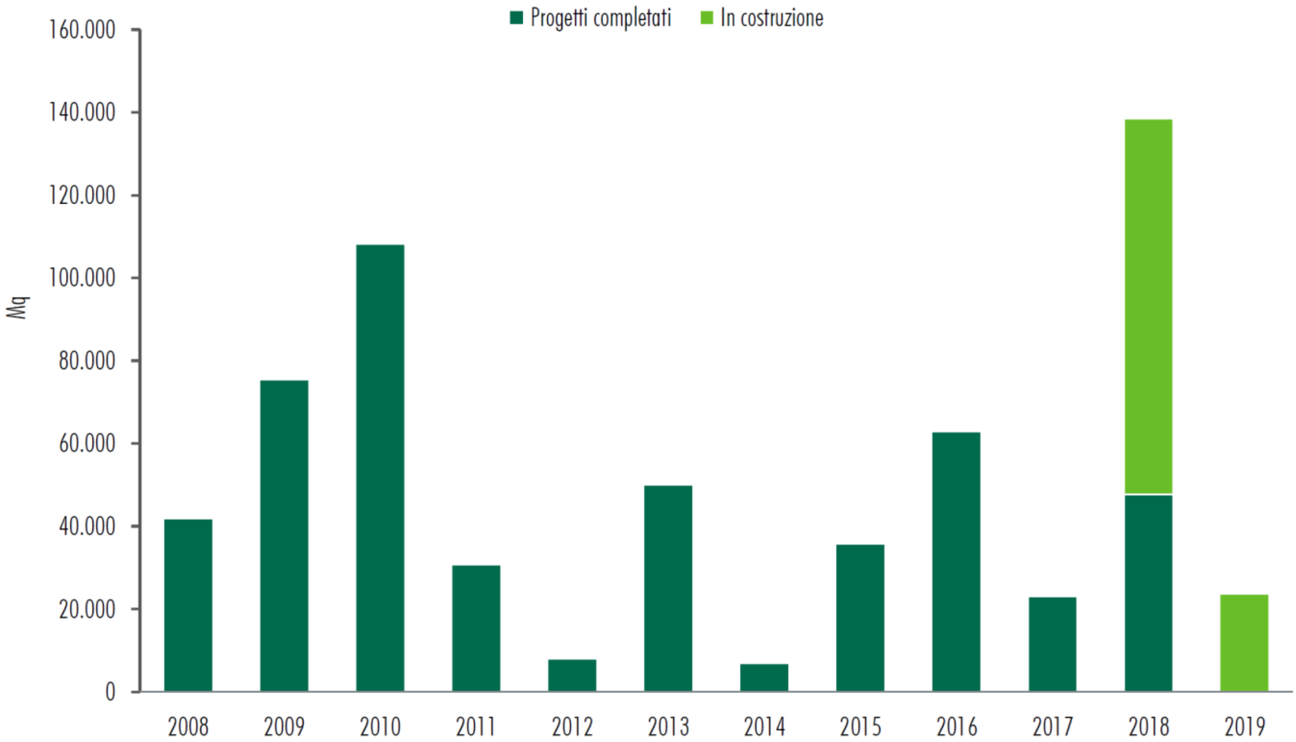
- There was a fall in the pipeline of developments, with approximately 115,000 m^2 under construction/renovation (completion expected between 2018 and 2019), due mainly to completions in the quarter (approximately 30,000 m^2 in the EUR Torrino area and 3,700 m^2 in EUR Centro).
- Investments in the period under review amounted to € 208.5 million, and prime net yields fell to 3.90%.

Key indicators in the Rome office sector

	H1 2017	H1 2018	**Q2 2018**
Stock (thousand m^2)	7	7 (*)	**7 (*)**
Vacancy rate (%)	12.5	12.5	**12.5**
Take-up (,000 m^2)	71.6	82.9	**59.8**
Prime rent CBD (€ m^2 year)	400	420	**420**
Prime rent EUR (€ m^2 year)	320	340	**340**
Prime net yield (%)	4.00	3.90	**3.90**
Investment volume, offices (€ MN)	821	276	**208.5**

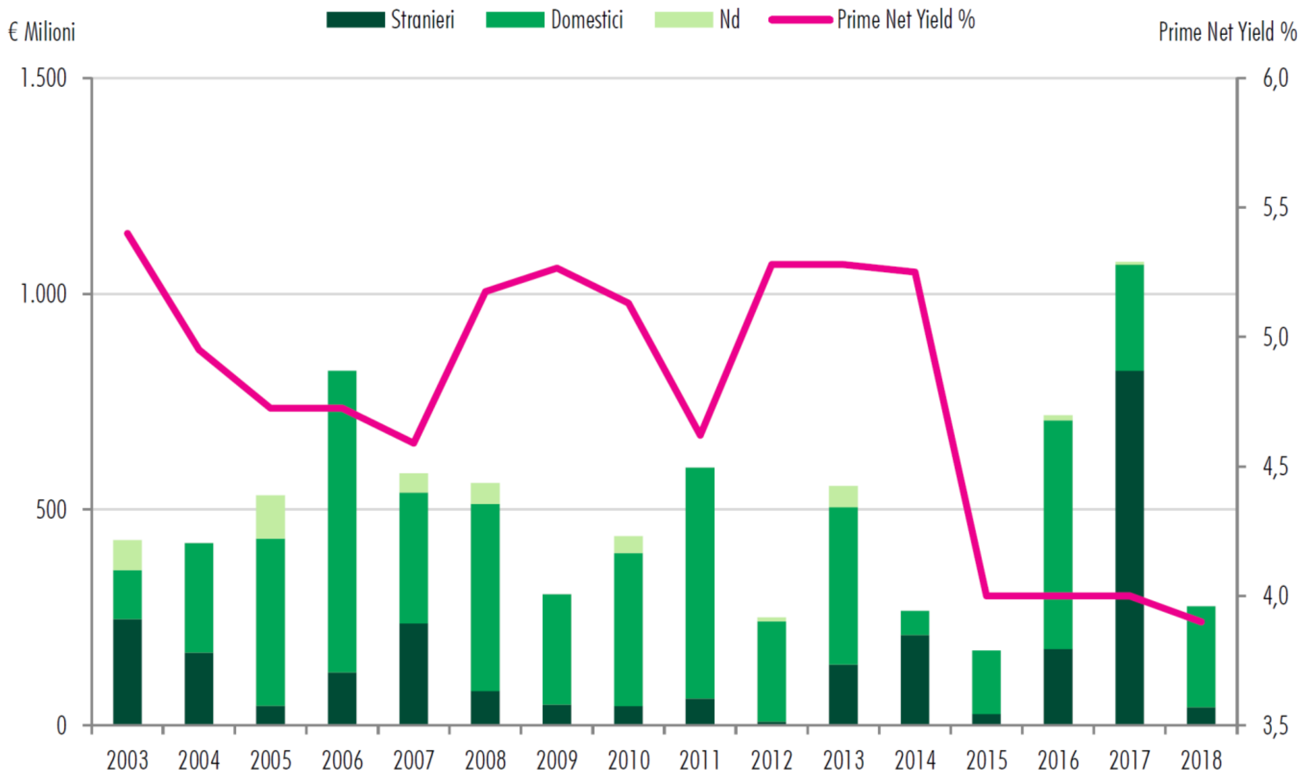
(*) The stock indicated does not include the area owned by the public sector.

Projects completed and under construction in Rome, m^2



Source: CBRE Research, 2Q18

Investments by source of capital and yields for offices in Rome



Source: CBRE Research, 2Q18

- ## Independent expert appraisals

In relation also to Consob recommendation no. DIE/0061944 of 18 July 2013 on the preparation of these Condensed Consolidated Half-Year Financial Statements, the Group, subject to certain exceptions specified below, made use of the services of CB Richard Ellis as primary independent expert in order to carry out appraisals on the property portfolio to support the Directors in their assessments.
It should be noted that, for the Group's property portfolio held through the Petrarca Fund, the Group appointed K2Real S.r.l. as independent expert.

On completion of the portfolio appraisal process at 30 June 2018, after reviewing the reports prepared by the independent experts, the Company adopted the relevant results at the Meeting of the Board of Directors held on 1 August 2018.

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

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

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

- **Conversion** (or residual) **method**: this approach, used for areas to develop or properties likely to be restructured, consists in estimating the Market Value of the asset by determining the difference between the market value of the "converted" asset and all the conversion expenses (direct and indirect costs, professional costs, unexpected items, agency fees and financial charges), net of the profit that a normal market operator would expect as a return for the risk associated with the conversion and sale (or revenue generation).

The object of the estimation performed by the independent expert is Market Value, as defined by the RICS professional valuation standards, under which Market Value is "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

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

Independent experts are selected by the Company in an alternating fashion to ensure a more objective and independent valuation of property assets.

• Owned assets

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

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

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

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

- **To be sold portfolio**

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

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

The table below shows the pro-rata owned property assets by product implementation phase at 30 June 2018:

€/000	GAV				NAV			
	Consolidated	Not consolidated Funds & JV	Total Portfolio	% on Total Portfolio	Consolidated	Not consolidated Funds & JV	Total Portfolio	% on Total Portfolio
Retail	142,510	86,869	229,379	40.9%	88,843	36,497	125,340	35.4%
Office	140,650	483	141,133	25.2%	93,372	222	93,594	26.5%
Other Uses	12,828	-	12,828	2.3%	7,581	-	7,581	2.1%
Rented Assets	**295,988**	**87,352**	**383,340**	**68.4%**	**189,796**	**36,718**	**226,515**	**64.1%**
Retail Development for Rent	103,357	-	103,357	18.4%	86,951	-	86,951	24.6%
Other Uses Development for Rent	27,700	-	27,700	4.9%	20,208	-	20,208	5.7%
Development for Rent	**131,057**	**-**	**131,057**	**23.4%**	**107,159**	**-**	**107,159**	**30.3%**
Sub Total Portfolio Rented/for Rent	**427,045**	**87,352**	**514,397**	**91.8%**	**296,955**	**36,718**	**333,674**	**94.4%**
Other Uses	19,103	26,826	45,928	8.2%	12,173	7,734	19,907	5.6%
Sub Total Portfolio to be sold	**19,103**	**26,826**	**45,928**	**8.2%**	**12,173**	**7,734**	**19,907**	**5.6%**
TOTAL GROUP PORTFOLIO	**446,147**	**114,178**	**560,325**	**100.0%**	**309,129**	**44,452**	**353,581**	**100.0%**

Minorities	GAV	NAV
Praga France Sarl (25%)	1,160	832
TOTAL CONSOLIDATED PORTFOLIO	**447,307**	**309,961**

At 30 June 2018, the property assets owned by the Aedes Group, pro rata, amounted to a market value of € 560.3 million, including non-controlling interests and real-estate funds, down by approximately 6.4% versus the figure at 31 December 2017 (€ 596.5 million).

Consolidated GAV (Gross Asset Value), amounting to € 447.3 million, decreased by € 34.3 million versus 31 December 2017, as the net balance of increases of € 17.9 million (like for like) and decreases of € 52.2 million in sales. The Group currently has rental contracts in place for a total of € 16 million on an annual basis.

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

€/000	Criterion	Book value	Market Value
Investment property: properties under development	IAS 40 - Cost	1,649	1,790
Investment property: properties for investment	IAS 40 - Fair Value	294,750	294,760
Rented Assets		**296,399**	**296,550**
Investment property: properties under development	IAS 40 - Cost	51,259	52,657
Investment property: properties under development	IAS 40 - Fair Value	78,400	78,400
Development for Rent		**129,659**	**131,057**
Sub Total Portfolio Rented/for Rent		**426,058**	**427,607**
Inventory	IAS 2	18,779	19,006
Investment property: properties under development	IAS 40 - Cost	679	694
Sub Total Portfolio to be sold		**19,458**	**19,700**
TOTAL PORTFOLIO		**445,516**	**447,307**

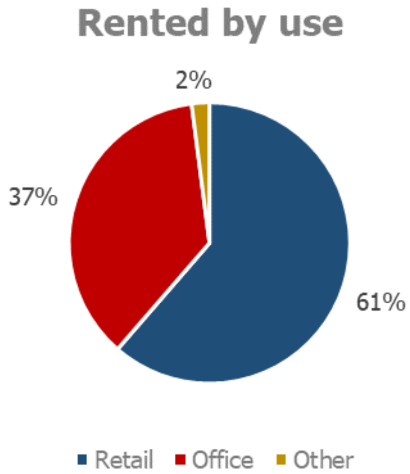
"REVENUE" PORTFOLIO - RENTED ASSETS

At 30 June 2018, the pro-rata share of the Group's revenue properties at market value was € 383.3 million, of which 77% owned directly or through companies and funds within the scope of consolidation, and 23% through joint ventures and other real-estate funds.

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

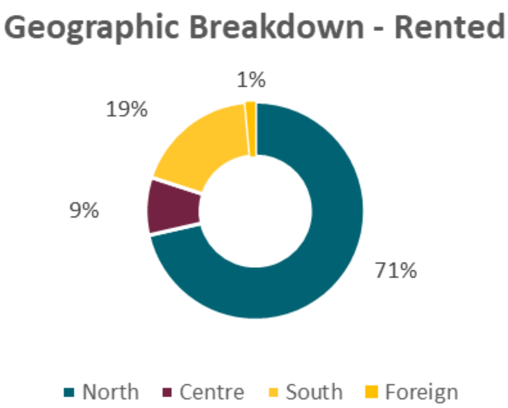
The breakdown by use shows that 60% consists in Retail properties, 37% in Office properties, and the remaining 3% in properties for Other Uses.

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



The duration of the investments in revenue properties 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.

Serravalle Scrivia (AL), Serravalle Retail Park – Novipraga SIINQ S.p.A.



Rome, Via Veneziani 56 – Aedes SIIQ S.p.A.

The geographic areas of investments in revenue properties are Northern Italy (72%), Southern Italy (18%), and Central Italy (9%), plus 1% abroad. The leverage on revenue properties included in the consolidated financial statements averaged 35.9%, well below the targets set by the Group for the core investments of the SIIQ model.

REVENUE PORTFOLIO - DEVELOPMENT FOR RENT

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

Serravalle Retail Park, Serravalle Scrivia (AL) - Novipraga SIINQ S.p.A.

On 14 June 2018, Phase C of the Serravalle Retail Park was inaugurated to the public.
Thanks to the opening of Phase C, the Serravalle Retail Park has reached a total GLA of about 40,000 m^2, an occupancy rate of about 80% and annual rents totaling about € 4.3 million. Serravalle Retail Park straddles the municipalities of Serravalle Scrivia (AL) and Novi Ligure (AL) in 3 phases, all owned by Aedes through its subsidiary Novipraga SIINQ S.p.A.
Phase C in particular covers about 12,000 m^2 of GLA and consists of 9 new stores, a craft area, a Food Court with 8 units that expands the range of restaurants available at the retail park, areas for children and relaxation and over 600 new parking spaces in a shopping center that already hosts the main players in the retail sector, rounding off the 'food & shopping' experience offered by the complex as a whole. Inside the Food Court, a 'Digital Smart Square' has been created for interactive use by customers of the retail park. It consists of a 9 m^2 screen that can be used for games, free Wi-Fi, an area for charging personal devices, plus the highest circular digital totem display in Europe, with a screen that can be used for video projection, music and product promotion.

At 30 June 2018, the market value of the pro-rata share of the Group's investments in Properties under development amounted to approximately € 131.0 million, all held by the Group.
The leverage is on average lower than the rest of the portfolio and stands at 18.2%.

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

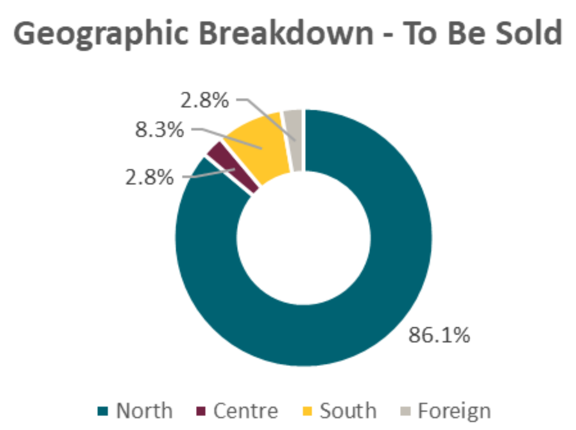
ASSET	SPV	LOCATION	INTENDED USE	PLANNED TOWN-PLANNING BUILDING CAPACITY (m²)	ADMINISTRATION AND IMPLEMENTATION STATUS
Serravalle Outlet Phase 7	Pragaundici SIINQ S.p.A.	Serravalle S. (AL)	Commercial	4,510	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial licences obtained. Positive outcome of environmental audit. Process for obtaining building permits completed.
Roero Retail Park - Phase C	Aedes SIIQ S.p.A.	S. Vittoria d'Alba (CN)	Commercial	6,396	Master plan approved. Executive town-planning tool approved. Town-planning agreement concluded. Commercial 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

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

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

At 30 June 2018, the market value of the Group's pro-rata share of the Portfolio to be sold stood at € 45.9 million, 42% of which held directly and through subsidiaries, and the remaining 58% held through joint ventures and real-estate funds. The average leverage on the Portfolio to be sold included in the consolidated financial statements was 36.3%.



Serravalle Scrivia (AL), Cascina Nuova – 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.

2.10 SIIQ legal and regulatory framework

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

SUBJECTIVE REQUIREMENTS

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

STATUTORY REQUIREMENTS

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

INVESTMENT STRUCTURE REQUIREMENTS

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

OBJECTIVE REQUIREMENTS

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

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

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

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

3. leverage at a Group level of up to 65% of the value of the property assets; leverage at an individual level of up to 80% of the value of the property assets

The above limits can be exceeded in the event of extraordinary circumstances or beyond the control of the Company. Unless otherwise in the interest of the Shareholders and/or the Company, these limits shall not be exceeded for more than 12 months.

2.11 Main risks and uncertainties

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

• Strategic risks

MARKET RISK

Market risk is the possibility that changes in the general performance of the economy, in the property market and in exchange rates may adversely affect the value of assets, including property assets, liabilities or expected cash flows.
The Group monitors the general performance of the economy through appropriate research and analyzes the performance of the property market every six months. The Group has a suitable strategy for diversifying its property portfolio, taking into account both geographic area and asset type. Additionally, the Group's strategy is mainly focused on high-quality assets located in major urban centres or leading business areas that have demonstrated high rental potential even during negative market cycles, due to demand being less volatile than for smaller assets in secondary cities.
To reduce vacancy risk, the Group markets to premium tenants, with long-term leases including appropriate safeguards. The risk of failing to re-lease vacant spaces is mitigated by the high quality of the Group's property assets.

• Operating risks

CREDIT RISK

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

LEASE RISK

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

RISKS ARISING FROM THE USE OF THE SERVICES OF CONSTRUCTION COMPANIES

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

OCCUPATIONAL HEALTH AND SAFETY RISK AND ENVIRONMENTAL RISK

The Aedes Group has taken all the necessary steps to safeguard health in the workplace, as required by law. For the purposes of the regulations, in 2017 no such accidents occurred as to involve serious or extremely serious injuries in the workplace, or deaths.
The risks related to the occurrence of events that may cause effects on the environment or on the health of the population in the areas of operation of the Group are under the spotlight of public regulators and are the object of increasingly stringent legislation. In the year under review, the Aedes Group caused no damage to the environment for which it was found guilty, nor was it imposed fines or penalties for environmental offences or damage.
The Company is strongly committed to preventing such risks and has adopted management systems capable of preventing and documenting the management approach to these issues.
Additionally, the Company pays special attention to the aspects governing administrative, safety and environmental liability related to the risk of the perpetration of offences as set out in Legislative Decree 231/01. For further information, reference should be made to the two sections in the Sustainability Report: "3.1 Aedes Group approach to sustainability" and "3.4 Responsibility towards people".

- ## Compliance risks

The risk pursuant to Legislative Decree 231/01 is that the Company may incur penalties related to the regulations governing the liability of legal entities in the perpetration of offences pursuant to Legislative Decree 231/01.
In order to reduce such risk, the Company has adopted the "Organizational Model" or "Model 231", divided into a General Section, which presents targets, structural guidelines and implementation procedures of the Organizational Model, and a Special Section that provides an overview of the offences pursuant to Legislative Decree 231/01 considered relevant as a result of risk assessment, establishes rules of conduct for Model 231 recipients, and sets standards for the preparation of the procedures in the business areas involved.
The Company has also drawn up a Code of Ethics that applies to the entire Group staff, who are committed to comply with and enforce the principles of the Code as part of their duties and responsibilities.
The Company has additionally appointed a Supervisory Body with autonomous powers of initiative and control, tasked with overseeing the effectiveness, adequacy, operation and compliance with the Organizational Model, also seeing to its constant updating.
For further information, reference should be made to the two sections in the Sustainability Report: "3.1 Aedes Group approach to sustainability", presented in the financial statements for the year ended 31 December 2017, as well as to the Report on corporate governance and ownership structure for 2017 prepared pursuant to art. 123-bis of the TUF.

REGULATIONS FOR LISTED COMPANIES

The Company has the status of an issuer of securities listed on a regulated market and is, therefore, subject to specific regulations imposed by operational and oversight bodies.
The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. Specifically, Legal Counsel and Investor Relations watch over the obligations towards supervisory and market management authorities, handling the market disclosure process. This process, which requires close coordination with the internal departments for the identification, verification and communication of administration, accounting and management data and information, is carried out in compliance with specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Financial Reporting Manager.

LIABILITY PURSUANT TO LAW 262/05

The risk under Law 262/05 refers to the liability of the Financial Reporting Manager, pursuant to Law 262/05.

In compliance with the regulatory provisions of Law no. 262 of 28 December 2005, "Investment Law", the Company has adopted an internal administrative-accounting control system over financial reporting, with the purpose of (i) ascertaining that the Internal Control System currently in place is able to provide reasonable certainty on the true and fair view of income statement, balance sheet and cash flow information submitted; (ii) implementing adequate administrative-accounting procedures for the preparation of the financial statements and consolidated financial statements, as well as any other disclosure of a financial nature; (iii) guaranteeing the effective application of the administrative and accounting procedures prepared over the period to which the above documents refer.

TAX RISK - SIIQ REGIME REQUIREMENTS

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

In light of the financial position and results of operations of the Parent Company at 30 June 2018, the asset and profit requirements have both been met. Regarding the asset test, in fact, the value of properties and areas owned and to be leased represents over 80% of the total asset value; regarding the profit test, the amount of revenue generated by the lease of property held through ownership or other property rights, and of gains on the sale of property intended for leasing represents over 80% of the positive components of the income statement.

- ## Financial risks

INTEREST RATE RISK

The Group's exposure to interest rate risk originates mainly in medium and long-term financial payables. Floating-rate payables expose the Group to a cash flow risk, while fixed-rate payables expose the Group to a fair value risk.
The Aedes Group's exposure to risk originates mainly in payables indexed to a floating market rate, with a resulting risk of cash flow fluctuations, since the changes in fair value are not booked in the income statement and do not present cash flows that are subject to market conditions.
Interest rate risks can be reduced by concluding derivative contracts. The instruments generally used are "plain vanilla" or "step-up" interest rate swaps, which convert the floating rate into a fixed rate, and/or caps, which set a cap on the interest rates payable by the Company, and/or collars, namely instruments represented by the purchase of a cap and sale of a floor, which set a floor and a cap on interest rates payable by the Company, allowing it to maintain a floating rate within the set range.
A derivative instrument is chosen by analyzing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

In order to reduce the Group's overall exposure to interest rate risk:

(i) the Company concluded a derivative contract on 4 November 2015 with the following characteristics:

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

It should be noted that the instrument is not tied to a specific loan, but has the purpose of reducing the risk of an increase in interest rates on the Group's overall exposure. Accordingly, any changes in the period will be recorded in the income statement as period adjustments to fair value.

(ii) the subsidiary Novipraga SIINQ S.p.A. concluded a derivative contract on 14 February 2018 with the following characteristics:

Type	Interest Rate Swap with Floor
Effective date	29.12.2017
Maturity	18.12.2022
Notional amount	€ 32 million, in repayment
Floating Rate	Euribor 6 months, act/365, half-year
Strike Rates	0.5965%
FLOOR strike	-2.75%

It should be noted that the instrument is tied to a specific loan and has the purpose of reducing the risk of an increase in interest rates relating to the loan taken out by the subsidiary Novipraga SIINQ S.p.A. on 18 December 2017. Accordingly, any changes in the period will be recorded in equity.

The notional amount of subscribed derivatives is equal to approximately 41.9% of the Group's gross financial debt at 30 June 2018.

A € 30 million bond with a 5% fixed rate was also issued in late December 2017. Overall, therefore, the portion of debt exposed to interest rate risk stands at 43%.

EXCHANGE RATE RISK

At 30 June 2018, the Group is not subject to exchange rate risk, since it has no exposure to currencies other than the Euro.

LIQUIDITY RISK

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

In identifying the criteria to be used for the preparation of these Financial Statements, the Company/Group has taken account of cash flows from operations and financial commitments affecting all Group companies for a period of 12 months from the date of the forthcoming approval of the financial statements for the year under review, including the planned investing activities and forthcoming maturity of specific loan agreements currently in place.
Based on the requirements arising from the financial budget, the Company has identified the main funding sources, deriving mainly from:

a. refinancing;
b. disposal of certain assets;
c. the rescheduling of a number of lines with short-term maturities.

Based on the information and the documentary evidence available at the date of preparing the Half-Year Report at 30 June 2018, and on the progress of the initiatives currently in place with regard to the above funding loans, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the financial budget. The Group's liquidity situation at the end of the twelve-month period is expected to be positive, despite acquisitions and investments in existing properties, to be financed using credit, via the market and/or by disposing of existing assets during the year. Accordingly, the Directors believe there are no uncertainties on the Company and Group's ability to meet their current and prospective financial obligations in the foreseeable future.

• Main outstanding disputes and tax audits

Information on the main disputes and tax audits involving Group companies pending at 30 June 2018 is found below. With regard to these main and other minor disputes, the Group has made additions to the provisions for risks where it believes it will probably lose the case.

MAIN DISPUTES AS DEFENDANT

Fih dispute

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

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

In May 2014, Fih, again with regard to the events that led to its exit from the shareholder structure, filed an arbitration proceeding in Milan (the "Second Arbitration") against Pragacinque S.r.l. (now Aedes SIIQ S.p.A.) regarding the Framework Agreement concluded by the latter and the trust companies Cofircont Compagnia Fiduciaria S.p.A. and Timone Fiduciaria S.p.A. in January 2007 for the purpose of acquiring a share in the capital of Satac. In connection to the Second Arbitration, in May 2014 Fih also filed an appeal with the Milan Court against Pragacinque for the court-ordered seizure of 55.15% of Satac and for the attachment of Pragacinque assets. With the decision rendered on 12 June 2014, the Court of Milan - dismissing the court-ordered seizure and considering groundless the requirement of the *periculum in mora* relating to the other measures requested - dismissed the above appeal by Fih and ordered it to pay the legal expenses to Pragacinque.

With regard to the Second Arbitration, the Arbitration Board ruled on 23 May 2016 that Pragacinque had failed to fulfil its obligation on the capitalization of Satac SIINQ S.p.A. as set out in the above Framework Agreement, ordering the Company to pay damages to Fih, in the amount - determined on an equitable basis and having regard to the contributory negligence of Fih - of € 2,093,000.00 plus legal interest, apportioning legal expenses. By writ of appeal against the arbitration award under art. 827 and ensuing articles of the Code of Civil Procedure, served on 27 January 2017, Fih summoned Aedes SIIQ S.p.A. before the Court of Appeal of Milan, requesting to establish and declare the invalidity of the award. Aedes filed an appearance by lodging its response on 3 May 2017, requesting dismissal of all the claims raised by Fih with its own appeal. At the first hearing held on 30 May 2017, the Panel, deeming any discussion unnecessary, adjourned the proceedings on 11 April 2018 for the closing arguments. At the last hearing, held following adjournment on 18 April 2018, the Panel referred the case for decision and assigned the parties the time limits for filing their closing briefs and observations. Within the set time limits, Aedes and Fih filed their closing briefs and observations.

The above proceedings brought by Fih fall into a general context of conflict with said company, in which most recently Fih has brought yet another action (alongside a citizen of Caselle Torinese) before the Regional Administrative Court of Piedmont against the Municipality of Caselle and SATAC SIINQ S.p.A. for the annulment of the documents that led to the signing of the Town-Planning Agreement to implement the Detailed Plan as regards Sub-Portion A-B of the ATA Area. On 1 December 2017, Satac SIINQ S.p.A. appeared before the Regional Administrative Court (TAC), asking it to declare the appeal inadmissible, unacceptable and, in any event, to reject the appeal on its merits.
Based on the legal opinions rendered on the dispute, the Group considers it possible, but unlikely, to lose the case.

RFI dispute
Retail Park One S.r.l. filed an appeal with the Piedmont T.A.R. (Regional Administrative Tribunal) against the Municipality of Serravalle Scriva - RFI S.p.A. - Italferr and the Ministry of Infrastructure and Transport, through notice also to Cascina Praga SIINQ S.p.A., on the partial annulment, prior to the suspension/granting of precautionary measures, of building permit no. 3648 of 14 April 2016 (Serravalle Retail Park Phase A), only as regards the requirements therein, including the delivery of a bank/insurance surety on first demand in favour of RFI S.r.l.. With the decision rendered on 28 July 2016, the Piedmont T.A.R dismissed the suspension request by Retail Park One S.r.l., which then filed a cautionary appeal against the dismissal order. At the hearing held on 19 January 2017, the Council of State upheld the cautionary appeal and, by order no. 167/2017, suspended the decision on the building permit relating to the delivery of a bank/insurance surety on first demand, without prejudice to the other decisions.
The final hearing for oral arguments on the appeal, initially set on 20 September 2017, was adjourned to 13 June 2018 and then further adjourned to 30 January 2019.
Based on the legal opinions rendered on the dispute, the Group considers it possible, but unlikely, to lose the case.

MAIN TAX AUDITS AND DISPUTES

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

On 10 November 2011, Pragaquattro Park S.r.l. (now Pragaquattro Center SIINQ S.p.A.) received an assessment notice for 2006 VAT, issued by the Revenue Agency - Provincial Office of Alessandria. The assessment is the result of a tax audit performed on 24 March 2011 by officials of the Fraud Protection

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

On 23 February 2012, Novipraga S.r.l. and Cascina Praga S.r.l., later renamed Novipraga SIINQ S.p.A. and Cascina Praga SIINQ S.p.A. (the latter now merged into Aedes SIIQ S.p.A.), received two assessment notices for 2007 IRAP and 2007 IRES issued by the Revenue Agency - Provincial Office of Alessandria. The notices are the result of the so-called "shell companies" issue, pursuant to art. 30 of Law 724/1994. On 20 July 2012, the companies filed an appeal. On 13 March 2017, the hearing for the first instance ruling was held; with ruling 147/2017, the Ex Parte Expert Witness of Alessandria upheld the combined challenges and ordered the Agency to pay the costs of the proceedings in the amount of € 3,500. The Revenue Agency filed an appeal on 2 January 2018. The companies appeared before the court, requesting rejection of the encumbrance.

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

On 27 June 2018, Aedes SIIQ S.p.A. received a notice for the adjustment and settlement of higher mortgage and land registry tax regarding the purchase in 2016 of the Parco de' Medici complex in Via Veneziani, Rome. The Company intends to dispute the notice, since in the deed of sale, tax was paid based on a value higher than the purchase price and in line with the market value.

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

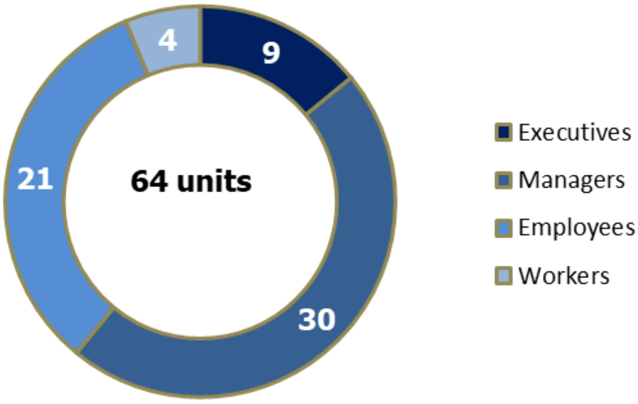
On 12 October 2017, Pragaotto S.r.l. and Aedes SIIQ S.p.A. (the latter jointly and severally liable) received an assessment notice for 2012 IRES issued by the Revenue Agency - Provincial Office of Alessandria. Additionally, on 17 October 2017, Pragaotto S.r.l. received an assessment notice for 2012 IRES and 2012 IRAP. The notices stem from the so-called "shell companies" issue, pursuant to art. 30 of Law 724/1994, and follow an invitation served by the Office on 22 September 2014, requesting clarification on the reasons for the exclusion of the verification of operations. The negotiated settlement of the tax assessment having failed, the companies have filed an appeal. On 4 May 2018, the Revenue Agency filed its counter-arguments. The hearing, initially set on 19 June, was adjourned, upon the

Agency's request, to 16 October 2018. For the sake of completeness, it should be noted that on 28 December 2017, the Revenue Agency - Provincial Office of Alessandria filed a Motion for the Adoption of Precautionary Measures pursuant to art. 22, paragraphs 1, 2 and 3 of Legislative Decree 472/97 and art. 27, paragraphs 5, 6 and 7 of Decree-Law 185/08, converted with amendments by Law 2/09, in relation to the tax assessment notices that had been issued. The company has filed defensive pleadings against this motion, holding that there is no *prima facie* case and no *periculum in mora*. Following the hearing on the Motion for the Adoption of Precautionary Measures held on 19 March 2018, the Provincial Tax Commission of Alessandria upheld the company's defense and rejected the Revenue Agency's request to establish a mortgage on the properties, ordering it to reimburse court costs.

2.12 Headcount and organizational structure

At 30 June 2018, the Aedes Group counted 64 employees, up by 3 units versus 31 December 2017. The situation at 30 June 2018 is shown below.

	Total Group			F					M				
	30/06/2018	31/12/2017	Δ	30/06/2018	% on Total	31/12/2017	% on Total	Δ	30/06/2018	% on Total	31/12/2017	% on Total	Δ
Executives	9	9	+0	4	44%	4	44%	+0	5	56%	5	56%	+0
Managers	30	29	+1	12	40%	12	41%	+0	18	60%	17	59%	+1
Employees	21	19	+2	12	57%	12	63%	+0	9	43%	7	37%	+2
Workers	4	4	+0	0	0%	0	0%	+0	4	100%	4	100%	+0
TOTAL	**64**	**61**	**+3**	**28**	**44%**	**28**	**46%**	**+0**	**36**	**56%**	**33**	**54%**	**+3**



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

Personnel by age group			
	30/06/2018	31/12/2017	Δ
25/29	2	2	+0
30/34	7	8	(1)
35/39	18	18	+0
40/44	15	11	+4
45/49	10	10	+0
50/54	5	8	(3)
55/59	7	4	+3
Total	**64**	**61**	**+3**

Personnel by seniority			
	30/06/2018	31/12/2017	Δ
0/5	32	28	+4
6/10	11	16	(5)
11/20	19	15	+4
21/30	2	2	+0
Total	**64**	**61**	**+3**

2.13 Corporate governance and direction and coordination activities

Information on the corporate governance system of Aedes SIIQ S.p.A. is shown in the Report on Corporate Governance and Ownership Structure, approved by the Board of Directors at the Meeting held on 14 March 2018 for the approval - among other things - of the draft financial statements and the consolidated financial statements at 31 December 2017. The Report provides a description of the corporate governance system adopted by the Company and its concrete terms of participation in the Corporate Governance Code for Listed Companies prepared by Borsa Italiana S.p.A., in compliance with the requirements under art. 123 bis of Legislative Decree no. 58 of 28 February 1998.
The Report - to which reference is made - has been published in accordance with the procedures provided by law and the regulations in force, and is available at the registered office, on the Company website www.aedes-siiq.com, and on the authorized dissemination and storage mechanism 1Info at www.1info.it.
The following is a summary of the key features of the corporate governance of the Company.

• Direction and Coordination Activities

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

• Traditional or "Latin" Corporate Governance System

The corporate governance of Aedes SIIQ S.p.A. is based on the traditional system, the so-called "Latin model"; the company bodies are:

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

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

The Corporate Governance system represents the set of standards and behavioural guidelines adopted by Aedes SIIQ to ensure the efficient and transparent operation of the governing bodies and the company's control systems. Aedes SIIQ, in developing its traditional governance structure, has adopted the principles and criteria recommended by the Corporate Governance Code for Listed Companies issued by Borsa Italiana.

- The Bodies

BOARD OF DIRECTORS

The Board of Directors currently in office was appointed by the Shareholders' Meeting held on 27 April 2018, which set the total number of Directors at 9 and established a three-year term of office, therefore, until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2020.
The Shareholders' Meeting held on 27 April 2018 appointed the Board of Directors in the persons of: Carlo Alessandro Puri Negri, Benedetto Ceglie, Giuseppe Roveda, Alessandro Gandolfo, Giacomo Garbuglia, Adriano Guarneri, Annapaola Negri-Clementi, Rosanna Ricci and Serenella Rossano.

The Shareholders' Meeting appointed Carlo Alessandro Puri Negri as Chairman of the Company.

At its Meeting on 27 April 2018, the Board of Directors renewed its internal Committees, which are made up as follows:
(i) the Control, Risk and Related Party Transactions Committee is made up of three non-executive and independent Directors: Rosanna Ricci (Chairman), Annapaola Negri-Clementi and Serenella Rossano;
(ii) the Remuneration and Appointments Committee is made up of three non-executive and independent Directors: Rosanna Ricci (Chairman), Annapaola Negri-Clementi and Serenella Rossano;
(iii) the Finance and Investment Committee is made up of Directors Giacomo Garbuglia (Chairman), Annapaola Negri-Clementi and Adriano Guarneri.

The Meeting of the Board of Directors held on 9 May 2018 appointed Benedetto Ceglie as Vice Chairman and Director in charge of the internal control and risk management system, and confirmed Giuseppe Roveda as Chief Executive Officer.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 27 April 2018 for a three-year term, until the date of approval of the financial statements for the year ending 31 December 2020.
The Board of Statutory Auditors is composed as follows: Cristiano Agogliati (Chairman), Roberta Moscaroli and Philipp Oberrauch, Standing Auditors, Fabrizio Capponi, Laura Galleran and Luca Angelo Pandolfi, Alternate Auditors.
Art. 18 of the Company By-laws is intended to ensure that the Chairman of the Board of Statutory Auditors is appointed by the minority, drawn from the list obtaining the second highest number of votes. The Chairman of the Board of Statutory Auditors Cristiano Agogliati and the Alternate Auditor Luca Angelo Pandolfi were drawn from the list submitted by the minority shareholder Itinera S.p.A., while the other Statutory Auditors were drawn from the list submitted by the shareholder Augusto S.p.A..

INDEPENDENT AUDITORS

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

2.14 Other information

• Research & Development

The Group companies did not carry out, strictly speaking, any research and development activities in first half 2018.

• Transactions between Group companies and related parties

The transactions generally undertaken by the Aedes Group with related parties, namely Aedes subsidiaries, joint ventures and associates (so-called "Intragroup"), and transactions with other related parties other than Intragroup (so-called "Other Related Parties"), consist mainly in administrative, property and technical services conducted at normal market conditions, in addition to the loans granted by Group companies to their related companies, which bear interest at rates generally applied to similar transactions.
Transactions with related parties were carried out and are carried out at market conditions in compliance with the regulations specifically adopted by the Company.
In first half 2018, the Company reported net costs of € 199 thousand, arising from transactions with other related parties, mainly for property services on a number of development projects and for lending transactions undertaken by the Parent Company.
The effects of transactions with related parties are shown in the Statement of Financial Position, the Income Statement and in the relevant explanatory notes.
Dealings with Group companies and other related parties show no atypical and/or unusual transactions during the reporting period.

• Atypical or unusual transactions

In first half 2018, no atypical and/or unusual transactions were carried out by the Group[14].

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

Following effective entry into force of EU General Data Protection Regulation 679/2016, Aedes has taken the necessary steps to achieve compliance with the regulations in force. Along this path, Aedes will take the technical, organizational and procedural steps required to guarantee compliance with the principles and obligations set out in the Regulation, and will continue to implement the necessary measures to comply with the organizational requirements under Legislative Decree no. 196 of 30 June 2003, still pending formal repeal. Aedes will monitor regulatory developments in order to assess further compliance activities. In compliance with both regulations in effect, Aedes undertakes to identify any new risks that may arise regarding confidentiality, integrity and availability of personal data, to oversee the status of previously identified risks, to assess the effectiveness and efficiency of the security measures taken to mitigate identified risks, and to draw up all the necessary documentation in this regard

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

Mention should be made that, pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, the Meeting of the Board of Directors of the Company held on 2 August 2012 resolved to make use of the derogation under art. 70, par. 8 and art. 71, par. 1-bis, of Consob Regulation 11971/99 (as subsequently amended and supplemented) as from the date of their entry into force (6 August 2012).

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

2.15 Business outlook

In second half 2018, the Group will continue to divest part of its non-strategic or non-value added portfolio, gradually refinance its property portfolio and refurbish and enhance its portfolio, in order to improve occupation and performance indicators, to the benefit also of future financial years. Further investment activities are, therefore, planned on the scope of the properties already in its portfolio.

Concurrent to the publication of the consolidated half-year report (2 August 2017), the Company also issued its guidance to 2023 on macro-investment and performance targets. These objectives remain basically 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.

Milan, 1 August 2018

For the Board of Directors

The Chief Executive Officer
Giuseppe Roveda

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

3.1 Consolidated statement of financial position[15]

	Note	30/06/2018	of which related parties	31/12/2017	of which related parties
ASSETS					
Non-current assets					
Investment property	1	426,735		430,123	
Other tangible fixed assets	2	1,557		2,271	
Intangible fixed assets	3	57		72	
Investments booked at equity	4	49,438		40,254	
Deferred tax assets	5	6,240		6,030	
Financial receivables	6	11,912	11,842	12,576	12,502
Trade and other receivables	7	931		636	
Total non-current assets		**496,870**		**491,962**	
Current assets					
Inventory	8	19,590		50,158	
Trade and other receivables	7	12,111	1,307	21,592	3,132
Financial receivables	6	0		300	300
Derivative financial instruments	9	15		45	
Cash and cash equivalents	10	16,401	28	23,241	9,371
Total current assets		**48,117**		**95,336**	
TOTAL ASSETS		**544,987**		**587,298**	

	Note	30/06/2018	of which related parties	31/12/2017	of which related parties
EQUITY					
Equity attributable to the owners of the parent					
Share capital		212,945		212,945	
Treasury shares		(39)		(14)	
Fair value and other reserves		51,371		51,830	
Retained earnings/(losses carried forward)		47,476		38,777	
Profit/(Loss)		86		9,663	
Total equity attributable to the owners of the parent	11	**311,839**		**313,201**	
Equity attributable to non-controlling interests	12	**(499)**		**(385)**	
TOTAL EQUITY		**311,340**		**312,816**	
LIABILITIES					
Non-current liabilities					
Payables to banks and other lenders	13	135,213	15,599	174,227	15,558
Derivative financial instruments	9	618		0	
Deferred tax liabilities	5	3,760		3,709	
Payables for severance indemnity	14	1,144		1,073	
Provisions for risks and charges	15	5,046		5,069	
Trade and other payables	16	836		434	
Total non-current liabilities		**146,617**		**184,512**	
Current liabilities					
Payables to banks and other lenders	13	60,366	94	64,743	99
Tax payables	17	298		731	
Trade and other payables	16	26,078	1,493	24,213	4,786
Derivative financial instruments	9	288		283	
Total current liabilities		**87,030**		**89,970**	
TOTAL LIABILITIES		**233,647**		**274,482**	
TOTAL LIABILITIES AND EQUITY		**544,987**		**587,298**	

[15] (in Euro thousands)

3.2 Consolidated income statement[16]

INCOME STATEMENT	Note	30/06/2018	of which related parties	30/06/2017	of which related parties
Revenue from sales and services	18	17,645	(57)	17,498	152
Other revenue	19	230	21	497	133
Change in inventory	20	(4,576)		(1,661)	
Costs for raw materials and services	21	(6,875)	(267)	(12,804)	(6,314)
Personnel expense	22	(2,858)	(57)	(2,618)	(49)
Other operating costs	23	(2,246)	0	(1,654)	12
Amortization, depreciation and impairment losses	24	(941)		(307)	
Fair value adjustments	24	5,372		7,881	
Write-downs and allocations	24	(285)		(65)	
Share of the result of companies measured at equity	25	(1,071)		(982)	
EBIT		**4,395**		**5,785**	
Financial income	26	302	289	454	313
Financial expense	26	(4,928)	(394)	(2,879)	(89)
Profit before tax		**(231)**		**3,360**	
Tax	27	203		(82)	
Profit/(loss) from continuing operations		**(28)**		**3,278**	
Gains/(losses) after tax from assets and liabilities held for sale	28	0		(421)	
Result		**(28)**		**2,857**	
of which Profit/(Loss) attributable to non-controlling interests		(114)		(340)	
of which Profit/(Loss) attributable to the owners of the Parent		**86**		3,197	

[16] (in Euro thousands)

3.3 Consolidated statement of comprehensive income[17]

	30/06/2018	30/06/2017
COMPREHENSIVE INCOME STATEMENT		
Result for the period	**(28)**	**2,857**
Other items recognized in equity that will be reclassified to the income statement in a subsequent period:		
Hedge accounting of derivatives	(618)	0
Other items recognized in equity that will not be reclassified to the income statement in a subsequent period:		
Actuarial (gains)/losses	-44	30
Total Other Profit/(Loss)	*(662)*	*30*
Total comprehensive profit/(loss)	**(690)**	**2,887**
of which attributable to non-controlling interests	(114)	(340)
of which attributable to the owners of the Parent	(576)	3,227
Earnings per share		
Base	29 n/a	0.01

[17] (in Euro thousands)

3.4 Consolidated statement of changes in equity[18]

	Share capital	Treasury shares	Legal reserve	Other for capital increase	Cash flow hedge reserve	Retained earnings/(losses carried forward)	Result for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	TOTAL
01/01/2017	**212,945**	**(1,455)**	**2,259**	**0**	**0**	**4,847**	**29,107**	**296,408**	**6,953**	**303,361**
Allocation of result for 2016			865			28,242	(29,107)	0		0
Treasury shares held		(7)				(5)		(12)		(12)
Profit/(loss) for the period					0		3,197	3,197	(340)	2,857
Actuarial (gains)/losses						30		30		30
Total comprehensive profit/(loss)						*30*	*3,197*	*3,227*	*(340)*	*2,887*
30/06/2017	**212,945**	**(1,462)**	**3,124**	**0**	**0**	**33,114**	**3,197**	**299,623**	**6,613**	**306,236**

	Share capital	Treasury shares	Legal reserve	Other for capital increase	Cash flow hedge reserve	Retained earnings/(losses carried forward)	Result for the year	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	TOTAL
31/12/2017	**212,945**	**(14)**	**3,125**	**48,705**	**0**	**38,777**	**9,663**	**313,201**	**(385)**	**312,816**
Allocation of result for 2017			159			9,504	(9,663)	0		0
Application of IFRS 9						(761)		(761)		(761)
Treasury shares held		(25)						(25)		(25)
Profit/(loss) for the period							86	86	(114)	(28)
Hedge accounting of derivatives					(618)			(618)		(618)
Actuarial (gains)/losses						(44)		(44)		(44)
Total comprehensive profit/(loss)					*(618)*	*(44)*	*86*	*(576)*	*(114)*	(690)
Change in non-controlling interests' share capital and reserves								0		0
30/06/2018	**212,945**	**(39)**	**3,284**	**48,705**	**(618)**	**47,476**	**86**	**311,839**	**(499)**	**311,340**

[18] (in Euro thousands)

3.5 Consolidated statement of cash flows[19]

	30/06/2018	30/06/2017
Result - Group	86	3,197
Result - Non-controlling interests	(114)	(340)
Net (gains)/losses from the disposal of investments	0	124
Net income from disposal of properties	(2,250)	0
Expense/(income) from investments	1,071	982
Amortization and depreciation	941	307
Fair value adjustment of property assets	(5,372)	(7,881)
Write-down/release of provisions for doubtful accounts and provisions for risks	440	214
Net financial expense/(income)	4,626	2,425
Current and deferred tax for the period	(203)	82
Change in the provision for severance indemnity	(128)	(20)
Change in the provisions for risks and charges	0	17
Cash flows from inventory	4,586	235
Write-down of inventory	90	961
Change in trade and other receivables	4,471	2,775
Change in trade and other payables	6,063	(1,837)
Current and deferred tax payables	(197)	(861)
Income tax paid net of reimbursements	(191)	(299)
Interest (paid)/received	(4,139)	(1,745)
Cash flow from operations	**9,780**	**(1,664)**
(Increases)/Decreases in investment property and other tangible fixed assets	36,404	(44,104)
Increases in intangible investments	(9)	(14)
Cash flows from sale/purchase of investments in subsidiaries	0	(104)
Cash flows from (increase) and decrease in investments	(9,055)	1,005
Change in other financial items	232	212
Cash flow from investing activities	**27,572**	**(43,005)**
Changes in payables to banks and to other lenders	(44,137)	50,638
Cash flow from purchase/disposal of treasury shares	(25)	(12)
IFRS 9 impact on cash and cash equivalents	(30)	0
Cash flow from financing activities	**(44,192)**	**50,626**
Change in net liquidity available	**(6,840)**	**5,957**
Cash and cash equivalents at beginning of period	**23,241**	**12,610**
Cash and cash equivalents at end of period	**16,401**	**18,567**

19 (in Euro thousands)

3.6 Introduction

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

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

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

The Condensed Consolidated Half-Year Financial Statements at 30 June 2018 were approved by the Meeting of the Board of Directors held on 1 August 2018.

• Basis for Preparation

The Condensed Consolidated Half-Year Financial Statements for the period 1 January - 30 June 2018 have been prepared in accordance with the International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and with the provisions issued under art. 9 of Legislative Decree 38/2005. The IFRS also include all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

The Condensed Consolidated Half-Year Financial Statements at 30 June 2018 have been prepared in accordance with IAS 34 on interim financial reporting and with art. 154 ter of the Consolidated Finance Act. IAS 34 allows the preparation of financial statements in a "condensed" form, namely, based on a minimum level of disclosure, which is significantly lower than the International Financial Reporting Standards issued by the International Accounting Standards Board adopted by the European Union (IFRS), where financial statements prepared under IFRS and providing full disclosure have been made previously available to the public. The Condensed Consolidated Half-Year Financial Statements at 30 June 2018 should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017, prepared in accordance with IFRSs.

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

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

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

In preparing the Consolidated Half-Year Financial Statements, the same measurement and consolidation criteria adopted for the Consolidated Financial Statements at 31 December 2017 were used, except for

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

the adoption of the new standards, amendments and interpretations in force as from 1 January 2018.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2018

The following accounting standards, amendments and IFRS interpretations have been applied by the Group for the first time as from 1 January 2018:

- **IFRS 15 - *Revenue from Contracts with Customers*** (published on 28 May 2014 and supplemented with additional clarifications published on 12 April 2016), intended to supersede IAS 18 - *Revenue*, IAS 11 - *Construction Contracts*, and the interpretations IFRIC 13 - *Client Loyalty Programs*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers* and SIC 31 - *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new model for revenue recognition, applicable to all of the contracts concluded with customers, except for those included in the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The basic steps for the booking of revenue pursuant to the new model are:

    - identification of the contract with the customer;
    - identification of the performance obligations included in the contract;
    - pricing;
    - price allocation based on the performance obligations included in the contract;
    - revenue recognition criteria when the entity meets each performance obligation.

  The standard has been applied as from 1 January 2018 and had no impact on the Group's financial statements as specified below.

  Group revenue is broken down into the following macro-classes: (1) property leases; (2) disposal of properties recorded under current assets and investment property (or other non-property assets); (3) revenue from Project & Construction Management activities.

  The measurement and recognition of lease income falls outside the scope of IFRS 15 and is instead governed by IAS 17 "Leases", which will be superseded as from 1 January 2019 by IFRS 16 "Leases". In addition, the lease contracts concluded by the Group do not include providing lessees with services other than pure leasing that might fall within the scope of IFRS 15.

  Properties are sold by notarial deed and the only obligation assumed by the Group concerns the sale of the asset, with no additional obligations. The Group does not provide any guarantees that could be construed as a separate performance obligation. The price of the transaction is fixed and set out in the deed of sale; the Group demands the settlement upon signature, without payment extensions (therefore without significant implicit financial components). Furthermore, no non-monetary consideration or consideration to be paid to the purchaser is envisaged. The timing of recognition of the sale under IAS 18 was already in line with the rules under IFRS 15. Sales are recognized when the sale obligation is performed and the transfer is deemed to have taken place when the purchaser acquires control of the property purchased and sold, meaning the ability to decide on its use and to receive all the implicit material benefits. The date of disposal of investment property is the date on which the purchaser obtains control of the asset. The Group does not dispose of property assets through finance leases or sale with leaseback. Sales are not accompanied by repurchase agreements. These considerations also apply to the disposal of other assets (i.e. wine business) which, however, involve insignificant amounts.

  Revenue from project and construction management activities (not significant at 30 June 2018) is governed by written contracts that explicitly identify the services promised and, therefore, the performance obligations. The contractual consideration is usually fixed. Revenue for services rendered is recognized on the basis of the services actually provided to the customer. For contracts spanning two or more years, revenue is gradually recognized on the basis of the services already provided to the customer as a proportion of the total obligation. Consideration is paid by clients in cash and there is no non-monetary consideration or consideration to be paid to the customer. Payment terms are usually short and therefore there are no significant financial components.

  In view of the above, the introduction of IFRS 15 had no impact on the Group's revenue and results.

- Final version of **IFRS 9 - *Financial Instruments*** (published on 24 July 2014). The document includes the results of the IASB project aimed at superseding IAS 39:
  - it introduces new criteria for the classification and measurement of financial assets and liabilities (together with the assessment of non-substantial changes in financial liabilities);
  - with regard to the impairment model, the new standard requires losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39), using supportable information, available without undue cost or effort, and including historic, current and forecast data;
  - it introduces a new hedge accounting model (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

The Group has adopted IFRS 9 Financial instruments as from 1 January, 2018, using the exemption that allows an entity not to recalculate prior-years' comparative information regarding changes in classification and assessment, including impairment losses. Differences in the carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 are recognized in retained earnings as of 1 January 2018.

The following are the outcomes of the analyses and the impacts arising from the introduction of IFRS 9 on the Group's Consolidated Financial Statements.

Classification and measurement

In detail, the Group performed an in-depth analysis of the financial assets and liabilities to determine the impact from the first-time adoption of IFRS 9, taking into consideration the contractual cash flows of the financial instruments and the Group's business model. Based on the analyses performed, the Group concluded that most of the non-derivative financial assets included in the financial statements are classified under the IFRS 9 category of assets measured at amortized cost.

Impairment

IFRS 9 has introduced the credit risk model for financial assets based on expected credit losses, while IAS 39 uses the incurred losses model. The new "expected credit losses" model (ECL) results in earlier recognition of losses on financial assets with respect to IAS 39. The new model has been applied to assets measured at amortized cost, to those measured at fair value through other comprehensive income other from investments, to commitments to provide loans, to guarantees and to assets deriving from contracts with customers that fall within the scope of IFRS 15.

The Group has accordingly reviewed the rules for determining the deterioration of the credit worthiness of the counterparties and the measurement of expected losses over a 12-month period.

With regard to trade receivables in the trade receivables portfolio held by the various Group companies, the Group has applied the simplified approach which estimates ECL on trade receivables using a provision matrix. Following the analyses performed for determining the expected credit loss, the impact on trade receivables recorded at 31 December 2017 was € 0.5 million (recorded as a balancing entry in retained earnings/losses carried forward).

For the measurement of loans, other receivables, guarantees, and cash and cash equivalents, the Group chose an approach based on the probability of default of the counterparties and the change in the credit risk of the counterparties. The Group determined an impact at 31 December 2017 of € 0.3 million (recorded as a balancing entry in retained earnings/losses carried forward).

Hedge accounting

The aim of the new model introduced by IFRS 9 is to simplify hedge accounting, bringing it closer to the risk management activities and permitting the application of those rules to a high number of financial instruments that could qualify as hedges, as well as risk elements that could qualify as hedged items. The new standard does not cover macro hedges, which are the subject of a separate IASB project.

Two approaches for first-time adoption are permitted under IFRS 9: i) use of the IFRS 9 chapter "General Hedge Accounting Model"; or ii) continued use of the hedge accounting rules under IAS 39 until the time when the IASB and the European Union have endorsed the new macro hedge accounting standard.

The Group has chosen to apply the new rules for hedge accounting introduced by IFRS 9 as from 1 January 2018.

<u>Other aspects of IFRS 9: amendments to liabilities</u>

The accounting treatment of the amendments to financial liabilities that do not result in the derecognition of a liability introduced by IFRS 9 was confirmed by the IASB in July 2017. In these cases, it was established that only one rule for accounting exists that requires the recognition of a profit/loss in the income statement that corresponds to the change made to the amortized cost of the liability subject to amendment. The decision by IASB puts an end to the accounting practice (provided for in IAS 39) of distributing the profit or loss from the change over the contractual period of the changed liability through a prospective adjustment at the original effective interest rate.

Retrospectively applying the accounting clarification, from 1 January 2018, for changes in financial liabilities that do not result in derecognition (as they are not considered material) had no impact on the Group.

- Amendment to **IFRS 2 "*Classification and Measurement of Share-Based Payment Transactions"*** (published on 20 June 2016), which contains a number of clarifications on the accounting for the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with a net settlement feature, and on the accounting for modifications to the terms and conditions of a share-based payment that change the classification from cash-settled to equity-settled. The amendments have been applied as from 1 January 2018. The adoption of this amendment had no effects on the Group's consolidated financial statements.

- **"*Annual Improvements to IFRSs: Cycle 2014-2016*"**, published on 8 December 2016 (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*), which partly supplement existing standards. Most of the amendments have been applied as from 1 January 2018. The adoption of these amendments had no effects on the Group's consolidated financial statements.

- Amendment to **IAS 40** "***Transfers of Investment Property***" (published on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property to or from investment property when there is evidence of a change in use of that property. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity's Management alone is not sufficient. The amendments have been applied as from 1 January 2018. The Group took account of the introduction of the amendment for the purposes of the reclassifications made from property inventory to investment property in first half 2018. Reference should be made to Note 1 explaining the effects of such reclassifications.

- Interpretation **IFRIC 22** "***Foreign Currency Transactions and Advance Consideration***" (published on 8 December 2016). The purpose of the interpretation is to provide guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognized before recognition of the relating asset, expense or income. The document clarifies how an entity has to determine the date of the transaction and, consequently, the spot exchange rate to be used for foreign currency transactions, whose consideration is paid or received in advance. IFRIC 22 has been applied as from 1 January 2018. The adoption of this interpretation had no effects on the Group's consolidation financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORY TO APPLY AND NOT ADOPTED IN ADVANCE BY THE GROUP AT 30 JUNE 2018

- **IFRS 16 - *Leases*** (published on 13 January 2016) is to replace IAS 17 - *Leases* and the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new standard provides a new definition of a lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from service contracts, identifying the following distinguishing factors: identification of the asset, right to replace the asset, right to obtain substantially all economic benefits deriving from use of the asset, and right to direct the use of the asset underlying the contract.
  The standard establishes a single model of recognition and measurement of lease contracts for the lessee, which provides for the underlying asset – including assets underlying operating leases – to be recognized in the statement of financial position as assets, offset against a financial payable. Lessees may elect to not recognize contracts for low-value assets (i.e. lease contracts relating to assets with a value of less than € 5,000) or with a term of 12 months or less. The standard, instead, introduces no material changes for the lessor.
  The standard applies as from 1 January 2019 and the Group has not applied it early. With regard to lease contract payables, apart from a number of immaterial short-term office equipment and company car rentals, the Group has concluded a lease contract for a property located in Milan, which will be used as the Group's head office starting from the fourth quarter of 2018. Lease rent payables under these contracts up to initial maturity amount (non-discounted values) to approximately € 3.7 million. The directors do not expect the introduction of the standard to have a material impact on the Group's booked equity and on the result for the year. However, a reasonable estimate cannot be given on the impact until the Group has completed a thorough analysis of the relating contracts. The Group will adopt the standard using the modified retrospective approach without restating the comparative figures.

- Amendment to **IFRS 9** "***Prepayment Features with Negative Compensation"*** (published on 12 October 2017). The document specifies that prepayable instruments may meet the "SPPI" test even if the reasonable additional compensation to be paid in the event of prepayment is a negative compensation for the lender. The amendment applies as from 1 January 2019, but early adoption is allowed. The directors do not expect the Group's consolidated financial statements to be materially affected by the adoption of these amendments.

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

At the date of this Half-Year Financial Report, the competent bodies of the European Union have yet to complete the endorsement process required for the adoption of the amendments and the standards described below.

- On 7 June 2017, the IASB published **IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments***. The document addresses the issue of uncertainty over income tax treatments.
  Under the document, an entity is required to reflect uncertainties in the determination of tax liabilities or assets in the financial statements only when the entity is likely to pay or recover the amount in question. Additionally, the document does not provide for any new disclosure requirements, stressing however that the entity should need to determine whether it will be necessary to provide disclosure on the Management's considerations on uncertainty from the accounting of tax, in accordance with IAS 1.

The directors are currently assessing the possible effects from the adoption of this interpretation on the Group's consolidated financial statements.

- Amendment to **IAS 28** "***Long-term Interests in Associates and Joint Ventures"*** (published on 12 October 2017)". The document clarifies the need to apply IFRS 9, including the requirements on impairment, to other long-term interests in an associate or joint venture to which the equity method is not applied. The amendment applies as from 1 January 2019, but early adoption is allowed. The directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- Document ***"Annual Improvements to IFRSs 2015-2017 Cycle"***, published on 12 December 2017 (including IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements – Remeasurement of previously held interest in a joint operation*, IAS 12 *Income Taxes* - *Income tax consequences of payments on financial instruments classified as equity*, IAS 23 *Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalization*), which acknowledges the amendments to a number of standards in the context of the annual process for their improvement. The amendments apply as from 1 January 2019, but early adoption is allowed. The directors are currently assessing the possible effects from the introduction of these amendments on the Group's consolidated financial statements.

- Amendment to IAS 19 - "***Plan Amendment, Curtailment or Settlement"*** (published on 7 February 2018). The document clarifies how an entity should recognize a curtailment or settlement of a defined benefit plan. The amendments require an entity to update its assumptions and re-measure the net liability or asset arising from the plan. The amendments clarify that after such an event, an entity should use updated assumptions to measure current service cost and interest for the remainder of the reporting period following the event. The amendments apply as from 1 January 2019, but early adoption is allowed. The directors do not expect the Group's consolidated financial statements to be materially affected by the adoption of these amendments.

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

3.7 Financial statements

The statements used at 30 June 2018 are consistent with those prepared for the annual financial statements at 31 December 2017, to which reference is made.

3.8 Consolidation principles and consolidation scope

The consolidation statements used at 30 June 2018 are consistent with those prepared for the annual financial statements at 31 December 2017, to which reference is made.

The Condensed Consolidated Half-Year Financial Statements at 30 June 2018 include the balance sheet and income statement figures of the Parent Aedes and of its direct and indirect subsidiaries.
The companies in which the Parent Company, directly or indirectly, has significant influence, and joint ventures are consolidated at equity.
The list of subsidiaries and companies consolidated at equity are shown in Annex 1.

There were no significant changes in the consolidation scope in first half 2018.

3.9 Valuation Criteria

As mentioned above, the same valuation criteria used in the preparation of the consolidated financial statements at 31 December 2017 (to which reference is made) have been used for the Condensed Consolidated Half-Year Financial Statements.

• Critical estimates and assumptions

The preparation of the Condensed Consolidated Half-Year Financial Statements and the related notes, in accordance with IFRS, requires the Directors to apply accounting standards and methods that, in certain circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic under the relating circumstances, which affect the recognized amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the income statement. It should be noted that the assumptions made on future performance are based on significant uncertainty. Therefore, future results may differ from estimates, and these could require even significant adjustments which cannot be predicted or estimated at this time.
Estimates and assumptions are used mainly in the assessment of the recoverable value of investments, the valuation of investment property and inventory, the recoverability of receivables, the fair value measurement of derivatives and the measurement of provisions for risks and charges.

With particular regard to the valuation of investment property (€ 426.7 million at 30 June 2018) and of property inventory (€ 18.8 million at 30 June 2018), it should be noted that the assessment of fair value, performed with the support of independent experts, derives from variables and assumptions on the future performance, which may vary significantly and thus produce changes - in the book value of properties - which cannot be predicted or estimated at this time.

The main variables and assumptions marked by uncertainty are:
• Net cash flows expected from the properties and relevant timing
• Inflation rates, discount rates and capitalization rates
See Note 32 - IFRS 13 for further information on the methods of determining the fair value of properties and the section "Independent expert appraisals" in the Directors' Report on Operations for information on the selection process of independent experts.

Similar considerations apply to the measurement of investments in associates and joint ventures (€ 39.0 million at 30 June 2018), whose equity reflects the fair value measurement of investment property held.

3.10 Main types of risk

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

• Strategic risks

MARKET RISK

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

• Operating risks

CREDIT RISK

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

LEASE RISK

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

RISKS ARISING FROM THE USE OF THE SERVICES OF CONSTRUCTION COMPANIES

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

• Compliance risks

LIABILITY PURSUANT TO LEGISLATIVE DECREE 231/01

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

For further information, reference should be made to the two sections in the Sustainability Report: "3.1 Aedes Group approach to sustainability", presented in the financial statements for the year ended 31 December 2017, as well as to the Report on corporate governance and ownership structure for 2017 prepared pursuant to art. 123-bis of the TUF.

Regulations for Listed Companies

The Company has the status of an issuer of securities listed on a regulated market and is, therefore, subject to specific regulations imposed by operational and oversight bodies.
The Company pays the utmost attention to compliance with legal and regulatory requirements arising from the listed company status. Specifically, Legal Counsel and Investor Relations watch over the obligations towards supervisory and market management authorities, handling the market disclosure process. This process, which requires close coordination with the internal departments for the identification, verification and communication of administration, accounting and management data and information, is carried out in compliance with specifically defined internal regulations and under the supervision of the Chairman, Chief Executive Officer and the Financial Reporting Manager.

Liability pursuant to Law 262/05

The risk under Law 262/05 refers to the liability of the Financial Reporting Manager, pursuant to Law 262/05.
In compliance with the regulatory provisions of Law no. 262 of 28 December 2005, "Investment Law", the Company has adopted an internal administrative-accounting control system over financial reporting, with the purpose of (i) ascertaining that the Internal Control System currently in place is able to provide reasonable certainty on the true and fair view of income statement, balance sheet and cash flow information submitted; (ii) implementing adequate administrative-accounting procedures for the preparation of the financial statements and consolidated financial statements, as well as any other disclosure of a financial nature; (iii) guaranteeing the effective application of the administrative and accounting procedures prepared over the period to which the above documents refer.

Tax Risk - SIIQ Regime requirements

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

In light of the financial position and results of operations of the Parent Company at 30 June 2018, the asset and profit requirements have both been met. Regarding the asset test, in fact, the value of properties and areas owned and to be leased represents over 80% of the total asset value; regarding the profit test, the amount of revenue generated by the lease of property held through ownership or other property rights, and of gains on the sale of property intended for leasing represents over 80% of the positive components of the income statement.

• Financial risks

INTEREST RATE RISK

The Group's exposure to interest rate risk originates mainly in medium and long-term financial payables. Floating-rate payables expose the Group to a cash flow risk, while fixed-rate payables expose the Group to a fair value risk.
The Aedes Group's exposure to risk originates mainly in payables indexed to a floating market rate, with a resulting risk of cash flow fluctuations, since the changes in fair value are not booked in the income statement and do not present cash flows that are subject to market conditions.
Interest rate risks can be reduced by concluding derivative contracts. The instruments generally used are "plain vanilla" or "step-up" interest rate swaps, which convert the floating rate into a fixed rate, and/or caps, which set a cap on the interest rates payable by the Company, and/or collars, namely instruments represented by the purchase of a cap and sale of a floor, which set a floor and a cap on interest rates payable by the Company, allowing it to maintain a floating rate within the set range.
A derivative instrument is chosen by analyzing the individual investment projects and relevant loans, i.e. assessing the market conditions and the medium-long term strategy.

In order to reduce the Group's overall exposure to interest rate risk:

(i) the Company concluded a derivative contract on 4 November 2015 with the following characteristics:

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

It should be noted that the instrument is not tied to a specific loan, but has the purpose of reducing the risk of an increase in interest rates on the Group's overall exposure. Accordingly, any changes in the period will be recorded in the income statement as period adjustments to fair value.

(ii) the subsidiary Novipraga SIINQ S.p.A. concluded a derivative contract on 14 February 2018 with the following characteristics:

Type	Interest Rate Swap with Floor
Effective date	29.12.2017
Maturity	18.12.2022
Notional amount	€ 32 million, in repayment
Floating Rate	Euribor 6 months, act/365, half-year
Strike Rates	0.5965%
FLOOR strike	-2.75%

It should be noted that the instrument is tied to a specific loan and has the purpose of reducing the risk of an increase in interest rates relating to the loan taken out by the subsidiary Novipraga SIINQ S.p.A. on 18 December 2017. Accordingly, any changes in the period will be recorded in equity.

The notional amount of subscribed derivatives is equal to approximately 41.9% of the Group's gross financial debt at 30 June 2018.

A € 30 million bond with a 5% fixed rate was also issued in late December 2017. Overall, therefore, the portion of debt exposed to interest rate risk stands at 43%.

EXCHANGE RATE RISK

At 30 June 2018, the Group is not subject to exchange rate risk, since it has no exposure to currencies other than the Euro.

LIQUIDITY RISK

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

In identifying the criteria to be used for the preparation of these Financial Statements, the Company/Group has taken account of cash flows from operations and financial commitments affecting all Group companies for a period of 12 months from the date of the forthcoming approval of the financial statements for the year under review, including the planned investing activities and forthcoming maturity of specific loan agreements currently in place.
Based on the requirements arising from the financial budget, the Company has identified the main funding sources, deriving mainly from:

a. refinancing;
b. disposal of certain assets;
c. the rescheduling of a number of lines with short-term maturities.

Based on the information and the documentary evidence available at the date of preparing the Half-Year Report at 30 June 2018, and on the progress of the initiatives currently in place with regard to the above funding loans, there are no significant risks of a possibility of not completing the actions according to schedule and to the procedures set out in the financial budget. The Group's liquidity situation at the end of the twelve-month period is expected to be positive, despite acquisitions and investments in existing properties, to be financed using credit, via the market and/or by disposing of existing assets during the year. Accordingly, the Directors believe there are no uncertainties on the Company and Group’s ability to meet their current and prospective financial obligations in the foreseeable future.

3.11 Events after the reporting period

No significant events took place between 30 June 2018 and the approval by the Board of Directors of the condensed consolidated financial statements.

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

• Assets

NOTE 1. INVESTMENT PROPERTY

	Investment property	Properties under development	Total
Balance at 1/1/2017	**231,849**	**109,539**	**341,388**
Balance at 31/12/2017			
Net book value at 1/1/2017	231,849	109,539	341,388
Increases	56,137	16,710	72,847
Decreases	(1,860)	(3,126)	(4,986)
Fair value adjustment	18,594	2,280	20,874
Net book value at 31/12/2017	**304,720**	**125,403**	**430,123**
Balance at 30/06/2018			
Net book value at 1/1/2018	304,720	125,403	430,123
Increases	11,698	2,150	13,848
Decreases	(48,500)	0	(48,500)
Reclassifications	21,090	4,802	25,892
Fair value adjustment	5,741	(369)	5,372
Net book value at 30/06/2018	**294,749**	**131,986**	**426,735**

The Company's investment property amounted to € 426,735 thousand, down versus the prior year (€ 430,123 thousand).

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

Investment property shows:
- increases of € 11,698 thousand, attributable to investments on properties owned, relating mainly to the Serravalle Retail Park, inaugurated in June 2018;
- decreases of € 48,500 thousand, relating to the disposal of the property in Via Agnello, Milan;
- reclassifications for € 21,090 thousand, of which:
    - € +7,320 thousand from "Inventory" for properties which the Group has decided to keep in its portfolio in order to generate revenue or to develop them for the same purpose; the decision is consistent with the investments made for the construction of infrastructure and works aimed at reorganizing and enhancing such activities.
    - € +13,770 thousand from "Properties under development" following completion of the first phase of the expansion of the Serravalle Retail Park Phase C.1
- fair value adjustments of € 5,741 thousand, of which:
    - € 7,901 thousand from upward adjustments explained below:
        - ✓ € 4,374 thousand from the fair value adjustment of a number of properties and licenses of the Redwood portfolio;
        - ✓ € 1,767 thousand from the fair value adjustment of the two office towers in Via Richard, Milan;
        - ✓ € 996 thousand from the fair value adjustment of a number of properties of the Petrarca Fund;
        - ✓ € 564 thousand from the fair value adjustment of a property in Via S. Vigillio, Milan;
        - ✓ € 200 thousand from other properties.
    - € 2,160 thousand from downward adjustments related mainly to:
        - ✓ € 743 thousand from a number of properties and licences of the Redwood portfolio;
        - ✓ € 626 thousand from a number of properties of the Petrarca Fund;

- ✓ € 300 thousand from Roero Center - Phase B;
- ✓ € 491 thousand from other properties.

"Properties under development" shows:

- increases of € 2,148 thousand, attributable to capitalization on the Serravalle Outlet Village, Caselle Designer Center and La Bollina - Market Place projects.
- reclassifications for a net amount of € 4,802 thousand, of which:
  - € +18,572 thousand from "Inventory" for development projects which the Group has decided to keep in its portfolio and subsequently generate revenue; the decision is consistent with the investments made for the construction of infrastructure and works aimed at enhancing such activities
  - € -13,770 thousand from "Investment property" following completion of the first phase of the expansion of the Serravalle Retail Park phase C.1
- net downward fair value adjustments of € 369 thousand, attributable mainly to the change in fair value of the Caselle Design Center project.

It should be noted that a number of these properties are subject to mortgages securing bank loans, explained in the specific liabilities section. The value of mortgages securing loans relates in many cases to the original amounts of the loans. In the event of sales of portions of properties or properties that are part of portfolios, with subsequent partial repayment of the loans, the mortgages originally registered on the entire properties package can be maintained for the full amount, encumbering only on the residual properties or portions. On the latter's sale, the mortgages are fully cancelled.

NOTE 2. OTHER TANGIBLE FIXED ASSETS

	Specific plant	Industrial and commercial equipment	Other assets	Total
Balance at 1/1/2017				
Historical cost	2,170	2,876	4,357	9,403
Depreciation fund	(2,070)	(841)	(3,684)	(6,595)
Net book value at 1/1/2017	**100**	**2,035**	**673**	**2,808**
Balance at 31/12/2017				
Net book value at 1/1/2017	100	2,035	673	2,808
Change in consolidation scope	(4)	(8)	(5)	(17)
Increases	6	5	44	55
Decreases	0	0	(13)	(13)
Amortization, depreciation and impairment losses	(12)	(419)	(131)	(562)
Net book value at 31/12/2017	90	1,613	568	2,271
Balance at 1/1/2018				
Historical cost	2,172	2,864	4,166	9,202
Depreciation fund	(2,082)	(1,251)	(3,598)	(6,931)
Net book value at 1/1/2018	**90**	**1,613**	**568**	**2,271**
Net book value at 1/1/2018	90	1,613	568	2,271
Increases	0	178	52	230
Decreases	0	0	(27)	(27)
Amortization, depreciation and impairment losses	(6)	(855)	(56)	(917)
Net book value at 30/06/2018	84	936	537	1,557
Balance at 30/06/2018				
Historical cost	2,172	3,042	4,187	9,401
Depreciation fund	(2,088)	(2,106)	(3,650)	(7,844)
Net book value	**84**	**936**	**537**	**1,557**

Other tangible fixed assets amounted to € 1,557 thousand at 30 June 2018 versus € 2,271 thousand at 31 December 2017. The change is attributable virtually to the depreciation charge for the period, which in first half 2018 increased due mainly to the recalculation of the useful life of furniture and facilities at the registered office, following the Company's decision to transfer the office.

NOTE 3. INTANGIBLE FIXED ASSETS

	Other	Total
Balance at 1/1/2017		
Historical cost	954	954
Depreciation fund	(895)	(895)
Net book value at 1/1/2017	**59**	**59**
Balance at 31/12/2017		
Net book value at 1/1/2017	59	59
Increases	49	49
Amortization, depreciation and impairment losses	(36)	(36)
Net book value at 31/12/2017	72	72
Balance at 1/1/2018		
Historical cost	436	436
Depreciation fund	(364)	(364)
Net book value	**72**	**72**
Net book value at 1/1/2018	72	72
Change in consolidation scope	0	0
Increases	9	9
Amortization, depreciation and impairment losses	(24)	(24)
Net book value at 30/06/2018	57	57
Balance at 30/06/2018		
Historical cost	445	445
Depreciation fund	(388)	(388)
Net book value	**57**	**57**

Other intangible fixed assets amounted to € 57 thousand and recorded no significant change versus 31 December 2017.

NOTE 4. INVESTMENTS IN COMPANIES MEASURED AT EQUITY

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

	Amounts at 31/12/2017	Increases	Decreases	Reval. (+) Wr.-down (-)	Amounts at 30/06/2018	% of investment
Investments booked at equity						
Aedilia Nord Est S.r.l.	809	0	0	(572)	237	56.52%
Borletti Group SAM S.A.	181	0	0	0	181	40.00%
Efir S.ar.l. - Dante Retail Fund	20,094		(965)	885	20,014	33.33%
Leopardi Fund	4,832	0	0	(1,346)	3,486	24.39%
Invesco S.A.	2,829	1,020	0	0	3,849	28.57%
Nichelino SCARL	5	0	0	0	5	50.00%
Pragasei S.r.l.	11,499	753	0	409	12,661	50.10%
Serravalle Village SCARL	5	0	0	0	5	50.00%
The Market LP SCA	0	9,000	0	0	9,000	40.00%
Total	**40,254**	**10,773**	**(965)**	**(624)**	**49,438**	

At 30 June 2018, the item amounted to € 49,438 thousand versus € 40,254 thousand at 31 December 2017.

The increases are attributable to capital contributions granted by Aedes SIIQ S.p.A. to:

- Invesco S.A. in the amount of € 1,020 thousand by cash payment;
- Pragasei S.r.l. by waiving the shareholder loan for € 753 thousand;
- The Market LP SCA in the amount of € 9,000 thousand by cash payment.

The decreases refer to the redemption of shares made during the period from the investment in Efir S.ar.l. - Dante Retail Fund.

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

The Dante Retail Fund, wholly-owned by EFIR S.ar.l., has a derivative contract in place with a notional amount of € 37,500 thousand Bullet, fixed rate at 0.12%, with a fair value at 30 June 2018 of € -237 thousand.

Pragasei S.r.l. has the following derivative contracts in place:
- CAP with a notional amount of € 4,213 thousand Bullet, rate 1.5%, concluded on 4 July 2016 and maturity on 27 January 2023, with a fair value at 30 June 2018 of € +13 thousand;
- CAP with a notional amount of € 17,495 thousand Bullet, rate 1.5%, concluded on 17 January 2017 and maturity on 27 January 2023, with a fair value at 30 June 2018 of € +52 thousand;
- CAP with a notional amount of € 4,300 thousand Bullet, rate 1.5%, concluded on 18 July 2017 and maturity on 27 January 2023, with a fair value at 30 June 2018 of € +13 thousand.

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

	Aedilia Nord Est S.r.l.		EFIR S.ar.l - Dante Retail Fund		Leopardi Fund	
	30/06/2018	**31/12/2017**	**30/06/2018**	**31/12/2017**	**30/06/2018**	**31/12/2017**
Net asset	6,378	6,292	57,552	56,996	14,292	19,811
Elimination of intra-group profit	(4,066)	(4,006)	0	0	0	0
Adjustment from measurement at equity of subsidiaries	(1,546)	(508)	2,496	3,291	0	0
Other adjustments	(347)	(347)	0	0	0	0
% held	56.52%	56.52%	33.33%	33.33%	24.39%	24.39%
Carrying amount	**237**	**809**	**20,014**	**20,094**	**3,486**	**4,832**

	Pragasei S.r.l.	
	30/06/2018	**31/12/2017**
Net asset	2,541	687
Fair value adjustment of property assets net of tax effect	22,697	22,232
Other adjustments	34	34
% held	50.10%	50.10%
Carrying amount	**12,661**	**11,499**

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

NOTE 5. DEFERRED TAX

	30/06/2018	**31/12/2017**
Deferred tax assets		
- Prepaid tax recoverable within 12 months	0	0
- Prepaid tax recoverable after 12 months	6,240	6,030
	6,240	**6,030**
Deferred tax liabilities		
- Deferred tax recoverable after 12 months	(3,760)	(3,709)
	(3,760)	**(3,709)**
Total	**2,480**	**2,321**

Deferred tax assets and liabilities amounted to a net positive € 2,480 thousand at 30 June 2018.

The table below shows the breakdown of deferred tax:

	30/06/2018			31/12/2017		
	Amount of temporary differences	tax effect (rate%)	TOTAL	Amount of temporary differences	tax effect (rate%)	TOTAL
Prepaid tax:						
Prepaid on tax losses	25,908	0.24	6,218	25,033	0.24	6,008
Other residual	92	0.24	22	92	0.24	22
Non-current	**26,000**		**6,240**	**25,125**		**6,030**
Total	**26,000**		**6,240**	**25,125**		**6,030**
Deferred tax:						
Difference between book value and tax value of inventory and investment property	(4,462)	0.279	(1,245)	(4,462)	0.279	(1,245)
Difference between book value and tax value of investments in joint ventures	(10,450)	0.24	(2,508)	(10,238)	0.24	(2,457)
Other residual	(29)	0.24	(7)	(29)	0.24	(7)
Non-current	**(14,942)**		**(3,760)**	**(14,729)**		**(3,709)**
Total	**(14,942)**		**(3,760)**	**(14,729)**		**(3,709)**
Net prepaid/(deferred) tax	**11,058**		**2,480**	**10,396**		**2,321**

The Group has tax loss carryforwards, as emerging from the 2017 National and Worldwide Consolidation Form, totaling € 211,978 thousand. In first half 2018, the Group's prior-years' tax losses are estimated at approximately € 212,053 thousand, deriving mainly from the tax loss from taxable operations of Società Agricola la Bollina S.r.l. and Pragaotto S.r.l. and from the profit of Pragasei S.r.l..

The Group has booked only a minimal amount of deferred assets for tax losses, also in consideration of the recommendations of Consob communication no. 0003907 of 19 January 2015, which states that the booking of a deferred tax asset for tax losses can be recognized "to the extent that future taxable profit will likely be available against which tax losses can be utilized", as provided by IAS 12.

As a result, in 2018 too, the Group has conservatively recognized deferred tax assets on tax losses amounting to € 6,218 thousand up to the 80% limit of deferred tax assets booked in these Consolidated Financial Statements, as well as deferred tax (IRES) considered implicitly in the value of the investment in the joint ventures participating in the tax consolidation scheme of Aedes SIIQ S.p.A..

At 30 June 2018, deferred tax booked amounted to € 3,760 thousand, arising mostly from the temporary misalignment between the book value and tax value of the property assets and investments in joint ventures.

NOTE 6. FINANCIAL RECEIVABLES

	30/06/2018	31/12/2017
Non-current receivables		
Receivables from associates	12,171	12,563
Provision for bad debts from associates	(329)	(61)
Receivables from others	70	74
Total	**11,912**	**12,576**

	30/06/2018	31/12/2017
Current receivables		
Receivables from associates	0	300
Total	**0**	**300**

Non-current financial receivables totaled € 11,912 thousand at 30 June 2018 versus € 12,576 thousand at 31 December 2017.
Receivables from associates refer to loans granted at normal market conditions all with maturity over 12 months. The breakdown of receivables due from associates is shown in Annex 2. The collection of these receivables is related to the development and sale of property assets owned by the associates.

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

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

NOTE 7. TRADE AND OTHER RECEIVABLES

Non-current	**30/06/2018**	**31/12/2017**
Receivables from others	295	0
Tax receivables	636	636
Total	**931**	**636**

Current	**30/06/2018**	**31/12/2017**
Receivables from clients	*11,190*	17,880
Provision for bad debts	*(6,140)*	*(5,593)*
Net receivables from clients	5,050	12,287
Receivables from associates and other related parties	*1,404*	*3,258*
Provision for bad debts	*(198)*	*(198)*
Receivables from associates and other related parties	1,206	3,060
Receivables from parent companies	101	72
Receivables from others	617	654
Tax receivables	4,346	4,758
Accrued income and prepaid expenses	791	761
Total	**12,111**	**21,592**

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

The table below shows the maturity of current and non-current trade receivables (due from clients, associates and parent companies):

	Falling due	Overdue by						**Total**
		Less than 30 days	30-60 days	61-90 days	91-180 days	181-360 days	Over 360 days	
Gross Value	3,338	913	79	302	237	610	7,216	12,695
Provision for bad debts	0	(54)	(10)	(97)	(119)	(420)	(5,638)	(6,338)
Net trade receivables	**3,338**	**859**	**69**	**205**	**118**	**190**	**1,578**	**6,357**

Receivables from clients

Receivables from clients refer basically to lease revenue and to revenue from the provision of services to third parties, amounting to € 5,050 thousand at 30 June 2018 versus € 12,287 thousand at 31 December 2017. The decrease is due mainly to the collection of the receivable from the disposal of Lot 10B for € 4.4 million, as well as to the change in trade receivables for orders with third parties.

Receivables from clients are stated net of the relevant bad debts provisions, whose changes are shown below:

Balance at 31/12/2017	***5,593***
Provisions	*286*
Utilization	*(118)*
Release	*0*
Application of IFRS 9	*379*
Balance at 30/06/2018	***6,140***

Receivables from associates and other related parties

The significant change is explained by the offsetting of trade receivables and payables with the associate Nichelino Village SCARL.

For the breakdown of receivables from parent companies, associates and other related parties, see Annex 2.

Receivables from parent companies

This item originated mainly from the provision by Aedes SIIQ S.p.A. of coordination, administration and company services to the parent company Augusto S.p.A..

Receivables from others

Non-current	**30/06/2018**	**31/12/2017**
Other	295	0
Current receivables from others	**295**	**0**

Current	**30/06/2018**	**31/12/2017**
Advances to suppliers	208	298
Other	409	356
Current receivables from others	**617**	**654**

"Non-current receivables from others", amounting to € 295 thousand, refers to the residual credit for the sale of the property in Via Agnello, Milan.

"Current receivables from others", amounting to € 617 thousand at 30 June 2018 versus € 654 thousand at 31 December 2017, is composed mainly of receivables from employees and receivables for insurance refunds.

Tax receivables

Non-current	**30/06/2018**	**31/12/2017**
Receivables from the Revenue Agency for VAT	145	145
Receivables from the Revenue Agency for tax	883	883
Provision for bad debts for tax from the Revenue Age	(392)	(392)
Non-current tax receivables	**636**	**636**

Current	**30/06/2018**	**31/12/2017**
Receivables from the Revenue Agency for VAT	1,491	1,912
Receivables from the Revenue Agency for tax	2,855	2,846
Current tax receivables	**4,346**	**4,758**

The non-current portion of tax receivables is made up of:

- € 243 thousand from the Company's share in the tax receivable claimed by Aedificandi S.r.l., liquidated in July 2014
- € 392 thousand from foreign tax shown in the National and Worldwide Consolidation Form of former Praga Holding S.p.A., which can be carried forward for up to eight financial years, and fully written down in 2017 to adjust it to the relating recoverable amount;
- € 159 thousand from the tax receivable claimed by Aedes Project S.r.l. (and booked in Aedes SIIQ S.p.A. following liquidation of the company) and by its consortium companies Ravizza Scarl and Parco Grande Scarl, liquidated in July 2017;
- € 89 thousand from receivables for VAT paid in 2007 by Praga Holding S.p.A. as a result of a fractional payment pending judgement.

Current tax receivables amount to € 4,346 thousand versus € 4,758 thousand in the prior year, and refer to € 1,491 thousand for VAT receivables from the Revenue Agency (€ 1,912 thousand in the prior year) and € 2,855 thousand for tax receivables (€ 2,846 thousand in the prior year).

Accrued income and prepaid expenses

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

	30/06/2018	31/12/2017
Deferred income on property management	106	111
Prepayments for sureties	99	122
Other accrued income and prepaid expenses	586	528
Current accrued income and prepaid expense:	**791**	**761**

Accrued income and prepaid expenses amounted to € 791 thousand at 30 June 2018 versus € 761 thousand at 31 December 2017.

NOTE 8. INVENTORY

	30/06/2018	31/12/2017
Properties and licences	18,779	49,531
Non-property inventory	811	627
Total	**19,590**	**50,158**

Inventory at 30 June 2018 amounted to € 19,590 thousand versus € 50,158 thousand in the prior year. The table below shows the changes in inventory versus the prior year:

	Properties and licences	Non-property inventory	Total
Balance at 31/12/2017	**49,531**	**627**	**50,158**
Increases		760	760
Decreases	(4,770)	(576)	(5,346)
Reclassifications	(25,892)	0	(25,892)
(Write-down)/reversals	(90)	0	(90)
Balance at 30/06/2018	**18,779**	**811**	**19,590**

Property inventory and licenses amounted to € 18,779 thousand at 30 June 2018 versus € 49,531 thousand at 31 December 2017.

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

In 2018, € 25,892 thousand relating to a number of properties and development projects were reclassified to investment property; details of these reclassifications are found in Note 1.

Net write-downs of € 90 thousand at 30 June 2018 are the net result of write-downs and reversal of impairment losses as detailed below:

- ✓ € 110 thousand in write-downs of an apartment in Bv. Croisette, Cannes;
- ✓ € 20 thousand from value reinstatements of the Platform 9 complex located in Via Pompeo Leoni/De Angeli, Milan.

Non-property inventory refers to the wine-growing business of the subsidiary Società Agricola la Bollina

S.r.l. and to the wholesale trade of alcoholic beverages of the subsidiary Bollina S.r.l..

Several of these properties have been subject to mortgages securing loans, explained in the specific liabilities section. The value of mortgages securing loans relates in many cases to their original amounts. In the event of sales of portions of properties or properties that are part of portfolios, with subsequent partial repayment of the loans, the mortgages originally registered are limited and maintained for the full amount solely on the residual properties or portions. On the latter's sale, the mortgages are fully cancelled.

Note 9. Derivative financial instruments

	30/06/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Derivatives not treated under hedge accounting				
fair value Cap	15	0	45	0
fair value Floor	0	288	0	283
Total current portion	**15**	**288**	**45**	**283**

	30/06/2018		31/12/2017	
Derivatives treated under hedge accounting				
fair value IRS	0	573	0	0
fair value Floor	0	45	0	0
Total non-current portion	**0**	**618**	**0**	**0**

The item shows the fair value of two derivative contracts:
(i) contracts concluded by Aedes SIIQ S.p.A. with Banca Popolare di Milano S.c.ar.l., aimed at reducing the risk of increasing the Group's overall interest rate exposure.
At 30 June 2018, the fair value measurements amounted to € 15 thousand in assets from the fair value of the "Cap" derivative contract, and to € 288 thousand in liabilities from the fair value of the "Floor" derivative contract. The change in fair value was recognized in the income statement under "*Financial expense".*
(ii) Interest Rate Swap with Floor concluded by Novipraga SIINQ S.p.A. in February 2018, strike rates 0.5965%, floor -2.75%, notional amount € 32 million and maturity in December 2022. At 30 June 2018, the fair value measurements amounted to € 573 thousand in liabilities from the fair value of the "IRS" derivative contract, and to € 45 thousand in liabilities from the fair value of the "Floor" derivative contract. The change in fair value was recorded in other profits/losses in the statement of comprehensive income.

As in the prior year, the Group appointed Ernst & Young Financial-Business Advisors S.p.A. as the independent expert tasked with the fair value measurements of the derivatives and with the development of the effectiveness test on the derivative concluded by Novipraga.

The table below shows derivative financial instruments at 30 June 2018:

Hedge provider	Type	Notional amount	Fair Value	Contract deadline	Borrowing rate	Lending rate
Banca Popolare di Milano	Cap	50,000	15	31/12/2020	1%	3M Euribor q,A/360
Banca Popolare di Milano	Floor	50,000	(288)	31/12/2020	0%	3M Euribor q,A/360
Unicredit	IRS	32,000	(573)	18/12/2022	0.5965%	3M Euribor q,A/360
Unicredit	Floor	32,000	(45)	18/12/2022	-2.75%	3M Euribor q,A/360

The fair value of outstanding derivative financial instruments at 30 June 2018 was measured using the level 2 hierarchy (fair value determined on the basis of valuation models that use observable market inputs).

Note 10. Cash and cash equivalents

	30/06/2018	31/12/2017
Cash on hand	8	11
Bank and postal deposits	9,324	16,192
Term current accounts	7,069	7,038
Total	**16,401**	**23,241**

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

• Equity

NOTE 11. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

At 30 June 2018, the Parent Company's share capital, fully subscribed and paid in, amounts to € 212,945,601.41, divided into 319,803,191 ordinary shares, without par value.

"Treasury shares" refers to 123,000 Aedes ordinary shares held in portfolio at 30 June 2018. The remaining amount of treasury shares held in portfolio refers exclusively to the liquidity provider.

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

Year	No. shares	Amount in Euro	Average carrying amount in Euro
Final balance at 31/12/2016	**3,500,000**	**1,454,432**	**0.42**
Disposal of treasury shares 2017	(3,500,000)	(1,454,432)	0.42
Liquidity provider	30,000	13,806	0.46
Final balance at 31/12/2017	**30,000**	**13,806**	**0.46**
Liquidity provider	93,000	25,370	0.27
Final balance at 30/06/2018	**123,000**	**39,176**	**0.32**

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

The change in the "Cash flow hedge reserve" is attributable to the recognition in hedge accounting of the derivative contracts concluded by Novipraga SIINQ S.p.A..
The change in "Retained earnings/(losses carried forward)" is attributable mainly to the allocation of profit for 2017, to the recognition of the adoption of IFRS 9, to the release of the treasury shares reserve, and to actuarial gains/(losses) for the period.

NOTE 12. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

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

		% held by non-controlling		Profit (loss) attributable to non-		Equity attributable to non-	
Company Name	**Geographic area**	**30/06/2018**	**31/12/2017**	**30/06/2018**	**30/06/2017**	**30/06/2018**	**31/12/2017**
Bollina S.r.l.	Italy	30.00%	30.00%	(2)	23	141	143
Petrarca Fund	Italy				(214)		0
Pragafrance S.ar.l.	France	25.00%	25.00%	(107)	(116)	(540)	(433)
Pragasette S.r.l.	Italy	40.00%	40.00%	(5)	(33)	(100)	(95)
Total				**(114)**	**(340)**	**(499)**	**(385)**

• Liabilities

NOTE 13. PAYABLES TO BANKS AND OTHER LENDERS

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

		30/06/2018	31/12/2017
Non-current			
Bonds		44,388	43,992
Loans with properties granted as surety		79,469	118,990
	Mortgage loans	*79,469*	*118,990*
Payables to other lenders		11,356	11,245
		135,213	**174,227**
Current			
Bonds		171	145
Loans with properties granted as surety		49,887	53,402
	Mortgage loans	*49,887*	*53,402*
Payables to other lenders		336	*336*
Other loans		9,972	*10,860*
		60,366	**64,743**
Total		**195,579**	**238,970**

Financial payables held by associates are shown in Annex 3.

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

		30/06/2018	31/12/2017
A.	Cash on hand	16,401	23,241
B.	Other cash and cash equivalents	0	0
C.	Securities held for trading	0	0
D.	**Liquidity (A) + (B) + (C)**	**16,401**	**23,241**
E.	**Current financial receivables**	**0**	**0**
F.	Current payables to banks	(59,859)	(64,262)
G.	Current portion of non-current debt	(171)	(145)
H.	Other current financial payables	(336)	(336)
I.	**Current financial debt (F)+(G)+(H)**	**(60,366)**	**(64,743)**
J.	**Net current financial debt (I) + (E) + (D)**	**(43,965)**	**(41,502)**
K.	Non-current payables to banks	(79,469)	(118,990)
L.	Bonds issued	(44,388)	(43,992)
M.	Other non-current payables	(12,262)	(11,528)
N.	**Non-current financial debt (K) + (L) + (M)**	**(136,119)**	**(174,510)**
O.	**Net financial debt (J) + (N)**	**(180,084)**	**(216,012)**

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

	30/06/2018	31/12/2017
Net financial debt included in the Directors' Report on Operations	(179,178)	(215,729)
Other non-current financial payables from derivative contracts	(906)	(283)
Net financial debt included in the Explanatory Notes	**(180,084)**	**(216,012)**

The table below shows the breakdown of loans:

TYPE OF LOAN AGREEMENT	PROJECT/PROPERTY ASSETS	SHORT-TERM DEBT	SHORT-TERM DEBT	SHORT-TERM DEBT	LONG-TERM DEBT	TOTAL DEBT	DUE	MORTGAGE ON PROPERTIES/GUARANTEES	FINANCIAL COVENANTS	COMPLIANCE WITH COVENANT
Amounts in € thousands		Within 1 month	from 2 to 3 months	from 4 to 12 months						
Mortgage Loan	Santa Vittoria d'Alba (CN) - PHASE B	0	109	312	5,882	6,303	30/11/2030	16,000	LTV≤80 %	YES
Mortgage Loan	Santa Vittoria d'Alba (CN) - PHASE B	18	0	59	286	363	30/04/2023	1,000	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Cascina Nuova	34	0	160	2,331	2,525	1/7/20025	5,000	LTV≤80 %	YES
Mortgage Loan	Milan - Via Pompeo Leoni	0	0	520	3,700	4,220	31/12/2025	40,000	LTV≤80 %	n.a.
Mortgage Loan	Serravalle Scrivia (AL) - Bollina	0	0	3,461	5,191	8,652	31/12/2020	37,500	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Bollina	30	0	18	741	789	25/07/2034	1,350	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi	0	179	134	2,817	3,130	01/03/2024	8,000	LTV≤80 %	YES
Mortgage Loan	Serravalle Scrivia (AL) - Via Novi	0	26	1,845	0	1,871	27/02/2019	3,700	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	0	67	200	533	800	30/06/2021	1,400	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	0	107	323	914	1,344	22/06/2021	5,600	LTV≤80 %	YES
Mortgage Loan	Castellazzo Bormida (AL)	28	0	77	249	354	22/07/2021	1,400	LTV≤80 %	YES
Mortgage Loan	Portfolio	0	0	39,116	0	39,116	31/12/2018	78,232	LTV≤65 %; ISCR≥1.35	YES
Mortgage loan	2 Boulevard Croisette - Cannes	0	43	127	542	712	05/06/2022	2,210	NO	n.a.
Mortgage loan	2 Boulevard Croisette - Cannes	0	31	90	479	600	05/03/2023	3,770	NO	n.a.
Mortgage loan	Portfolio	0	246	866	10,002	11,114	11/04/2020	112,000	LTV≤35%; ICR≥2.5; DSCR≥1.25	YES
Mortgage loan	Serravalle Retail Park	42	0	0	36,365	36,407	18/12/2022	90,200	LTV≤55%; LTC ≤65%; ICR≥1.75; DYR≥5.5%	YES
Mortgage loan	Portfolio	34	0	1,585	7,946	9,565	31/12/2021	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	YES
Mortgage loan	Rome	0	0	0	1,491	1,491	31/12/2021	30,000	LTV≤50%; ICR≥1.3; DSCR≥1.3	YES
TOTAL LOANS WITH PROPERTIES GRANTED AS SURETY		**186**	**808**	**48,893**	**79,469**	**129,356**				
Agricultural Promissory Note	n.a.	0	199	0	0	199	22/09/2018	Other Guarantees	n.a.	n.a.
Hot Money	n.a.	104	94	0	0	198	31/08/2018	Unsecured	n.a.	n.a.
Loan agreement	n.a.	1	0	7,989	0	7,990	27/12/2018	Other Guarantees	n.a.	n.a.
Bank overdraft	n.a.	382	0	1	0	383	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	588	0	9	0	597	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	386	0	7	0	393	COMMITTED	Other Guarantees	n.a.	n.a.
Bank overdraft	n.a.	137	0	1	0	138	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	35	0	0	0	35	COMMITTED	Unsecured	n.a.	n.a.
Bank overdraft	n.a.	37	0	2	0	39	COMMITTED	Other Guarantees	n.a.	n.a.
TOTAL OTHER LOANS		**1,670**	**293**	**8,009**	**0**	**9,972**				
Bonds	n.a.	129	0	0	14,915	15,044	30/04/2020	Unsecured	n.a.	n.a.
Bonds	n.a.	0	0	42	29,473	29,515	20/12/2020	Unsecured	Equity/Debt ≥ 1; NFP/VPA ≤ 60%	YES
TOTAL BONDS		**129**	**0**	**42**	**44,388**	**44,559**				
Payables to other lenders		86	0	250	11,356	11,692				
TOTAL GROSS DEBT AT 30/06/2018		**2,071**	**1,101**	**57,194**	**135,213**	**195,579**				

At the date of approval of this Half-Year Report, 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.

NOTE 14. PAYABLES FOR SEVERANCE INDEMNITY

	30/06/2018	31/12/2017
Payables for severance indemnity		
Severance indemnity	1,144	1,073
	1,144	**1,073**
Provisions under the income statement		
Service costs	148	273
Interest cost	7	16
	155	**289**

The provision for severance indemnity in the income statement is classified, for service costs, under personnel expense and, for interest costs, under financial expense.

The changes are shown below:

Balance at 31/12/2017	**1,073**
Service costs	148
Interest cost	7
Actuarial (gains)/losses under equity	44
Indemnities paid in the period	(77)
Transfers to other pension funds	(51)
Balance at 30/06/2018	**1,144**

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

Description	**30/06/2018**	**31/12/2017**
Executives	9	8
Managers	30	29
Employees	21	19
Workers/Porters	4	4
Total	**64**	**60**

The assumptions used in actuarial calculations are basically in line with those adopted for the preparation of the financial statements at 31 December 2017.

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges are shown below:

	31/12/2017	Decreases	Reclassifications	30/06/2018
Provision for contractual charges	319	0	(29)	290
Provision for contractual risks	100	0	0	100
Provision for tax-related risks	2,345	(1)	0	2,344
Provision for future charges	2,305	0	7	2,312
Total	**5,069**	**(1)**	**(22)**	**5,046**

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

- contractual charges: the item refers mainly to contractual charges from the sale of investments made in prior years; the increase is attributable to a dispute in progress in France, which received an unfavourable ruling at a first-level hearing, against which the company has filed an appeal;
- contractual risks: the item mainly includes the risks associated with disputes involving the Parent;
- tax risks: the balance mainly includes the estimate of probable liabilities for disputes involving Aedes and its subsidiaries;
- future charges; related mainly to liabilities set aside to cover the negative outcome of the arbitration concluded for the Fih S.a.g.l. award.

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

NOTE 16. TRADE AND OTHER PAYABLES

	30/06/2018	31/12/2017
Non-current		
Other payables	836	434
	836	**434**
Current		
Payables to suppliers	19,149	14,694
Payables to associates and other related parties	1,441	4,739
Payables to parent companies	52	47
Payables to social security and welfare institutions	264	258
Other payables	4,815	4,390
Accrued expenses and deferred income	357	85
	26,078	**24,213**

There was no overdue and unpaid tax towards social security institutions and employees at 30 June 2018.

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

Other payables

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

Non-current	30/06/2018	31/12/2017
Security deposits/tenants' interest	836	434
Other payables	0	0
Non-current payables to others	**836**	**434**

Current	30/06/2018	31/12/2017
Confirmation deposits	13	157
Payables to employees for severance payments, bonuses, accrued leave and holidays	586	1,123
Other payables	4,216	3,110
Current payables to others	**4,815**	**4,390**

Other non-current payables refer mainly to guarantee deposits and payables to tenants for guarantees issued; at 30 June 2018, they amounted to € 836 thousand, and the change versus 31 December 2017 is due mainly to deposits received from tenants of the new phase of the Serravalle Retail Park.

Other current payables, amounting to € 4,815 thousand (€ 4,390 thousand at 31 December 2017), mainly include contractual commitments undertaken with other unit holders of the Leopardi Fund (€ 1,203 thousand) and payables for directors' and statutory auditors' fees (€ 1,018 thousand).

At 30 June 2018, amounts fallen due came to € 1,018 thousand.

Payables to suppliers

At 30 June 2018, amounts fallen due came to € 3,865 thousand. Mention should be made, however, that no actions have been taken by creditors for the relevant recovery, as the creditors conduct business relations with the Company on an ongoing basis.

Payables to associates

The breakdown of payables to associates is shown in Annex 2.
The significant change is explained by the offsetting of trade receivables and payables with the associate Nichelino Village SCARL.

Accrued expenses and deferred income

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

	30/06/2018	31/12/2017
Accrued expenses on property management	20	13
Deferred income on property management	313	47
Other accrued expenses	5	0
Other deferred income	19	25
Current accrued expenses and deferred income	**357**	**85**

Accrued expenses and deferred income amounted to € 357 thousand at 30 June 2018 versus € 85 thousand at 31 December 2017.

NOTE 17. TAX PAYABLES

The breakdown of current tax payables is shown below:

	30/06/2018	31/12/2017
Tax payables	298	731
Total current tax payables	**298**	**731**

The breakdown of tax payables at 30 June 2018 is shown below:

Company	Tax	Tax year	Granting of instalment payment	Current portion	30/06/2018
					0
Aedes SIIQ S.p.A. (former PH Real Estate S.p.A.)	VAT irregularity Multipraga	2006	02/10/2017	14	14
Current tax payables through instalment				**14**	**14**
Bollina S.r.l.				3	3
PRAGA RES				5	5
Novipraga SIINQ S.p.A.				16	16
Pragaotto S.r.l.				3	3
Income tax payables accrued in the period				**27**	**27**
Payables to the Revenue Agency for other tax				**257**	**257**
Total				**298**	**298**

Tax payables amounted to € 298 thousand at 30 June 2018 versus € 731 thousand in the prior year, and refer mainly to payables due to the Revenue Agency following tax assessment settlements.

Outstanding tax assessment settlements refer mainly to the assessment notice related to the penalties and collection fees regarding Multipraga VAT. On 2 October 2017, by signing the declaration of accession to reduced settlement (art. 6 of Decree Law no. 193/2016 converted with amendments by Law no. 225/2016), the Company agreed on the tax collection settlement for the amount of € 71 thousand; at 31 December 2017, the residual debt amounted to € 14 thousand, with final payment falling due on 2 July 2018.

Amounts due to the Revenue Agency for current tax also include the withholding tax on income from wages, self-employment and similar income amounting to € 257 thousand.

There was no overdue and unpaid tax at 30 June 2018.

• Income Statement

NOTE 18. REVENUE FROM SALES AND SERVICES

	30/06/2018	30/06/2017	GA
Property leases	8,990	9,261	
Sale of properties classified under current assets	5,315	780	
Sale of other non-property inventory	875	1,316	
Net income from disposal of properties and trade licences (gains)	2,250	0	
Provision of services	60	29	2,130
Project and Construction Management revenue	155	6,112	
Total	**17,645**	**17,498**	

"Property leases" amounted to € 8,990 thousand, down versus the same period of the prior year (€ 9,261 thousand), due to the presence of a number of properties vacated in 2018 and undergoing redevelopment, only partly offset by higher revenue from the Serravalle Retail Park (acquired in May 2017).

"Sale of properties classified as current assets", amounting to € 5,315 thousand, includes the proceeds from the disposal of a property located in Viale Umbria, Milan, and portions of property units located in Via Pompeo Leoni/Via De Angeli, Milan.

"Sale of other non-property inventory", amounting to € 875 thousand, includes wine sales by the subsidiaries Società Agricola la Bollina S.r.l. and Bollina S.r.l..

"Net revenue from disposal of properties and business licences", amounting to € 2,250 thousand, refers to the gain earned from the disposal of a property in Via Agnello, Milan.

"Provision of services", amounting to € 60 thousand, includes the accrued amounts from property and administrative services provided by Aedes mainly to associates, the details of which are found in Annex 2.

"Project and Construction Management Revenue" amounted to € 155 thousand. The significant change is attributable to the completion of work on the shopping center owned by Carrefour in Nichelino.

NOTE 19. OTHER REVENUE

"Other revenue and income" came to € 230 thousand at 30 June 2018 and refers mainly to revenue from the chargeback of personnel to associates; in first half 2017, the item had included insurance indemnities of € 221 thousand from Praga RES S.r.l..

NOTE 20. CHANGE IN INVENTORY

The item is composed as follows:

	30/06/2018	30/06/2017
Capitalized costs for purchases on stock	860	871
Cost of sales	(5,346)	(1,571)
(Write-down)/write-back of inventory	(90)	(961)
Total	**(4,576)**	**(1,661)**

Capitalized costs for purchases charged to stock refer mainly to the costs incurred for purchasing the materials required for the wine-growing business of the subsidiary Società Agricola la Bollina S.r.l., and to the wholesale trade of alcoholic beverages carried out by the subsidiary Bollina S.r.l..
The cost of sales amounted to € 5,346 thousand and is attributable mainly to the following activities:

- € 4,771 thousand from the disposal of the property in Viale Umbria, Milan, and of portions of property units in Via Pompeo Leoni/Via De Angeli, Milan;
- € 575 thousand from the sale of non-property inventory related to the above wine-growing business and wholesale trade of alcoholic beverages.

NOTE 21. COSTS FOR RAW MATERIALS AND SERVICES

	30/06/2018	30/06/2017
Costs for purchase of raw materials and other goods	1,061	1,136
Costs for services on owned properties	2,237	1,049
Project and Construction Management costs	(631)	6,401
Other costs for services	4,208	4,218
Total	**6,875**	**12,804**

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

	30/06/2018	30/06/2017
Other general costs	19	18
Costs for purchase of wine-making materials	760	793
Property management costs	282	325
Subtotal a) Costs for raw materials and other assets	**1,061**	**1,136**
Property cleaning	59	15
Maintenance	511	183
Insurance	33	16
Service charges	447	338
Other	1,087	419
Capitalized costs for services on stock	100	78
Subtotal b) Costs for services on owned properties	**2,237**	**1,049**
Subtotal c) Project and Construction Management costs	**(631)**	**6,401**
Sales fees	***496***	***217***
Fees to Directors	*766*	713
Fees to Board of Statutory Auditors	*112*	124
Professional services	*1,895*	1,718
Commissions and bank charges	*162*	149
Travel expenses and conferences	*116*	101
Cleaning, telephone and maintenance	*241*	251
Energy	*66*	73
Advertising costs	*78*	37
Sundry	*244*	259
General expenses	***3,680***	***3,425***
Rental charges	*(195)*	374
Lease rent	*227*	202
Use of third-party assets	***32***	***576***
Subtotal d) Other costs for services	**4,208**	**4,218**
Total	**6,875**	**12,804**

"Costs for raw materials" includes mainly costs for the wine-growing business capitalized under inventory, as well as property management costs. At 30 June 2018, costs for materials amounted to € 1,061 thousand versus € 1,136 thousand at 30 June 2017.

"Costs relating to owned properties", amounting to € 1,218 thousand at 30 June 2018 versus € 1,049 thousand at 30 June 2017, increased over the prior year due mainly to the higher costs generated by the growth in property assets.

"Project and Construction Management costs", amounting to € 388 thousand at 30 June 2018 versus € 6,401 thousand at 30 June 2017, refers to costs incurred by Praga RES S.r.l. as part of the contracts developed on behalf of associates or entities outside the Group. The significant change is attributable to the completion of the development work on the shopping center owned by Carrefour in Nichelino; the change should be read together with the change in revenue from the same activity.

"Sales fees", amounting to € 496 thousand, increased due to higher sales of investments and property inventory.

"General expenses" amounted to € 3,680 thousand at 30 June 2018, up versus € 3,425 thousand at 30 June 2017, attributable mainly to higher costs for legal and notarial advisory services.

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

Lease and rental costs reflect the benefit deriving from agreements concluded with the owner of the property currently used by the Aedes Group as its registered office and administrative headquarters.

NOTE 22. PERSONNEL EXPENSE

	30/06/2018	30/06/2017
Wages and salaries	1,972	1,801
Social charges	678	620
Severance indemnity	148	149
Other personnel expense	60	48
Total	**2,858**	**2,618**

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

Description	**30/06/2018**	**31/12/2017**
Executives	9	9
Managers	30	29
Employees	21	19
Workers/Porters	4	4
Porters		
Total	**64**	**61**

NOTE 23. OTHER OPERATING COSTS

	30/06/2018	30/06/2017
IMU	1,725	1,416
General company charges	188	110
Shareholders' Meetings, financial statements, Consob obligations, Stock Exchange	106	72
Other minor charges	96	39
Sundry charges	131	17
Total	**2,246**	**1,654**

"Other operating costs" amounted to € 2,246 thousand versus € 1,654 thousand at 30 June 2017. The increase is attributable mainly to "IMU", up as a result mostly of the growth in property assets.

NOTE 24. AMORTIZATION/DEPRECIATION, FAIR VALUE ADJUSTMENTS, IMPAIRMENT LOSSES AND PROVISIONS

		30/06/2018	30/06/2017
Amortization of intangible fixed assets		24	16
Depreciation of tangible fixed assets			
	specific plant	*6*	6
	equipment	*855*	208
	other assets	*56*	*77*
Total depreciation of tangible fixed assets		917	291
Amortization, depreciation and impairment losses		**941**	**307**
Fair value adjustment of investment property		**(5,372)**	**(7,881)**
Write-down of shareholder loans to associates		0	4
Write-down of receivables under current assets		286	1
Write-down/(Reversal) of receivables from associates under current assets		0	0
Write-down of other receivables under current assets		0	0
Allocation/(Release) of provisions for risks		(1)	60
Write-downs and allocations		**285**	**65**
Total		**(4,146)**	**(7,509)**

Comments on the "Fair value adjustment of investment property", amounting to a positive € 5,372 thousand, are found in Note 1.

NOTE 25. SHARE OF THE RESULT OF COMPANIES MEASURED AT EQUITY

		30/06/2018	30/06/2017
Amortization of intangible fixed assets		24	16
Depreciation of tangible fixed assets			
	specific plant	*6*	6
	equipment	*855*	208
	other assets	*56*	*77*
Total depreciation of tangible fixed assets		917	291
Amortization, depreciation and impairment losses		**941**	**307**
Fair value adjustment of investment property		**(5,372)**	**(7,881)**
Write-down of shareholder loans to associates		0	4
Write-down of receivables under current assets		286	1
Write-down/(Reversal) of receivables from associates under current assets		0	0
Write-down of other receivables under current assets		0	0
Allocation/(Release) of provisions for risks		(1)	60
Write-downs and allocations		**285**	**65**
Total		**(4,146)**	**(7,509)**

“Revaluations/write-downs of investments measured at equity” consists of the measurement at equity of associates, as stated in Note 4. "Other expense and income" includes expense arising from contractual commitments undertaken with other unit holders of the Leopardi Fund for € 447 thousand.

NOTE 26. NET FINANCIAL INCOME/(EXPENSE)

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

	30/06/2018	30/06/2017
Income		
Interest on bank accounts	0	2
Interest on loans to associates	289	313
Mark-to-market of derivative instruments	0	137
Other interest income	13	2
	302	**454**
Expense		
Interest on bank accounts	34	180
Interest on bank loans	3,091	1,708
Interest on non-bank loans	0	0
Interest on loans from non-controlling interests	23	36
Interest on loans from associates and other related parties	143	0
Interest on loans from parents	251	89
Mark-to-market of derivative instruments	36	0
Interest expense on other payables	1,350	866
Capitalized interest on inventory	0	0
	4,928	**2,879**
Total	**(4,626)**	**(2,425)**

Net financial expense, amounting to € 4,626 thousand, increased versus the same period of the prior year, due to the effects of the higher average debt in first half 2018 versus first half 2017.

NOTE 27. TAX

	30/06/2018	30/06/2017
Current tax	43	(12)
Prepaid/(deferred) tax	160	(70)
Total	**203**	**(82)**

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

	30/06/2018	30/06/2017
Current tax		
IRES	(4)	(32)
Income/(expense) from tax consolidation scheme	70	0
	66	**(32)**
IRAP	**(23)**	**(8)**
Prior-years' tax	**0**	**28**
Prepaid/(deferred) tax	**160**	**(70)**
	203	**(82)**

In first half 2018, the Group recorded net IRES income of € 66 thousand, deriving mainly from income from the tax consolidation scheme.
At 30 June 2018, current IRAP amounted to € 23 thousand.
The Group also has net deferred tax assets of € 160 thousand, generated mainly by:
i. the allocation of deferred tax arising from temporary unrealized misalignment between the book value and the tax value of property assets;
ii. the allocation of deferred tax assets on loss carryforwards up to the 80% limit of deferred tax (IRES) as per the above;
iii. the allocation of deferred tax assets on loss carryforwards up to the 80% limit of deferred tax (IRES) implicitly considered in the carrying amount of the investment in the joint venture participating in the tax consolidation scheme of the parent Aedes SIIQ S.p.A..

NOTE 28. GAINS/(LOSSES) AFTER TAX OF ASSETS AND LIABILITIES HELD FOR SALE

The item has a zero balance in first half 2018, while in the same period of 2017 it referred to the result from discontinuing operations of Golf Club Castello Tolcinasco SSD S.r.l., with effect for accounting purposes as from 1 January 2017.

NOTE 29. EARNINGS PER SHARE

	30/06/2018	30/06/2017
Comprehensive income attributable to the ordinary shareholders (Euro thousands)	(576)	3,227
Weighted average of outstanding shares during the year		316,773,018
Basic earnings/(loss) per share (Euro)	**n/a**	**0.01**

As the Group ended 30 June 2018 with a loss, earnings per share cannot be calculated.
Since the outstanding warrants would have an antidilutive effect, diluted earnings/(loss) per share were not calculated.

NOTE 30. COMMITMENTS

Commitments arising from 2014 restructuring agreements

Under the Restructuring Agreement concluded by Aedes with a number of lenders in 2014, Natixis S.A. Banca Popolare di Vicenza S.C.p.A., and Banca Mediocredito del Friuli Venezia Giulia S.p.A. have acquired the right to sell (*put option*) to Aedes, which has the obligation to buy part or all of the Leopardi Fund units assigned to these banks under the above Restructuring Agreement.
The agreement concluded with Natixis S.A. provides, *inter alia*, the possibility for Natixis, subject to the

disposal of a property contributed to the Leopardi Fund, of transferring to Aedes the units held in the Leopardi Fund, at a discount versus the face value.
The agreements concluded with Banca Popolare di Vicenza S.C.p.A., and Banca Mediocredito del Friuli Venezia Giulia S.p.A., instead, provide the possibility for these lenders, subject to the disposal on the market of Aedes shares owned by the above lenders, arising from Banks Increase, of selling to Aedes the units held in the Leopardi Fund, at a discount versus the face value.
With regard to the above Restructuring Agreement concluded by Aedes with Banco Popolare Società Cooperativa, Aedes has provided a number of representations and guarantees respectively in favour of Banco Popolare Società Cooperativa and Release S.p.A. (undertaking the corresponding indemnification obligations), in relation to the investments and properties subject to disposal to such companies.
Lastly, it should be noted that, under the agreements concluded on 23 December 2014 on the start-up of the Leopardi Fund, Aedes Real Estate SGR S.p.A. (merged into Sator Immobiliare SGR S.p.A.), in name and on behalf of the Leopardi Fund, has undertaken, with regard to a number of counter-guarantees issued by Aedes in the interest of Rubattino 87 S.r.l. and Galileo Ferraris 160 S.r.l. to secure the recourse claim from, respectively, Generali S.p.A., Atradius Credit Insurance N.V., Reale Mutua Assicurazioni S.p.A., Meliorbanca S.p.A. and Unicredit S.p.A., relating to the sureties issued by the same, to indemnify Aedes from any liability arising from or related to the above commitments.

Bank securities issued by third parties in the interest of Group companies

The item mainly includes:

- € 172 thousand for a bank guarantee issued by Veneto Banca S.p.A. under compulsory administrative liquidation in favour of C4 Investment fund in the interest of Aedes to guarantee the provisions of the lease contract.
- € 694 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Pragasei S.r.l. in the interest of Praga Res S.r.l., to guarantee the proper performance of the obligations arising from the contract for the design and construction of the shopping center named "Serravalle Luxury Outlet (PHASE 6)".
- € 741 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Pragasei S.r.l. in the interest of Praga Res S.r.l., as a substituting guarantee of the guarantee withholdings related to the contract for the design and construction of the shopping center named "Serravalle Luxury Outlet (PHASE 6)".
- € 175 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Serravalle Outlet Mall S.r.l. in the interest of Praga Res S.r.l., to guarantee the proper performance of the obligations arising from the contract for the expansion of the shopping center named "Serravalle Luxury Outlet (PHASE 5)".
- € 223 thousand for a bank guarantee issued by Banca Popolare di Milano in favour of Serravalle Outlet Mall S.r.l. in the interest of Praga Res S.r.l., as a substituting guarantee of the guarantee withholdings related to the contract for the expansion of the shopping center named "Serravalle Luxury Outlet (PHASE 5)".
- € 200 thousand for a bank guarantee issued by ING Bank NV in favour of Rete Ferroviaria Italiana S.p.A. in the interest of Novipraga SIINQ S.p.A., as a guarantee for the topographic monitoring activities of the structures during the underground crossing phase of the tunnel excavations.

Insurance sureties issued by third parties in the interest of Group companies

The item mainly includes:

- € 266 thousand for an insurance surety issued by Atradius Credit Insurance N.V. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions of the town-planning agreement signed on 24 September 2015 and recorded in Alessandria on 9 October 2015 N. 9949 - Series 1 T.
- € 1,323 thousand for a number of insurance sureties issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the payment of infrastructure charges.

- € 103 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Novi Ligure in the interest of Novipraga SIINQ S.p.A., as a guarantee of the provisions under the town-planning agreement for the performance of the new Cascine Bellotta road.
- € 46 thousand for an insurance surety issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Serravalle Scrivia in the interest of Novipraga SIINQ S.p.A., to guarantee payment of the construction fee.
- € 1,174 thousand for a number of insurance sureties issued by Elba Assicurazioni S.p.A. in favour of the Municipality of Santa Vittoria d'Alba (CN) in the interest of Pragaotto S.r.l., as a guarantee of the obligations undertaken for the construction of phase D of the Roero Center.
- € 16,496 thousand for a number of insurance sureties issued by Reale Mutua di Assicurazioni in favour of the Municipality of Caselle Torinese (TO) in the interest of Satac SIINQ S.p.A., as a guarantee of the obligations undertaken for the construction of the Caselle Open Mall.
- € 50 thousand for an insurance surety issued by Lloyd Italico S.p.A. in favour of Agea-Rome in the interest of Società Agricola La Bollina S.r.l., to guarantee the contribution requested for the relocation of its vineyards.

Mention should also be made that Aedes has issued:

- € 39,325 thousand for an autonomous guarantee on first demand issued in favour of Credit Agricole Corporate and Investment Bank in the interest of the associate Pragasei S.r.l., as a guarantee of the loan granted to the latter. It should additionally be noted that Serravalle Outlet Mall Investment S. a r. l., holding 49.9%, has issued an identical guarantee.
- € 406 thousand for the insurance surety issued in favour of the Revenue Agency in the interest of Pival S.r.l. with regard to VAT receivables claimed as refund.
- € 131 thousand for an insurance surety issued in favour of the Revenue Agency in the interest of Aedificandi S.r.l. (discontinued company), with regard to 50% of VAT receivables claimed as refund.

Guarantees on assets owned by the Group

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

Commitments towards third parties

- € 6,688 thousand for the commitment undertaken by Aedes for any extra costs in the construction of the shopping center named "Serravalle Luxury Outlet (PHASE 6)" owned by Pragasei S.r.l.. It should additionally be noted that Serravalle Outlet Mall Investment Sarl, holder of 49.9% in Pragasei S.r.l., has issued a similar commitment.
- € 632 thousand for the commitment undertaken by Aedes in favour of the Municipality of Santa Vittoria d'Alba (CN) for infrastructure work on PEC (Agreed Executive Plan) standard areas, Lot C.

It should be noted that, in respect of the sum of all the undertakings set out in this Note 30, the Group has made provisions for risks where deemed necessary.

NOTE 31. SEGMENT REPORTING

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

Income statement at 30 June 2018 (Euro thousands)

Description (Euro/000)	Investment & Asset Management	Investment & Development Management	Holding	Property assets	Non-property assets	30/06/2018
Gross rental revenue	7,836	4	1	7,841	0	7,842
Margin from sale of properties	2,793	0	0	2,793	0	2,793
Margin from sale of non-property inventory	0	0	0	0	300	300
Margin from sale of investments	0	0	0	0	0	0
Margin from Construction and Project Management services	0	(230)	0	(230)	0	(230)
Revenue from non-core services		0	0	0	0	0
Sundry revenue	114	57	17	188	69	257
Total Revenue	**10,744**	**(169)**	**18**	**10,593**	**370**	**10,963**
Total Direct External Costs	**(3,612)**	**(540)**	**(31)**	**(4,183)**	**(103)**	**(4,287)**
Net Operating Income	**7,131**	**(710)**	**(13)**	**6,409**	**267**	**6,676**
Direct Personnel Expense	(273)	(1,049)	0	(1,322)	(98)	(1,420)
Internal direct capitalized costs on properties	900	120	0	1,020	0	1,020
Total Direct Costs	**627**	**(929)**	**0**	**(302)**	**(98)**	**(400)**
HQ Personnel Expense	0	0	(1,438)	(1,438)	0	(1,438)
Consultancy	(3)	(3)	(1,312)	(1,319)	(139)	(1,458)
G&A	(83)	(128)	(1,573)	(1,784)	(186)	(1,970)
Internal capitalized costs on non-property inventory	0	0	0	0	0	0
Total General Expenses	**(86)**	**(131)**	**(4,323)**	**(4,541)**	**(325)**	**(4,866)**
EBITDA	**7,672**	**(1,770)**	**(4,336)**	**1,566**	**(156)**	**1,410**
Value adjustment of properties	5,652	(370)	0	5,282	0	5,282
Amortization, depreciation, provisions and impairment losses (	(266)	(1)	(935)	(1,202)	(24)	(1,226)
Income/expense on investments	(1,071)	0	0	(1,071)	0	(1,071)
EBIT (Operating profit)	**11,987**	**(2,141)**	**(5,271)**	**4,576**	**(181)**	**4,395**
Financial income/(expense)	(2,552)	(262)	(1,782)	(4,596)	(30)	(4,626)
EBT (Profit before tax)	**9,436**	**(2,403)**	**(7,053)**	**(20)**	**(211)**	**(231)**
Tax/tax charges	0	0	203	203	0	203
Gains/(losses) after tax from assets and liabilities held for sale	**9,436**	**(2,403)**	**(6,850)**	**183**	**(211)**	**(28)**
Gains/(losses) after tax from non-current assets held for sale				0		0
Profit/(loss)	**9,436**	**(2,403)**	**(6,850)**	**183**	**(211)**	**(28)**
Result - Non-controlling interests		(113)		(113)	(1)	(114)
Result - Group	**9,436**	**(2,290)**	**(6,850)**	**296**	**(210)**	**86**

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

Total revenue stated in the Report	**10,963**
Revenue from chargebacks to tenants	1,182
Construction Management costs	280
Project Management costs	104
Cost of sales from property and non-property inventory	5,346
Total revenue from sales and other revenue stated in the financial statements	**17,875**

Total costs stated in the Report	**(9,553)**
Revenue from chargebacks to tenants	(1,182)
Construction Management costs	(280)
Project Management costs	(104)
Capitalized costs for purchases on stock	(860)
Total costs stated in the financial statements	**(11,979)**

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

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

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

Income statement at 30 June 2017 (Euro thousands)

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

Statement of financial position at 30 June 2018 (Euro thousands)

	Investment & Asset Management	Investment & Development	Holding	Property assets	Non-property assets	#######
Investment property and inventory	289,819	154,046	(0)	443,865	2,460	**446,325**
Investments and real-estate funds	36,398	13,040	0	49,438	0	**49,438**
Financial receivables	10,825	1,017		11,842	0	**11,842**
Other fixed assets			1,668	1,668	16	**1,684**
Deferred tax assets			6,240	6,240	0	**6,240**
Trade and other receivables			7,703	7,703	382	**8,085**
Tax receivables			4,885	4,885	87	**4,972**
Cash and cash equivalents and treasury shares			16,378	16,378	23	**16,401**
Total Assets	**337,042**	**168,103**	**36,873**	**542,018**	**2,968**	**544,987**
Payables to banks	113,814	22,745	56,294	192,853	1,060	**193,913**
Payables to other lenders			1,666	1,666		**1,666**
Payables to personnel			1,070	1,070	74	**1,144**
Trade and other payables within the year			27,242	27,242	579	**27,821**
Tax payables			287	287	11	**298**
Deferred tax liabilities			3,760	3,760		**3,760**
Provision for risks and charges			5,036	5,036	10	**5,046**
Equity	**223,228**	**145,358**	**(58,482)**	**310,105**	**1,234**	**311,339**
Total Liabilities	**337,042**	**168,103**	**36,873**	**542,018**	**2,968**	**544,987**

Statement of financial position at 31 December 2017 (Euro thousands)

	Investment & Asset	Investment & Development	Holding	Property assets	Non-property assets	31/12/2017
Investment property and inventory	327,086	150,919	0	478,005	2,276	**480,281**
Investments and real-estate funds	37,234	3,020	0	40,254	0	**40,254**
Financial receivables	0	0	12,921	12,921	0	**12,921**
Other fixed assets	0	0	2,332	2,332	11	**2,343**
Deferred tax assets	0	0	6,420	6,420	(390)	**6,030**
Trade and other receivables	0	0	16,397	16,397	437	**16,834**
Tax receivables	0	0	5,279	5,279	115	**5,394**
Cash and cash equivalents and treasu	0	0	23,081	23,081	160	**23,241**
Total Assets	**364,320**	**153,939**	**66,430**	**584,689**	**2,609**	**587,298**
Payables to banks	149,421	30,180	2,845	182,446	806	**183,252**
Payables to other lenders	0	0	56,001	56,001	0	**56,001**
Payables to personnel	0	0	2,082	2,082	114	**2,196**
Trade and other payables within the y	0	0	23,057	23,057	467	**23,524**
Tax payables	0	0	690	690	41	**731**
Deferred tax liabilities	0	0	4,120	4,120	(411)	**3,709**
Provision for risks and charges	0	0	5,066	5,066	3	**5,069**
Equity	**214,899**	**123,759**	**(27,431)**	**311,227**	**1,589**	**312,816**
Total Liabilities	**364,320**	**153,939**	**66,430**	**584,689**	**2,609**	**587,298**

NOTE 32. IFRS 13

IFRS 13 Fair Value Measurement was published by the IASB on 12 May 2011 and endorsed by the European Union on 11 December 2012 with Reg. 1255/2012.
The standard governs the assessment and measurement of the fair value of items presented in the financial statements. IFRS 13 defines fair value as the exit price, i.e. "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date".
The fair value measurement process takes account of the characteristics of the asset or liability to be measured, referring to the conditions, location, constraints/restrictions on the sale or use of the items in question. Fair value measurement assumes a transaction taking place in a principal market or, in the absence of a principal market, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability.
The most advantageous market is the market that maximizes the amount arising from the sale of the asset, or minimizes the amount paid to transfer the liability, net of transport and ancillary costs. Unlike transport costs, ancillary costs must be considered only in the identification of the most advantageous market and not in the measurement of fair value.
Under IFRS 13:
• Non-financial assets must be measured using the "Highest and best use" method, i.e. taking account of the best use of the assets from the perspective of market participants;
• Liabilities (financial and non-financial) and equity instruments (i.e. shares issued as consideration in a business combination) must be transferred to a market participant at the measurement date. The fair value measurement of a liability reflects non-performance risk of the counterpart entity, including credit risk.
The general rules for preparing fair value measurement techniques should be adjusted based on the circumstances, configured in order to maximize the observable inputs and established in accordance with the measurement method used (multiples method, income method, cost method):
1) Adjusted based on the circumstances: measurement techniques must be applied consistently over time, unless there are more representative alternative techniques for the measurement of fair value.
2) Maximize the observable inputs: inputs are divided into observable and unobservable, providing various examples of markets from which fair values can be calculated.
3) Fair value measurement techniques are classified in three hierarchical levels based on the type of input used:
- Level 1: inputs are quoted prices in active markets for identical assets or liabilities. In this case, prices are used without any adjustments.
- Level 2: inputs are quoted prices or other information (interest rates, observable yield curves, credit spreads) for similar assets and liabilities in active and inactive markets. In this case, price adjustments can be made based on specific factors of the assets or liabilities.
- Level 3: in this case inputs are unobservable. Under the standard, the latter technique can be used only in this case. Inputs for this level include, for instance, long-term currency swaps, interest rate swaps, decommissioning liabilities undertaken in a business combination, etc..
The arrangement of these levels follows a priority hierarchy: attributing the maximum importance to level 1 and the minimum for level 3.
Under IFRS 13, there are three different measurement methods that can be used in the measurement of fair value:
• The market method uses prices and other relevant information for market participants involving identical or comparable assets and liabilities. The models used are the multiples method and matrix pricing;
• The income method is obtained from the discounted sum of future amounts to be generated by the asset. This method provides a fair value that reflects current market expectations on such future amounts;
• The cost method reflects the amount that would be required at the measurement date to replace the service capacity of the asset being measured. Fair value will be equal to the cost that a market participant would incur to acquire or build an asset of adjusted comparable use (taking account of the level of obsolescence of the asset). It should be noted that the cost method can be used only when the other methods cannot be used.
Measurement techniques are applied consistently over time, unless there are alternative techniques that provide a more representative measurement of fair value. When selecting measurement techniques, great importance is attached to the assumptions adopted in the determination of the assets or liabilities.

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

- *Retail;*
- *Office;*
- *Other*.

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

	Discounted Cash Flow		Comparative method		Residual method		Total	
	Book value	Fair Value	Book value	Fair Value	Book value	Fair Value	Book value	Fair Value
Retail	148,790	148,790	770	770	96,256	96,307	245,816	245,867
Office	140,650	140,650	0	0	0	0	140,650	140,650
Other	1,190	1,190	22,058	22,480	35,801	37,120	59,049	60,790
Total	**290,630**	**290,630**	**22,828**	**23,250**	**132,057**	**133,427**	**445,515**	**447,307**

The above amounts do not include inventory that are measured under IAS 2 "Inventory".

The main measurement methods used are the DCF and the Residual Method, while the Comparison Method is used for part of the properties, deemed as being more specific to the type of assets. There follows a breakdown of the measurement methods used:

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

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

- DCF method (approximately 65% of total fair value):
- Retail: the discount period is from 2 to 11 years; a constant 1.40% inflation rate was used over the entire time horizon; the market growth rate was assumed equivalent to the inflation rate. The discount rate used, instead, ranges from 7.00% to 9.00%; the net capitalization rate is between 6.30% and 8.20%;
- Office: the discount period is from 3 to 10 years; a constant 1.40% inflation rate was used over the entire time horizon. The discount rate used, instead, ranges from 5% to 8%; the net capitalization rate is between 3.50% and 5.80%;
- Other: it includes a single property for hotel use; the discount period used is equal to 10 years; a constant 1.40% inflation rate was used over the entire time horizon; the market growth rate was assumed equivalent to the inflation rate. The discount rate, instead, stood at 8%; the gross capitalization rate amounted to 6.60%.

- Residual Method (approximately 30% of overall fair value):
  This assessment method was used almost exclusively for development projects; profit for the developer ranged between 13.00% and 34.00% of development costs, while the net capitalization rate used to determine the final value of the property ranged between 5.50% and 8.50%.

NOTE 33. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Under Consob Communication of 28 July 2006, the Aedes Group did not carry out significant non-recurring transactions in first half 2018.

Note 34. Movements resulting from atypical and/or unusual transactions

In first half 2018, no atypical and/or unusual transactions were carried out by the Group[21].

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

3.13 Annex 1 - Company information

FULLY CONSOLIDATED SUBSIDIARIES

Investment	Registered Office	Share Capital	Equity Interests
Bollina S.r.l.	Serravalle Scrivia (AL) Via Monterotondo, 58	€ 50,000	70% Aedes SIIQ S.p.A.
ATA Consortium	Serravalle Scrivia (AL) Via Novi, 39	€ 10,000	99.33% Aedes SIIQ S.p.A.
Petrarca Fund	-	-	100% Aedes SIIQ S.p.A.
Redwood Fund	-	-	100% Aedes SIIQ S.p.A.
Novipraga SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Pragafrance S.à r.l.	Nice (France) 14, Rue Dunoyer de Séconzac	€ 52,000	75% Aedes SIIQ S.p.A.
Pragaquattro Center SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 54,000	100% Aedes SIIQ S.p.A.
Pragaotto S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Pragasette S.r.l. in liquidation	Milan Via Morimondo 26, Ed. 18	€ 10,000	60% Aedes SIIQ S.p.A.
Pragaundici SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Praga RES S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 100,000	100% Aedes SIIQ S.p.A.
Sedea SIIQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 50,000	100% Aedes SIIQ S.p.A.
SATAC SIINQ S.p.A.	Milan Via Morimondo 26, Ed. 18	€ 620,000	100% Aedes SIIQ S.p.A.
Società Agricola La Bollina S.r.l.	Serravalle Scrivia (AL) Via Monterotondo, 58	€ 100,000	100% Aedes SIIQ S.p.A.

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

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

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

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

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

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

Pragaquattro Center SIINQ S.p.A.

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

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

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

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

Praga RES S.r.l.
company that performs Project and Construction Management services, primarily intercompany. Held 100% by Aedes SIIQ S.p.A..

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

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

Società Agricola La Bollina S.r.l.
operating in the wine business, owner of farmland in the Municipality of Serravalle Scrivia (AL) and land managed through the rental of a farm building in the Municipality of Novi Ligure (AL) and a cellar in the Municipality of Serravalle Scrivia (AL). Held 100% by Aedes SIIQ S.p.A..

ASSOCIATES AND JOINT VENTURES CONSOLIDATED AT EQUITY

Investment	*Registered Office*	*Share Capital*	*Equity Interests*
Aedilia Nord Est S.r.l.	Milan Via Morimondo 26, Ed. 18	€ 8,797,086	56.52% Aedes SIIQ S.p.A.
Borletti Group SAM S.A.	L-1136 Luxembourg Place d'Armes 1T		40% Aedes SIIQ S.p.A.
Efir S.ar.l.	2520 Luxembourg5 Allé Scheffer L	€ 22,279,300	33.33% Aedes SIIQ S.p.A.
Dante Retail Fund	-	-	100% Efir S.ar.l.
Leopardi Fund	-	-	24.389% Aedes SIIQ S.p.A.
Nichelino S.c.ar.l.	Tortona (AL) S.S. per Alessandria 6A	€ 10,000	50% Praga RES S.r.l.
InvesCo S.A.	L-1136 Luxembourg Place d'Armes 1T		28.57% Aedes SIIQ S.p.A.
Pragasei S.r.l.	Milan Via Monte Napoleone, 29	€ 100,000	50.1% Aedes SIIQ S.p.A.
Serravalle Village S.c.ar.l.	Tortona (AL) S.S. per Alessandria 6A	€ 10,000	50% Praga RES S.r.l.
The Market LP SCA	Dogana - Republic of San Marino Via Cesare Cantù 104	€ 26,000	15.38% Aedes SIIQ S.p.A. 11.97% InvesCo S.A.

Aedilia Nord Est S.r.l.
held 56.52% by Aedes SIIQ S.p.A., which owns an exclusive property in Venice Cannareggio. Also holder of 100% in Pival S.r.l., owner of a building plot in Piove di Sacco.

Borletti Group SAM S.A.
company held 40% by Aedes SIIQ S.p.A.., which manages and coordinates "The Market".

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

Leopardi Fund
fund with a property portfolio intended for mixed use, held 24.389% by Aedes SIIQ S.p.A.. Also owner of: (i) 100% of Alpe Adria S.r.l. and Agrigento S.r.l., holders of business units; (ii) 100% of Galileo Ferraris 160 S.r.l., owner of an area in Naples; (iii) 73.45% in Tolcinasco Golf S.r.l., owner of the golf course bearing the same name; (iv) 100% of Rho Immobiliare S.r.l., owner of the shopping center "Rho Center"; (v) 100% of F.D.M. S.A., owner of an exclusive asset in Forte dei Marmi (LU); (vi) 100% of Rubattino 87 S.r.l., engaged in the development, construction and sale of areas in Milan, and owner of apartments in Milan; (vii) 50% in Rubattino Ovest S.p.A., through Rubattino 87 S.r.l., a joint venture engaged in the development of free residence in via Rubattino - West Area; (viii) 50% in Via Calzoni S.r.l. in liquidation, owner of areas in Bologna; and (ix) 49% in Trixia S.r.l., owner of areas and of a farmhouse in the province of Milan, and owner of part of the Tolcinasco Castello, located in Basiglio (MI).

InvesCo S.A.
company owned 28.57% by Aedes SIIQ S.p.A. involved in the activities related to "The Market".

Nichelino S.c.ar.l. and Serravalle Village S.c.ar.l.
consortium companies established by the Temporary Association of Companies between Praga RES S.r.l. (former Praga Construction S.r.l.) and Itinera S.p.A., each holding 50%, for the construction of a shopping center in Nichelino (a) and of Phase A of the Serravalle Outlet Village.

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

The Market LP SCA
company owned, both directly and indirectly, 40% by Aedes SIIQ S.p.A. involved in the activities related to "The Market".

3.14 Annex 2 - Transactions with related parties

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

Counterpart	Non-current financial receivables	Cash and cash equivalents	Current trade receivables	Current financial payables	Non-current financial payables	Trade and other current payables	Revenue from sales and services	Other revenue	Costs for raw materials and services	Personnel expense	Financial income	Financial expense
Parent companies												
Augusto S.p.A.	0	0	101	86	10,000	52	9	18	(4)*	0	0	(251)
Total from Parents	**0**	**0**	**101**	**86**	**10,000**	**52**	**9**	**18**	**(4)**	**0**	**0**	**(251)**
Associates												
Aedilia Nord Est S.r.l.	1,708	0	18	0	0	0	5	1	0	0	32	0
Alpe Adria S.r.l.	0	0	7	0	0	0	0	0	0	0	0	0
Leopardi Fund	0	0	894	0	0	0	0	0	0	0	0	0
Mercurio S.r.l. - in liquidation	0	0	0	0	0	1	0	0	0	0	0	0
Nichelino Village S.c.ar.l.	1,017	0	0	0	0	1,434	0	0	(281)	0	0	0
Parco Grande SCARL	0	0	0	0	0	0	0	0	0	0	0	0
Pival S.r.l.	0	0	28	0	0	0	5	0	0	0	0	0
Pragasei S.r.l.	9,117	0	0	0	0	0	(30)	0	0	0	257	0
Serravalle Village S.c.ar.l.	0	0	0	0	0	(19)	0	0	19	0	0	0
The Market Propco S.r.l.	0	0	29	0	0	0	(46)	0	0	0	0	0
Total from Associates	**11,842**	**0**	**976**	**0**	**0**	**1,416**	**(66)**	**1**	**(262)**	**0**	**289**	**0**
Other Related Parties												
Banca Profilo S.p.A.	0	28	0	7	4,912	0	0	0	0	0	0	(125)
Sator Immobiliare SGR S.p.A.	0	0	226	0	0	24	0	0	0	(57)	0	0
Società Investimenti Mobiliari Uno SS	0	0	0	1	687	0	0	0	0	0	0	(18)
Dentons Europa Studio Legale Tributario	0	0	0	0	0	1	0	0	(1)	0	0	0
VI.BA. S.r.l.	0	0	1	0	0	0	0	0	0	0	0	0
Arepo Ad Sarl	0	0	2	0	0	0	0	1	0	0	0	0
Tiepolo S.r.l.	0	0	1	0	0	0	0	1	0	0	0	0
Total Other Related Parties	**0**	**28**	**230**	**8**	**5,599**	**25**	**0**	**2**	**(1)**	**(57)**	**0**	**(143)**
TOTAL RELATED PARTIES	**11,842**	**28**	**1,307**	**94**	**15,599**	**1,493**	**(57)**	**21**	**(267)**	**(57)**	**289**	**(394)**

3.15 Annex 3 - Investments in companies measured at equity

Investment	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Associates				
Aedilia Nord Est S.r.l.	4	9,233	2,835	24
EFIR S.ar.l. - Dante Retail Fund	57,288	314	0	50
Dante Retail Fund	118,560	12,940	70,761	936
Leopardi Fund	35,467	7,457	25,493	3,149
Pragasei S.r.l.	43,258	12,923	47,754	5,886
Total	**254,577**	**42,867**	**146,843**	**10,045**

Investment	Revenue from sales and services	Other revenue	Change in inventory	Costs for raw materials and services
Associates				
Aedilia Nord Est S.r.l.	160	0	60	(117)
EFIR S.ar.l. - Dante Retail Fund	0	0	0	(21)
Dante Retail Fund	4,636	39	0	(641)
Leopardi Fund	642	2	0	(796)
Pragasei S.r.l.	3,438	0	0	(1,502)
Total	**8,876**	**41**	**60**	**(3,077)**

Investment	Amortization and depreciation	Write-downs and allocations	Net financial income/(expense)	Income/(expense) from investment	Tax	Profit/(loss) for the period
Associates						
Aedilia Nord Est S.r.l.	0	0	(2)	0	(1)	95
EFIR S.ar.l. - Dante Retail Fund	0	0	(2)	3,437	(2)	3,408
Dante Retail Fund	0	(100)	(908)	6	0	2,645
Leopardi Fund	0	(2,613)	(158)	(2,399)	0	(5,519)
Pragasei S.r.l.	0	(53)	(895)	0	(112)	789
Total	**0**	**(2,766)**	**(1,965)**	**1,044**	**(115)**	**1,418**

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

Investment	% of investment	NFP 100%	NFP pro rata
Aedilia Nord Est S.r.l.	56.52%	185	105
EFIR S.ar.l. - Dante Retail Fund	33.33%	242	81
Dante Retail Fund	33.33%	(58,959)	(19,651)
Leopardi Fund	24.39%	(24,426)	(5,957)
Pragasei S.r.l.	50.10%	(33,787)	(16,927)
Total		**(116,745)**	**(42,349)**

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

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

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

- the adequacy in relation to the characteristics of the Aedes Group and
- the effective application of the administration and accounting procedures for the preparation of the Condensed Consolidated Half-Year Financial Statements during the first half of 2018.

We also certify that

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

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

Milan, 1 August 2018

The Chief Executive Officer	*The Financial Reporting Manager*
Giuseppe Roveda	**Achille Mucci**

[22] pursuant to art. 81-ter of Consob Regulations no. 11971 of 14 May 1999 as subsequently amended and supplemented

3.17 Independent Auditors' Report

Deloitte.

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**RELAZIONE DI REVISIONE CONTABILE LIMITATA
SUL BILANCIO CONSOLIDATO SEMESTRALE ABBREVIATO**

**Agli Azionisti della
Aedes SIIQ S.p.A.**

Introduzione

Abbiamo svolto la revisione contabile limitata del bilancio consolidato semestrale abbreviato, costituito dal prospetto della situazione patrimoniale-finanziaria consolidata, dal conto economico consolidato, dal conto economico complessivo consolidato, dal prospetto dei movimenti di patrimonio netto consolidato, dal rendiconto finanziario consolidato e dalle relative note illustrative della Aedes SIIQ S.p.A. e controllate (il "Gruppo Aedes") al 30 giugno 2018. Gli Amministratori sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. E' nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata del bilancio consolidato semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità ai principi di revisione internazionali (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Aedes al 30 giugno 2018 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

DELOITTE & TOUCHE S.p.A.

Giacomo Bellia
Socio

Milano, 3 agosto 2018

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